



River Tourism on the Tippecanoe River A Business Plan

Completed for the Kosciusko Leadership Academy

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River Roots Executive Summary

The idea for River Roots was born from an appreciation of the natural resources and beauty that surround us in Kosciusko County. The county is home to more than 100 lakes and dozens of streams that provide recreation, wildlife habitat and beauty for those of us lucky enough to live and visit here.

In particular, the Tippecanoe River is the basis for this project. Under the guidance of the Center for Lakes and Streams at Grace College, a large section of the river has been cleared of brush and logs, making it an excellent route for canoe and kayak journeys. Using and enjoying the river go hand in hand with keeping it clean and navigable.

River Roots is a plan for a canoe and kayak rental business that uses the newly cleaned area of the Tippy River, from the Chinworth Bridge to Route 19. About a four-hour journey on the water, a canoe livery would make it possible for families, friends, groups and businesses to travel the river during the warm-weather months. In addition, the business owner would take on the responsibility of keeping the river clear of logs and branches as a part of the business operation.

River Roots is designed to launch and operate as inexpensively as possible, and that is reflected in the financial estimates for start-up and running the business. Since it's a seasonal business, it's likely that River Roots will be a second income for an individual, a couple or a family. This could be a great opportunity for a teacher to operate during the summer break from school. The business will provide modest income, the chance to manage a business, summer jobs for students, and the chance to enjoy the river and outdoors.

The business is designed to attract families mainly, but will also appeal to groups of friends or groups like scout troops, and companies looking for recreation or teambuilding activities.



River Roots

River Roots Canoe Livery & Recreation is a small business that rents canoes and kayaks for trips on the southwest stretch of the Tippecanoe River, roughly between the Chinworth Bridge to Route 19, in Northern Indiana. The seasonal business operates during the warm-weather months, and it is committed to keeping the stretch of river used by its customers open and available for use. River Roots is designed to operate with minimal staffing and startup costs. The ideal owner is anticipated to be someone who loves the outdoors, nature and wants to share that with others.

Mission

River Roots Canoe Livery and Recreation provides outdoor fun through canoe and kayak rentals on the Tippecanoe River.

Goals & Objectives

River Roots' goal is to provide healthy, fun recreation on the river so that individuals, families and groups can enjoy the outdoors, learn more about the river and spend time together. The business will accomplish this by providing competitively priced kayak and canoe rentals and friendly, helpful service in a great environment. Additionally, because River Roots is based on sharing the river with others, the business will help keep the river clear of obstructions by removing logs, branches, etc. at the start of each season. Financially, the business is designed to start modestly and build to match the owner's appetite to expand the operation.

Business Philosophy

River Roots is based on a love of nature, the waterways of Northern Indiana and outdoor recreation. This philosophy means that staff and guests want to enjoy the river and treat it with respect so that everyone can enjoy this resource.

Considerations before starting

- Based on looking at other livery businesses in the area and the financial projections, this business will produce modest monetary returns, in addition to being seasonal. It's likely that love for the outdoors and the river will be motivators beyond the financial.
- Return on the initial startup costs will likely be slow, based on projections, so financing or cash for startup expenses and initial operating expenses will be critical to success.
- To keep startup costs to a minimum, partnering with another business at its location could help minimize risk.

Marketing

The Setting

Kosciusko County, Indiana is home to more than 77,000 year-round residents. With 100 lakes in the county alone, the population balloons in the summer months. Recreational activities in the precious warm-weather months are popular.

Awareness of water quality and preserving natural resources is growing in the area, mainly through the Center for Lakes and Streams at Grace College, which conducts research, publicizes clean water issues and provides education at area schools and at Grace College. The area of the Tippecanoe River that this business will use was cleared through the efforts of the Center for Lakes and Streams.

Features and Benefits

River Roots features no-hassle outdoor recreation in an unexpected part of Kosciusko County. Customers can spend an afternoon paddling along the river for fun, be delivered to the site with all the equipment they need, and be picked up at the end of the journey.

Benefits to using River Roots include:

- Enjoying healthy outdoor fun with family and friends
- Enjoying canoeing or kayaking without the expense and hassle of buying, maintaining and storing equipment
- Studying nature up close during a river journey

Economics

With a healthy population base, particularly in peak season summer months, recreational activities, particularly water-related activities are popular for full-time and summer residents of the area. Steady employment at the county's orthopedic companies and their suppliers contributes to population growth, as does the influx of summer visitors.

The proposed business would be the only canoe livery using the area of the Tippecanoe River between Old Road 30 and State Road 19. Indirect competition comes from other recreational activities in the area: boating and other lake activities, golf, bicycling, outdoor sports leagues like baseball and soccer leagues.

Barriers to entering this business are primarily set-up costs for the business and equipment, and cash to run the business while sales ramp up. As described later, canoe and paddle purchases ramp up as the season progresses, spreading equipment acquisition costs over a period of months.

Target Market

Customers for this business will fall into a few categories.

Families—At \$40 to rent a canoe for a four-hour river trip, River Roots provides relatively low cost family entertainment. A canoe can typically hold two adults and two small children.

Individuals—Individuals, couples and friends could enjoy a trip on the river without the hassle of owning and transporting their own equipment.

Groups—Scout troops, school groups and church youth groups could use the canoe trips for nature study and recreation.

Corporate Groups—Corporate groups could use the canoe trips for teambuilding and recreation.

Location

Location for this business has to balance between low cost and good visibility. To keep costs low, especially since this is a seasonal business, a rental space will probably be preferable to buying or building a facility.

One possible location is connected to the new Visitor's Center at Creighton Brothers. The new center is located on Old Route 30 east of Warsaw. The new center is right near the Chinworth Bridge, provides a picturesque setting for picnics before or after a canoe trip, and has good visibility on the road. Summer and winter storage space is available for rent, and a storefront location could be set up as part of the visitor's center. This location is also ideal because the drop off is adjacent to the storefront, necessitating just one trip, for pick up only.

Marketing

River Roots will be marketed as a recreational activity on the beautiful Tippecanoe River.

Marketing startup materials will include basic items:

- Logo development
- A small brochure
- Signs for the storefront and vans
- Business cards and digital letterhead
- T-shirts for staff
- Digital ads

To keep costs down, basic traditional marketing should include

- Low cost digital ads on local news and visitors sites including Ink Free News
- Brochure drop off at visitors' centers in the area, campgrounds and hotels
- Contact with company human resources directors to alert them to River Roots as a teambuilding activity
- Launch event at the beginning of the season—possibly sponsorship of an activity with the Center for Lakes and Streams

Social Media marketing will be the most effective for this business, for the lowest cost. A Facebook page will be developed and a campaign to build visitors and activity on the site. The Facebook page will also provide a forum for people to share their pictures and stories about their river trip and build interest and traffic.

Operations

Plenty of details should be considered in setting up and operating for River Roots.

Location

- Renting space for the storefront and storage would help limit the initial investment as well. The retail operation should be in an area that is well traveled and visible.
- Customers will need access to restrooms at drop off and pickup points.
- The business will need to store boats for the winter if the facility rental for the business doesn't include year-round storage.

Permits, Certifications and Insurance

- Non-motorized boats do not require a state license or registration.
- Staff should have, at a minimum, first aid and CPR certification. Staff who will be on the water with participants should be trained in "boat over boat" rescue, so that they can flip a capsized canoe or kayak back over and help the paddler to get back in, all from their own boat.
- It is absolutely imperative to consult with an insurance agent who is familiar with outfitters and rental operations to be sure the business is adequately protected. Liability insurance cost runs approximately \$2,000 annually for the scope of business outlined here.
- Customers should sign a waiver releasing the business from liability.

Staffing

This plan anticipates hiring two to three crew members to handle the following tasks.

- Reservations/trip planning
- Guest services/equipment check out and return
- Shuttle Drivers
- Trip guides
- Bookkeeping/office work
- Equipment cleaning and maintenance

Transportation

Customers will be shuttled to the drop-off point (depending the location of the business) and picked up at the take-out point. To be most efficient, only shuttle guests once per trip—either drive paddlers to the put-in and have them paddle back the location or have them paddle from the storefront and provide a shuttle at the end of trip back to the start.

Setting up a Business

Other considerations needed:

- Financing—either savings, a loan or a combination
- A business plan to help obtain a loan
- An EIN (Employer Identification number) from the IRS, which is required to open a bank account
- A Sales Tax License from the municipality where the business is located

Equipment

- Used equipment will be less expensive than buying new. This plan is based on purchasing 24 canoes and 24 kayaks over the first season. Most people prefer sit-in kayaks, rather than sit on top.
- Life jackets should be new, kept in good condition and cleaned regularly.
- The business will also need office supplies, including clipboards, a computer, pens and paper, phones, and a system for accepting payments such as Square, that works with an Ipad.
- In addition to regular utilities, the business will need internet access, accounting software and IT support.
- The plan suggests GPS equipment placed in a number of the canoes and kayaks to keep track of them on the river.
- Team members will communicate via two-way radio throughout the day.

Business Operations

The business will operate as a seasonal business in three parts: Pre, Peak and Post seasons. The start/end times of these phases will vary from year to year depending on the weather. It is likely that Preseason will be April, Peak Season will be May through September and Post Season will be October.

During Preseason, daily operations will be focused on preparing the business for Peak Season. Activities will include clearing the Tippy River of major logs from the winter, preparing the storefront for customers, preparing vehicles and equipment and by-appointment rentals for early season customers.

During Peak Season, daily operations will be focused on canoe/kayak rentals during regular business hours. The business will operate the storefront where customers will pay for rentals, sign liability release forms, and then be loaded into a 15-passenger van for transport to the drop-off site. Crew members will unload the canoe/kayaks for customers and help them launch into the Tippy River for their journey. Crew members will pick up customers and retrieve/inventory all equipment from the Route 19 Bridge, load customers into the van and return them to their vehicles parked at the storefront.

During Post Season, daily operations will be focused on preparing the business for the winter. Activities will include cleaning and maintenance of vehicles and equipment, storing equipment and clearing the Tippy River of major logs from the summer.

Production

Hours of Operation

Season	Days of Week	Hours
Preseason	Weekends Only	As Needed
Peak Season	Monday-Tuesday	Closed
	Wednesday-Thursday	10am-4pm
	Friday-Sunday	8am-6pm
Post Season	Weekends Only	As Needed

Peak Season Daily Operations

The owner/operator should expect to arrive about 30 minutes prior to opening time to open the storefront. Crew members should arrive 30 minutes prior to open to prepare for the day's activities.

Once the storefront opens the owner/operator will begin serving customers by taking rental orders, obtaining liability release documentation, and issuing lifejackets and paddles. The

Owner/operator would then let the crew know how many canoes/kayaks to load for the first trip. Next, crew members will load equipment and pick up customers at the storefront. The crew will transport customers and equipment to the drop-off point and help them launch for their trip down the Tippy River.

In the meantime, the owner/operator will continue to take rental orders and schedule customers, relaying load-out information to the crew via two-way radio. This process will continue until the last load leaves for the day, typically no later than 2 pm.

At midday, the first load of customers will be ready for pick up from the Route 19 Bridge. Crew members will drive to the site, pick up customers and equipment, and return to the storefront. These activities would continue until the last load of customers is picked up from the Route 10 Bridge site.

Communications and Monitoring Technology

The owner/operator and crew will require long-range two-way radios to communicate throughout out the day.

In addition, the business should consider and implement GPS tracking capabilities on some of the canoes/kayaks. Many companies offer devices that allow tracking of a vehicle via an iPhone or Android app. Ensuring that at least one canoe/kayak per group is GPS enabled will enable staff to monitor the location of each group on the river, contribute to efficient and customer-friendly pick-up operations, and enhance safety for customers.

Location

Primary Storefront

The business will require a primary storefront located in a high-traffic area preferably next to other recreational centers or businesses. Ideally, this location will be close to the Chinworth Bridge or another drop-off point, have ample parking and restrooms. This facility will need to have enough storage for life jackets and paddles for customers, but otherwise can have a small footprint.

Operating Facility

An operating facility will be necessary to store and secure equipment during non-business hours. This facility should be located in easy driving distance from the storefront, and have ample room to store and protect equipment and vehicles.

Storefront/Operating Facility

Ideal, but more difficult to achieve would be a storefront with an operations area adjacent or nearby.

Legal Environment

- **Licensing and bonding requirements** – There are no licensing requirements for a business of this type beyond normal incorporation (LLC) and registration with the State of Indiana as a small business

- **Permits**– There are no formal permits required to operate this business, however the business would do well to operate a portable restroom at the Route 19 bridge for customers who have completed their journey. The Indiana Department of Natural Resources owns the take-out site, and has indicated that placing a portable restroom there would be allowed.
- **Health, workplace or environmental regulations** – OSHA regulations on lifting and safety for crew would need to be followed. Crew members would need to be CPR/first responder certified.
- **Special regulations** – Customers would need to be informed about DNR regulations for canoe/kayaking on the Tippy river, covering littering, interacting with wildlife, etc.
- **Zoning or building code requirements** – These regulations would only apply if the owner decided to build a facility.
- **Insurance coverage** – Given the nature of the business, limited liability insurance will be necessary for this business to operate.
- **Trademarks, copyrights or patents** – It isn't likely that this business would need to trademark or patent anything. River Roots or any name chosen should be researched to make sure it is available for this type of business in this area.

Personnel

- **Number of employees** – 1 owner/operator and two to three crew members
- **Type of labor** – Crew members could be unskilled. A commercial driver's license would be preferred for the van and trailer driver.
- **Source for labor** – College students would be excellent candidates for crew members. The owner/operator could use this as a second business or income when starting out—making this an excellent opportunity for a teacher who wanted a summer business.
- **Pay structure** – Owner/Operator pulls salary from business. Crew members would be paid on an hourly basis with no benefits.
- **Training** – Crew and owner will need experience with canoes/kayaks, driving 15-Passenger Van + Trailer and with using a chainsaw and other tools.

Management

This business is designed for simplicity and ease of operation. The owner will manage the business and staff. All crew members should be cross trained to handle each function, so that they can be scheduled efficiently and can fill in when another crew member is absent.

Professional and Advisory Support

The owner will need support, particularly at start up, from others, including:

Attorney—To provide help with licensing, setting up the business, reviewing contracts and leases

Insurance Agent—To provide initial liability insurance

Banker—To provide financing for the business if necessary, business checking and credit cards and cash for retail operations

Startup Expenses & Capitalization

Below is an estimate of the startup expenses for this business:

	Assumptions	Estimated Cost	Notes
Vehicles	1 15-passenger van	\$ 10,000.00	Mapped to Vehicles
Trailers	1 trailer to hold 8 canoes/kayaks	\$ 5,000.00	Mapped to Vehicles
Canoes	24	\$ 12,000.00	Mapped to Equipment @ \$500 EA
Kayaks	24	\$ 12,000.00	Mapped to Equipment @ \$500 EA
Canoe Paddles	48	\$ 1,440.00	Mapped to Equipment @ \$30 EA
Kayak Paddles	24	\$ 2,160.00	Mapped to Equipment @ \$90 EA
Life jackets	150	\$ 3,000.00	Mapped to Equipment @ \$20 EA
Seat Cushions	24	\$ 480.00	Mapped to Equipment @ \$20 EA
GPS Device	12	\$ 3,000.00	Mapped to Equipment @ \$250 EA
Office Equipment	Computer, iPad, Square	\$ 1,200.00	
River Maintenance Equipment	Chain saws, axes, hand winch, floats	\$ 1,200.00	
Legal Fees	Price varies on type of business	\$ 3,500.00	
Website Build	\$300/year plus initial design \$500 on up	\$ 800.00	http://www.weebly.com/#plans/compare
Retail Front	Options	Unknown	

Financial Plan

12-Month Profit and Loss Projection

The business operates seasonally as defined in the Operating Plan. The Financial Plan is based on a capacity utilization model.

With a single van and one trailer holding up to eight canoes or kayaks, it is estimated that the crew could make six drops per day. As none of the units can be reused during the same day (the journey is four hours long), a maximum capacity of 48 units/day could be sold. Based on a 48-unit maximum, a percent utilization factor was developed based on seasonality, knowing that the highest volumes will occur in July and August and the lowest volumes in April and October. Excel files with complete models are included with the plan.

In summary, the Year One total unit volume of canoe and kayak rentals is projected at 1,600 units each for a total of 3,200 unit sales, illustrated below.

Year 1 - Total Profit / (Loss)

Income	Amount
Canoe Rentals	\$ 64,000
Kayak Rentals	\$ 48,000
Total Income	\$ 112,000
Expenses	
Salaries and Wages	\$ (57,247)
Operating Expense	\$ (31,001)
Finance Expense	\$ (19,015)
Capital Expense	\$ (52,280)
Total Expense	\$ (159,543)
Total Profit / (Loss)	\$ (47,543)
Owner's Salary	\$ 21,600
Total Profit/Loss Less Owner's Salary	\$ (25,943)

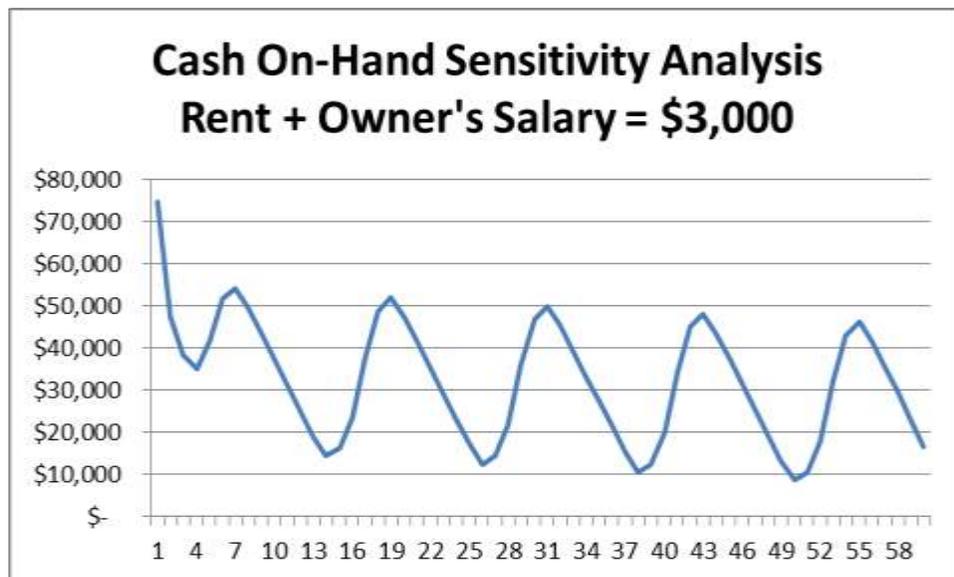
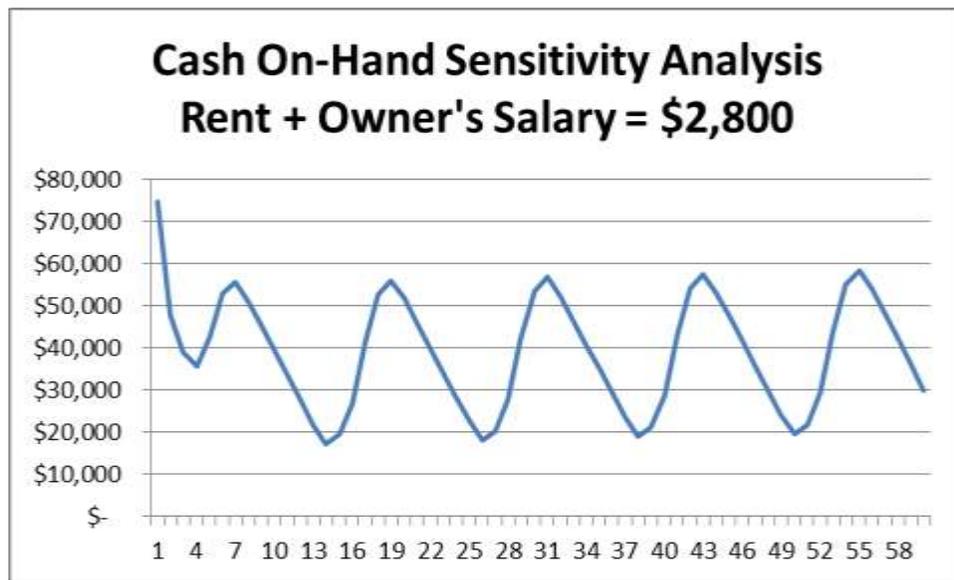
The 12-month Profit and Loss Statement demonstrates a loss primarily attributed to the Capital Expense required to start the business. To fairly assess the expected performance of the business, review the Year 2 profit and loss statement as well, noting that this statement would show performance of the business in years 2-5.

Year 2 - Total Profit / (Loss)

Income	Amount
Canoe Rentals	\$ 64,000
Kayak Rentals	\$ 48,000
Total Income	\$ 112,000
Expenses	
Salaries and Wages	\$ (57,247)
Operating Expense	\$ (31,001)
Finance Expense	\$ (19,015)
Capital Expense	\$ -
Total Expense	\$ (107,263)
Total Profit / (Loss)	\$ 4,737
	\$ 21,600
Total Profit/Loss Less Owner's Salary	\$ 26,337

Projected Cash Flow

As the business is seasonal, cash flow will be cyclical. In addition, the owner's salary from the business must be optimized so as not to cause cash shortfalls in the off season. The other high-cost fixed expense is the building rental. While the business is seasonal, the model assumes the rental as a long-term lease with equal monthly payments. A sensitivity analysis of the owner's salary and rental expense's effect on financial projections shows optimal levels for these two expenses. The chart below shows the break-even point of these expenses with a combined total of \$2,800/month. As these expenses exceed this level, the cash on hand balance begins a downward trend as shown in the second chart with the level set at \$3,000/month.



Opening Day Balance Sheet-Year One

Assets	<u>Base Period</u>	<u>End of Year One</u>
Current Assets		
Cash	-	21,853
Accounts Receivable	-	-
Inventory	-	-
Prepaid Expenses	-	-
Other Current	-	-
	<hr/>	<hr/>
Total Current Assets	-	21,853
Fixed Assets		
Real Estate	-	-
Buildings	-	-
Leasehold	-	-
Improvements	-	5,000
Equipment	-	36,480
Furniture and Fixtures	-	1,000
Vehicles	-	15,000
Other Fixed Assets	-	-
	<hr/>	<hr/>
Total Fixed Assets	-	57,480
Total Assets		
Less: Accumulated Depreciation	-	(9,000)
	<hr/>	<hr/>
	<hr/>	<hr/> <u>70,333</u>
Liabilities and Owner's Equity		
Liabilities		
Accounts Payable	-	-
Notes Payable	-	-

		-	62,478
	Mortgage Payable	-	-
	Line of Credit Balance	-	-
	Total Liabilities	-	62,478
	Owner's Equity		
	Common Stock	-	-
	Retained Earnings	-	7,855
	Dividends Dispersed	-	-
Total Liabilities and Owner's Equity	Total Owner's Equity	-	7,855
		-	70,333

Key Financial Metrics and Assumptions

While the business is financially viable, it's important to understand the financial model assumptions and associated metrics. The best way to approach this is to use the files included with this plan that model the business finances. A few of the key assumptions can be modified to show their effect on the overall finances of the business.

In general, this business is suited to an owner-operator model—probably someone who has a passion for the outdoors and can dedicate the summer months to the business. For a roughly seven-month period of work, the owner-operator can expect to draw a salary of approximately \$22,000/year or \$1,800/month, based on unit sales forecast assumptions.

The Five-year Net Present Value (NPV) less the owner's salary is approximately \$40,000, with an Internal Rate of Return (IRR) of about 5%. However, if the owner's salary is considered as a business expense, as in an owner-manager model, the NPV is approximately negative \$45,000 with a negative IRR. This is the key metric highlighting that this business does not make financial sense as an owner-manager model.

Appendix

Center for Lakes and Streams at Grace College

The Center for Lakes and Streams at Grace College is dedicated to making the area's lakes and streams clean, healthy, safe and beautiful. The center was an inspiration for this project. A debt of gratitude goes to Nate Bosch, Ph.D., Director of the Center for Lakes and Streams, who helped us focus our work.

William P. Gordon Institute for Enterprise Development at Grace College

Additional thanks go to Alan Grossnickle, DBA, Director of the institute, for helping us frame our business plan.

Business Plan

This business plan was based on a template available for free from the SCORE—The Service Corps of Retired Executives. SCORE is an excellent resource for materials and advice on starting and running a business. The River Roots plan includes items the team thought germane to setting up a canoe livery; anyone starting a business would need to consider additional specific details that SCORE could help determine.

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