



Community Success Stories

Frontenac Shores

www.frontenacshores.com

Cloyne, ON

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INTRODUCTION

This community success story case study is part of The Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

After having owned and operated Twin Pine Resort & Campground for 11 years, Patricia and Dave Storms decided that their rural lakefront property located on the shores of Mississagagon Lake failed to maximize its full potential. The couple had struggled to operate a sustainable rural business given the highly cyclical tourism industry characteristic of the Land O' Lakes region. As a result, after three years of extensive research and planning, Patricia and Dave Storms settled upon a fractional ownership business model. The venture has since evolved into Frontenac Shores – Eastern Ontario's first fractional ownership cottage resort. The operation combines a traditional 'rustic cottage experience' with lavish accommodations and modern amenities. Owners are able to enjoy the added benefit of international vacation exchange privileges and the opportunity to earn rental income on their share of the cottage. At the end of the day, the organization's property management service takes care of all maintenance hassles associated with 100% cottage ownership, thereby allowing owners to have more time doing what they enjoy most: relaxing at cottage.

MISSION & VISION: THE UNIQUE FRONTENAC SHORES OFFERING

Frontenac Shores remains firmly grounded in its overriding mission of providing owners with the most luxurious and prestigious fractional ownership experience available in the Eastern Ontario region. In order to fulfill this mission, the company has devoted significant investment towards achieving high quality products and services in four primary areas: lakeshore property, log cabin infrastructure, furniture and fixtures, and relationships with partnering organizations.

- **Property:** Having held the land on spring-fed Mississagagon Lake for 11 years prior to setting up Frontenac Shores, Patricia and Dave Storms had the advantage of converting 2000 feet of pristine natural shoreline into a business venture at roughly no cost at all.¹ Purchased in 1996

¹ Slight tree trimming has taken place across the property in order to further 'enhance' some of the resort's picturesque views. The cost of such efforts has been minimal, however. As a result, the financial impact of such

for approximately \$500,000, such undeveloped land today might prove too costly an acquisition for a budding entrepreneur hoping to launch a venture of similar capital-intensiveness.

- **Infrastructure:** After an extensive selection process in which over 11 log cabin manufacturers were considered, Frontenac Shores opted to go with the most authentic provider in Canada, Confederation Log Homes. Confederation is renowned for the longevity of its products and its extensive after-sales service given the units come with a 50-year warranty, undoubtedly, a critical characteristic that will prove crucial to the sustainability of the fractional ownership operation.
- **Furniture & Fixtures:** Further contributing to the luxurious experience sought by Frontenac Shores, management has made a conscious effort to source its furniture and fixtures from Canadian suppliers. As a result, cabins have been outfitted with only the highest quality items including Canadian-made leather furniture, Broil King barbecues, and Paderno pots & pans. These articles add to the overall grandeur of the cottage experience provided by the company.
- **Partnering Organizations:** Partnerships with professional companies have significantly helped produce the high quality status of Frontenac Shores' fractional ownership experience. IBI Management has lent architectural, design and landscaping advice to the organization while Paterson Engineering has provided helpful environmental impact assessments aiding the company to modify sections of the property's shoreline. Finally, the property management service company run by Patricia Storms ensures that the hassles of cottage ownership, such as tax payments, lie with a third party and not the owner.

KEY FACTORS LENDING TO THE ORGANIZATION'S SUCCESS TO DATE

To compete against other fractional ownerships throughout the province of Ontario, Frontenac Shores has positioned itself using a business model which depends upon a superior product. Contrastingly, potential buyers in Muskoka might settle for pine cupboards and linoleum counter tops merely to say they own a piece of the esteemed area. Evident from the organization's mission, Frontenac Shores has succeeded in offering clientele the most luxurious and prestigious fractional ownership experience available in the Eastern Ontario region.

This success would not be possible, however, were it not for Frontenac Shores' own implementation of the fractional ownership business model. The old adage 'build it and they will come' is an operating principle that has traditionally failed business owners in rural Ontario. Entrepreneurs have tended to underestimate the significant capital requirements and time constraints necessary to set up a viable business. Fractional ownership provides an operational framework that ensures financial commitment prior to taking on any form of monetary liability, such as the burden associated with financing a significant construction contract. At minimum, management has the ability to ensure finances break even by obtaining owner commitment prior to the construction of any accommodations. In order to obtain such critical pre-construction financial dedication from future owners, Frontenac Shores has successfully employed an all-encompassing marketing strategy which draws in potential customers to

efforts may be neglected in order to avoid clouding an entrepreneur's bird's-eye analysis of the feasibility pertaining to a similar venture.

the organization through promotion of the company's dedication to superior quality.² Ultimately, the model ensures further success in lieu of the fact that Frontenac Shores will achieve a higher occupancy rate than traditional resorts that have often struggled to maintain consistent attendance levels throughout the tourist season. In an important discovery, it should be noted that as a side benefit to rural economies, fractional ownership provides a feasible means for older resorts to obtain capital in order to facilitate the replacement of antiquated cottages, septic tanks and water systems. The end result provides for new buildings and updated equipment, thereby ensuring increased economic development and environmental protection in rural Ontario.

The relevant experiences of Patricia and Dave Storms are unquestionably linked to the success of the Frontenac Shores business model. Mrs. Storms previously worked in a managerial role at Bell Canada for over 20 years, while her husband Mr. Storms holds over 17 years of relevant experience in resort management, not to mention an extremely useful background in trade skills.

KEY SUCCESS INDICATORS & BENCHMARKS MOVING FORWARD

At the outset of operations, Frontenac Shores set three distinct phases of corporate objectives aimed at achieving the organization's overall financial goals. The company originally hoped to 'build out' 34 cottages over the property in the next three to five years. 'Building out' refers to the company's commitment in constructing a new log cabin once sales levels reach roughly 70% of total occupancy (on a per cabin basis). Due to the deteriorating economic outlook, however, the company now anticipates a 5-year 'build out' to be a more realistic projection. Phase 1, which aimed to 'build out' the company's first six log cabin units before July 2008, was achieved on schedule. The company has now entered Phase 2, which seeks to gain commitment for construction of an additional 12 units over the next two years. Phase 3 targets the final 'build out' of the remaining 18 units. Overall, management hopes to achieve total 'sell out', or full occupancy, within the next 7 to 8 years. Total returns on the development project are estimated to be roughly 3 to 4 million dollars (attributable to all shareholders involved).

STRATEGIC IDEAS FUNDAMENTAL TO THE COMPANY'S LONG-TERM STRATEGY

While managed as a distinct business unit, the Frontenac Shores property management operation provides a business opportunity worthy of long-term sustainability. Upon purchase of a fractional ownership unit, owners are required to remit an annual membership fee in order to pay for management's oversight and maintenance of the property. Overall, such an opportunity presents not only the ideal income stream for a retiree but also generates significant employment opportunities for the surrounding rural community.

² Frontenac Shores spends approximately \$300,000 annually in marketing and promotional expenses, indisputably a factor leading to the company's strong success to date. Marketing & promotional expenditures are financed through the aid of a private angel investor.