AN EXPERIENCE OF GREECE

Business Plan for a
Small Boutique Hotel
complementing its
traditional village environment

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EXECUTIVE SUMMARY

The core purpose of this project is to create a business plan for a small guest-house, designed to be essentially family run, involving a level of funding which might be seen as feasible for a large number of potential investors. It will underline the importance of a quality focus in improving both capacity utilisation and prices attained and in the potential extension of the “tourist season”. The product proposition aims to enhance the customer experience, based not only Greece’s attractions of “sun, sea and sand” but also its little-used but very real comparative advantage of local colour and culture.

The business plan is drawn up in the context of the relative importance to the local and national economy of developing a critical mass of high quality, relatively reasonably priced, viable and environmentally sustainable tourist accommodation aimed at a higher spending guest bracket. It also underlines the importance of “coopetition” in the tourist industry and marketing of the destination as a whole as well as individual business.

The significance of national and/or EU funding in rendering such small private investments feasible will be clear in the financial forecasts developed in the business plan, which will be juxtapositioned with alternative forecasts to test the robustness of the financial results.

PART ONE – PRODUCT PROPOSITION & MARKET

BACKGROUND

Tourism is frequently called Greece's "heavy" industry. It accounts for 25% of Greek exports and 18% of GDP, without considering the indirect income generated, estimated at a further 10%. The hotel and restaurant sector contributes over 7% of national value added. These figures are, of course, in reality even higher given that the black economy in this sector is particularly high.

Despite the importance of the sector, the need to upgrade its tourist product has long been recognised. The mass tourism of "sun, sea and sand" tends to attract lower-income tourists, low returns to hoteliers given the bargaining power of the international tourist agencies, and all too often low multiplier benefits to local communities when holiday packages are all-inclusive.

Similarly, the low quality of the vast majority of establishments (e.g., East Macedonia and Thrace with over 70% of hotels in the two lowest categories (1 or 2 star)[1] and palpably an equivalent quality orientation in rented rooms) contributes to the attraction of only low spenders. An additional consequence can be seen to be the limitation of the tourist season to the minimum summer period, with high total capacity utilisation achieved only in the top weeks of the season in destinations in the north of Greece.

Within this context, the role of the small hotel and its market orientation in terms of quality and offering can be seen to be particularly important for the micro-economy of local communities as well as for the national economy. At the same time, in times of high unemployment and high diseconomies of continued urban conglomeration, the potential for small investments in this sector can provide personal financial – and life-style – solutions while also building the backbone of a high-quality tourist product attracting the "right" kind of tourist for a sustainable development of tourism in Greece.

THE VILLAGE HOUSE HOTEL

The newly formed company has as its chief capital asset an old stone house set in a 500 sqm site in a mountain village on the island of Thasos. The village – and site – enjoys a panoramic view westwards over the sea ("sunset view") and, in the distance, of the mainland Pangaio Mountain, given that it is located "amphitheatrically" on the side of one of the foothills to the island's highest point, Mount Ipsarion. At the same time, however, access to the sea and beaches close by is easy as the village is only 2 km from the coast. Consequently, it enjoys all the advantages of the slightly cooler climate – and oustanding views – of a mountain village and the proximity of one of Greece's "prime commodities", its inviting sea.

More importantly, perhaps, is the fact that the village is a non-tourist-oriented location, a village still focusing on livelihoods based around the local products of olives, olive oil and honey, albeit bolstered by income from summer employment in the tourist sector (large hotels in other villages, catering establishments, etc.).

The hotel will be developed using the original stone house at its heart, with extensions in absolute keeping with the traditional local architecture. Furnishings and the gardens will

[1] Cf. joint project report for Region of Eastern Macedonia and Thrace (2009)

also be designed to reinforce the experience of the calm and tranquility only to be found away from the crowds and within the context and colour of a real village environment.

Hotel design will aim at providing the highest appropriate quality within this environment. This translates into large, attractively appointed bedrooms of 30sqm with well equipped bathrooms (hydro-massage shower units, full-length baths, toiletries, bathrobes, etc.), comfortable socialising areas and dining room, pleasant garden not open to the general public but only to guests and their guests. Food services will include full breakfast and throughout the day and evening beverages and light meals.

The word “appropriate” has been used to qualify “quality” in that the company does not aim to offer the luxury of a modern hotel in terms of swimming pools, etc.. It is the philosophy of the company that such items on the one hand do not fit with the character and environment that we hope to provide for guests and on the other are not particularly laudable given their cost on the environment. In terms of air-conditioning, the hotel design will strive to include all provisions to ensure an “environmentally friendly” comfortable temperature (building materials and architectural methods, use of ceiling fans, etc. and of course as far as possible use of new energy-saving technology). Air-conditioning will be the last resort (e.g., for heat-waves only). This policy is cost-saving in the long run but it is also the company’s belief that this position will resonate with the type of guest and market that the hotel is aiming for.

The company will also have available to it in the same village and at a minimal rental cost one four-bedroomed old stone house, recently refurbished, for rent as a holiday house (only cleaning services provided).

The Management Team

The management team is comprised of three family members, each of whom brings a high level of professionalism, excellent social skills, experience from other sectors of activity and their own particular know-how and interests. All three co-own the original property.

The lead role will, at least initially, be taken by the person who will be employed full-time with the establishment, promotion and operation of the hotel. A back-ground in diplomatic and public relations and event organisation has been reinforced by an MBA. Particular advantages and skills this member of the team contributes to the company are excellent social skills, enthusiasm for working with people and an understanding of the need for good leadership to bring the hotel team together to work for a common vision. A strong network of contacts in the UK and in Greece will be “exploited” for initial promotional purposes. The Greek network also provides a significant pool of local contacts including local authority and other organisations.

Equal contributors to the vision behind the hotel, the other two members will provide administrative and promotional support, new ideas to keep the product proposition fresh and to increase total revenue per room available. Their physical presence and work on site will be limited to the peak season. The interests and hobbies of one these will expand the “collateral activities” of the guesthouse as they include mountain walking and rock climbing, snorkeling, fishing, etc. The expertise of the other also covers technical and engineering matters of importance to the construction and continual improvement of the hotel infrastructure.

All members of the team have excellent English and, naturally, Greek, as well as other languages.

Additional specialist administrative support will be sought from long-term external collaborators for elements such as legal and tax advice and an accountant.

The target customer

Market indicators, discussed below, support the company's premise that there is a niche market of customers that appreciates the particular character and colour of the country to which they choose to travel, which want to experience something of the peace of a life-style away from the rat race or perhaps just away the humdrum of their own lives. The hotel will offer them that opportunity by staying as true as possible to a traditional environment in terms of environment, architecture, and warm hospitality.

MARKET ANALYSIS

THE BACKGROUND TO THE PRODUCT PROPOSITION

A brief overview of the standard SWOT analysis is useful in so far as it identifies the logic behind the product proposition, or indeed lack of logic if that proposition is not in keeping with reality. Although the sharp division between strengths and opportunities or weaknesses and threats is not in practice as clear (or important) as in theory, nevertheless elements are presented here in these categories in bullet form as a convenient way of outlining the context of the product proposition.

Strengths

1. Location – island
   - close to mainland and therefore accessible without high additional cost
   - beautiful environment
2. Welcoming and friendly local population
3. Specific location in traditional "living" village, more-or-less untouched by other tourist development
4. Traditional building – which will be the basis for the new – consistent with target "village atmosphere"
5. Garden
6. Market positioning: Focus on quality in product, services and overall tourist "experience" of the Greek village environment
7. Good climate for international tourists - cooler months for the more active
8. Attractions:
   - beautiful sea, beaches and coves
   - lovely landscape
   - walkable mountains

- archaeological sites
- attractive villages

9. Activities available on Thasos
   - water sports
   - walking
   - horse-riding
   - events in ancient theatre
   - other cultural events
   - bird-watching (cormorant breeding ground)
10. Attractions in wider vicinity:
    - Kavala
    - Nestos delta & river
    - Wine Roads
11. Availability of experienced, though largely untrained, staff
12. Good potential for local partnership cooperation through strong personal local network (suppliers, local authorities, local businesses such as tour organisers, car hire, etc.)
13. Strong management commitment to developing partnerships.

Opportunities

1. New wealth in neighbouring countries (the nearest only a couple of hours' drive)
2. Improving transport infrastructure facilitating access
   - Kavala Airport
   - Egnatia Highway
3. SE European countries' membership of EU facilitating access to Greece
4. Increasing tourism to Greece from Russia and other northern Eastern European states combined with uneven distribution of new wealth
5. Thasos is a family and "mature" age destination (more disposable income than young clubbers)
6. Island not overwhelmed by tourist numbers
7. Local products available 1) to exploit in "building" the local destination identity & 2) as potential tourist attractions (production of honey, olives, local sweets).
8. Increasing local awareness of the architectural beauty of old stone houses
9. Increasing local awareness of importance of environment.

Threats & Weakenesses

1. Serious seasonality of tourism on Thasos – the season starts very slowly in May and ends mid-October, with full occupancy only over the four-week period 15/7-15/8. The market analysis given below provides specific statistics.

2. General local indifference on environmental matters. Although there are signs of growing awareness and organized action to develop, e.g., footpaths, there is still little evidence of general local concern for the environment. Rubbish and building material refuse are still regularly dumped over cliffs, along lanes, etc.
3. Relatively low quality of current tourist accommodation product. Apart from a few better examples and a handful of top-end large hotels, the majority of accommodation available is at the bare essentials level.
4. Lack of coordination of Local Authorities and local organisations, businesspeople and residents.
5. Poor understanding of local infrastructure "players" regarding the importance of their role for the tourist experience (e.g., airports, services)
6. Increasing cost of air travel (and environmental concerns)
7. Global economic crisis and its aftermath
8. Stab-in-back attitude of locals to successful new ventures – will require careful handling (e.g., through evident maximisation of local multiplier effect)
9. Weekend demand "throttling" longer-stay demand
10. Foreign publicity on tourism in Greece (particularly in the UK) frequently focuses on the "drinking-clubbing" tourists, engendering negative impressions of Greece irrelevant to Thasos.
11. Dependence on Western European tourism[2]
12. Uncontrolled building – 1) architecturally inappropriate to environment, 2) blocking access to beaches.

Some of these elements can be used or anticipated in the strategy and policies implemented by the individual hotelier. Others need more concerted action, again a matter for each individual hotelier to participate in collective bodies. It is within the strategy of the hotel management to become an active – and proactive – member of the tourism sector community on the island.

GENERAL MARKET TRENDS

A small business at start up in the tourist industry, given limited resources with which to carry out or commission a focused investigation of the local market concerned, will must rely on the reports and presentations available from professional bodies, their conferences, publications, and specialist articles. Very localised statistics, although essential for an analysis of the immediate market "available", may not provide information on trends in customer preferences, etc., unless the business is located in one of the prime destinations, such as Crete, for which more analytical information may well be available. Once established, the small hotel can start collecting a certain amount of data from its own customers through their feedback and thereby keep direct track, parallel to wider information resources, of impacting and impending changes.

In this context, then, general market pointers are a first point of reference. The characteristics of the trend in tourism as noted by experts in the industry are a good

[2] Research Institute for Tourism (2008) and NSSG statistics (given later)

indication of market trends. According to the Director of International Relations at one of Europe's largest tour operator companies TUI[3], the average age of tourists is 45+ and increasing, with a correspondingly higher average disposable income. Inlau's message was directed specifically at practitioners in the Greek market, given that to a certain extent the latter is losing out on this market. A survey by ITEP[4] carried out for 2008 and 2009 indicates that Greece is still tending to cater mostly for a younger age group. Only 44.6% in 2009 were over the age of 40 with the average age at 37.9.

The new tourist is also characterised as focusing on quality for price, caring about environmental issues, and, most importantly, interested in more that the standard "sun, sea and sand" holiday. This generation of tourist is looking for the "experience" to be enjoyed from travel abroad, the "light adventure" of getting to know the local culture, or of a more active holiday, perhaps walking and getting involved in other special interests (wine-tasting, bird-watching, diving, other "hobby-oriented" activities). The emphasis is on "experience tourism"[5]. This can be read and heard again and again at meetings and seminars. Another expert[6] re-stated the message emphatically, underscoring the importance of the guest's "emotional bank account" with deposits made by the country, the destination, the host hotel, etc. The tourist is looking for "moments not monuments".

In summary, the message of the experts is that tourist practioners and particularly hoteliers in Greece must develop high quality offerings, differentiated for the specific target sector, not the "one-size-fits-all" product which is all too often the case.

Our hotel project as envisaged fits well with this new trend. More local statistics will give a better appreciation of how the hotel should focus its marketing strategy.

THE TOURIST MARKET FOR THASOS

Figures provided directly by the General Secretariat for the National Hellenic Statistics Service are unfortunately only for the province of Kavala, it being the policy of the Service not to provide tourist statistics at municipality level for privacy of information reasons[7]. Nevertheless, the General Secretariat was very helpful in providing tables of arrival and bed-night statistics for Kavala Province by tourists' country of origin and by month for the years 2005-2008.

It should be noted that these figures will include business and other non-tourist travellers. Nevertheless, given that the overwhelming majority of these rooms (79% of hotels and 78% of other hotel-like accommodation according to a recent unpublished

[3] Inlau, G., 2008. New Consumer Patterns and their Implications on Governmental Policies for Tourism" at the 7th SETE Conference, Oct.2008, http://www.seteconferences.gr/2008-speakers-presentations.html

[4] ΙΤΕΠ, 20?? «Νέοι κια με χαμηλό εισόδημα οιο ξένοι τουρίστες στην Ελλάδα», Ξενία Vol. 231, November-December 2009, e-zine of the Hellenic Chamber of Hotels, http://www.grhotels.gr/GR/BussinessInfo/library/DocLib/XENIA2009-231.pdf

[5] We are looking then for the "allocentric" tourist of academic writers on tourism (Stanley Plog, in Goeldner and Brent Richie, p. 540) characterised by a more individualistic approach, higher diaposable income, looking for the "genuine article" not a bland, tourist-oriented product undistinguishable from what might be found anywhere else in the world, or at least around the Mediterranean.

[6] Linda Pereira of clp Inventives, speaking at the workshop on "ROI - Ανταποδοτικές επενδύσεις στον τουρισμό" at Xenia 2009, Athens.

[7] Email answer of 20 Jan 2010 to request for statistics for island of Thasos: "…σας ενημερώνουμε ότι με απόφαση της επιτροπής στατιστικού απορρήτου της Γ.Γ. ΕΣΥΕ, δεν διατίθενται πλέον στοιχεία δε επίπεδο δημοτικού διαμερίσματος και νησιού."

study carried out for the Region of East Macedonia and Thrace[8]) are in fact on the island of Thasos, the figures are taken as a good indication of the specific market, with perhaps only occupancy rate in the summer season tending to be slightly lower than might be the actual level.

OCCUPANCY RATES AND SEASONALITY

Table 1, together with the bednight statistics given in Appendix I, depicts vividly the extremely high seasonality of tourist activity for the Province of Kavala. These would be even more marked for Thasos, although the majority of hotels close, thus eliminating occupancy deficits.

Table 1 – Occupancy rates for the Province of Kavala

	May	June	July	August	Sept.	Oct.	Average
PROVINCE OF KAVALA *							
2005	31.1%	48.3%	61.1%	75.9%	51.4%	22.2%	48%
2006	30.9%	46.8%	66.8%	82.2%	57.5%	20.6%	51%
2007	32.8%	49.7%	70.0%	81.5%	55.8%	23.2%	52%
2008	41.8%	55.1%	70.1%	80.1%	57.0%	28.5%	55%
* Statistics from the Gen. Secretariat of the National Statistical Service of Greece							
Incr. 2008/2005	34.4%	14.0%	14.9%	5.4%	10.8%	28.5%	14.7%
Av. annual increase ('08-'05)	8.2%	3.5%	3.6%	1.4%	2.7%	7.1%	3.5%

Rooms are essentially filled to capacity only for the four weeks between 15 July and 15 August. It is then very important that the local tourist community and each individual business unit endeavour to extend this season as much as possible through destination-oriented activities and individual efforts to attract custom either side of the peak period. It is encouraging at least to see that average occupancies in the low-season months of May and October have risen significantly, with an average annual increase over the four years shown of 8.2% and 7.1% respectively.

At the level of the hotel, the management team plans to develop parallel activities and services both to attract more custom through raising the level of the product proposition and to directly increase revenue. These will be discussed below under promotion.

SELECTION OF SPECIFIC TARGET MARKETS

Four particular sets of statistics are vital to the decision on target markets: 1)local figures on bednights by country of origin of arrivals, 2) average number of nights per arrival by country of origin, 3) average spend per day of different nationalities and 4) distribution of bednights over the course of the year by nationality.

1) The importance of using statistics that are as focused as possible becomes very clear when a quick comparison is made of national statistics and those for the more specific region. National statistics for arrivals to Greece (given in Appendix 1) indicate falling figures from most Western European countries except Italy and perhaps France, with an explosion of arrivals from Russia. The figures for the

[8] Region of East Macedonia and Thrace, 2009

Province of Kavala on the other hand give a very different picture of the dynamics of tourist interest in the island of Thasos. Italian and Russian tourists are relatively few in number while those from some European countries are growing dynamically. Where the statistics agree is in the dramatic drop in numbers from one of the chief sources, Great Britain.

Bednight figures are taken as a more appropriate market descriptor than arrival numbers per se. To demonstrate the point, in 2008 Greek "arrivals" for hotel-like accommodation in the Province of Kavala represented over 56% of total arrivals but only 39% of total bednights.

Total bednights grew by over 18% between 2005 and 2008, an average annual increase of 5.8%

The table given in Appendix 2 shows the figures for total bed-nights in hotels and hotel-like accommodation in the Province of Kavala of arrivals from the main countries of origin for the years 2005-2008[9]. "Main countries" are taken to be most of those providing a proportion over 1% of the total bednights of arrivals from foreign countries. To these have been added Italy and Russia. Although some of these give very small proportions of the total "foreign" bed-nights, they are of interest for various reasons. Russia represents a large potential market demonstrating great interest in holidays in Greece overall[10]. Although numbers to Kavala are still low, they demonstrate quite high average annual increases of over 50%. Italy is included more for interest because of the increased access provided recently by the Egnatia Highway.

Of particular interest are the Scandinavian countries, which appear to have "discovered" Thasos: Norway demonstrates a huge 186% average annual increase in numbers; Danish tourists, while small in absolute numbers, are increasing at an average rate of 58%; bednights by arrivals from Sweden, already providing over 4%, has increased at over 89% per year. The Czech Republic also provides one of the higher proportions of total foreign bednights, besides, as will be seen below, having the longest average length of stay.

One of the most severe blows to Thasos arrivals has been the 12% drop in UK arrival bednights. The drop coincides with TUI taking over Thomsons, a major tour operator traditionally bringing UK tourists to Thasos, but was also exacerbated by local inability to coordinate a response to flight-scheduling restrictions conflicting with ferry timetables. Nevertheless the UK remains a top country of origin of arrivals (12%) and foreign home-owners, together with Germany, the foremost market with 23% of foreign tourist arrivals in the region.

2) Apart from the market trends in terms of numbers of bednights, the average length of stay is an important factor in assessing potential target markets. Customers who take up beds only over the weekends might be seen as "sabotaging" higher occupancy rates overall. The pricing strategy will aim to alleviate this tendency to a certain extent, as clearly, arrivals who stay longer on average are more desirable, not leaving the hotel empty during the week.

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[9] Figures from the General Secretariat of the Hellenic National Statistics Service, workings mine. The full statistical tables as provided are given in raw form in Appendix 1 in Xcel format [from stats file].

[10] 17% average annual increase from 2000-2006, with a massive 43% increase in 2006 (RIT report, 2008) as a new company started flying 11 charter flights a week to Thessaloniki Airport.

Table 2 gives average length of stay by country of origin. Greece, Bulgaria, Turkey and Italy come out on the bottom on this scale, whereas Czechia leads with over 10 nights average length of stay. It is encouraging to see that average length of stay is increasing for the majority (11) of these principle countries of origin of arrivals to Kavala. However, there is an overall drop in length of stay for foreign arrivals, albeit counterbalanced by the very small increase in length of stay by Greek arrivals. Of particular interest in the light both of increasing numbers seen above and of average tourist expense layout (below) is the fact that all of the Scandinavian countries show a health rise in the average length of stay.

Table 2 – Average bednights per stay by country of arrival

	Average bed-nights per stay		**Direction of change**
	2008	**2005**	
OVERALL TTL	3.79	3.62	+
TTL FOREIGN	5.22	5.75	-
TTL EUROPE (without Greece)	5.57	6.13	-
GR-GREECE	2.69	2.53	+
CZECH REP.	10.22	9.32	+
GERMANY	8.77	8.45	+
SLOVAKIA	8.76	8.76	=
AUSTRIA	8.57	9.80	-
NORWAY	7.76	2.88	+
POLAND	7.62	8.12	-
SERBIA & MONTENEGRO	7.52	6.89	+
NEDERLAND	7.19	5.92	+
UNITED KINGDOM	7.13	7.59	-
FINLAND	6.99	8.43	-
SWEDEN	6.91	4.49	+
DENMARK	6.76	5.85	+
ROMANIA	5.20	3.38	+
RUSSIA	3.97	2.12	+
ITALY	2.85	2.21	+
BULGARIA	2.26	2.30	-
TURKEY	1.23	1.25	-

Source: GS NSSG

3) Data is limited on average tourist daily expenditure by country of origin. The Research Institute for Tourism survey on western European tourists[11] does, however, indicate that the average daily expenditure in Greece per head of Western European tourists was approximately 80€ in 2007, though this dropped to 61€ in 2008[12]. Swedish tourists apparently demonstrated the highest level of spending per head on their holidays at 936€. They maintained their lead in 2008 although their average

[11] ITEP Press Release 18-2-09, full report unfortunately not provided.
[12] ITEP Survey Report "Νέοι κια με χαμηλό εισόδημα οι ξένοι τουρίστες στην Ελλάδα», Xenia E-magazine of the Greek Chamber of Hotels, .

expenditure dropped to 766€. It would be a reasonable assumption that Norwegian tourists, given their similar per capita income, are also among the higher "spenders".

The overall drop in these figures was due to a combination of a decrease in the length of stay together with lower daily expenditure in 2008. Figures for 2009 and in all probability 2010 are expected to show a continuation in this trend.

Figures from surveys carried out by the Tourism Department of the National Statistical Service indicate that Greek tourists probably spent about the same on average per head in 2007 on their holidays in Greece[13].

4) The final indicator of interest discussed here with respect to identifying appropriate target markets is the distribution of bednights over the year by country of origin, given the relative difficulty in Thasos of filling beds at periods other than the highest season.

   Overall occupancy statistics across the tourist period were given in Table 1. Appendix 3 gives a table showing the respective figures by country of origin for the main countries of interest (either due to absolute numbers or rate of increase or distribution across the year). These numbers are very dependent on the number of charter flights to Kavala Airport. The traditional markets of Germany and Britain emerge as providing the best distribution across the months in question, although October figures for British tourists especially dropped in 2008 to neglible numbers as charters stopped early. Nevertheless, June and September figures indicate an encouraging trend for percentages to increase for both Norway and Sweden.

   October remains a month with low arrival figures, even from these markets. Most hotels in Thasos close by mid-month.

In conclusion, without neglecting the existing strong markets of Germany and the UK, the above data indicate that the Scandinavian countries represent a dynamic market, with high disposable income which they are seemingly more willing to part with on holiday than the average European tourist. These customers are also increasingly interested in visiting the island in off-peak season, very possibly to enjoy the calmer environment and less fierce sun. The latter will be an issue to follow up with feedback sought from actual customers when the guesthouse opens.

A target market, however, must also be accessible to be a good prospect, particularly given the financial constraints limiting the choice of distribution channels for the small tourist business. This will be a primary focus in the discussion that follows.

PROMOTION AND DISTRIBUTION CHANNELS

CHANNELS

THE INTERNET AND TARGET MARKETS

A small hotel business at set-up is likely to have limited funds for promotional purposes. On the other hand, the advent and dramatic increase in use of the internet, if only to source information, has opened up a distribution channel to small hotels that is much

[13] www.statistics.gr

closer to a level playing field than channels using more traditional media. Direct on-line travel sales have increased in Europe from 0.8b€ in 1999 to 65.2b€ ten years later in 2009[14] and represent over 25% of the total market. The hotel and accommodation proportion of the on-line market has been growing significantly over the period to 19.5% in 2008, a growing proportion of a rapidly expanding market[15]. Britain leads the market in on-line sales with 30% of the European travel market.

At the same time, statistics on internet usage in Europe[16] (given in full in Appendix 4) show exceptionally high population penetration percentages for all the nordic countries as well as the Netherlands and the UK (86% and 76% respectively). Germany trails the leaders slightly at 65%.

These results confirm our initial target markets as outlined above.

Using the internet – Method in the Madness

The hotel's website will be designed primarily as a source of information. The specific cost of using it as an interactive selling channel is, initially at least, quite large for a small hotel, at around 50€/month. More importantly, a small hotel needs to manage bookings wisely to maximise occupancy. Moreover, the initial contact for information can be used to build a relationship, which the impersonality of the internet precludes. This demands, however, close to immediate and personalised response, which will be at the heart of hotel policy.

The website must also be designed with search engine optimisation very much in mind. It is here that the small hotel can stand on a more level playing field promotion-wise with the large company.

Apart from the website itself, methods will be found to maximise visibility and attract attention to it. There are many directories for hotels and holiday accommodation. Some directories simply require a subscription (prices researched so far indicate fees in the region of 100-250€/year). Others also assess and "certify" the destination hotel, offering their users a safer option.

The Village House Hotel company will investigate these, where possible with the help of agencies such as the Greek Tourist Board and its off-shoots such as Elagro, to identify the best directories and internet channels. Management will also make every effort to obtain measurements of the success rate of different channels in order to keep abreast of trends and maximise on its limited budget for this type of expenditure.

DIRECT ADVERTISING

In addition to the internet channels discussed above and complementing them, some more traditional advertising may be used, through media in the target markets. Mass media channels, however, are extremely costly and largely out of a small hotel's range. Their use, therefore, must be extremely focused.

[14] Marcussen, 2009.
[15] As indicated by the graph given on p.4. Unfortunately the report as available on the internet does not give further specific figures.
[16] www.internetworldstats.com Table given in Appendix 4.

Local ex-patriot groups living in Greece also comprise pools of potential customers more close at hand and accessible, with the added advantage of potentially spreading news of the hotel by word of mouth back to their home communities.

Further to that, the management teams own, significant, networks of contacts will be "mobilised" – discretely – through e-mail contact, etc. For a small hotel, this may not be the neglible pool of potential customers that it might be for a larger business.

Other focused target groups will be examined and the management team will be always alert to possibilities.

Where appropriate, participation in exhibitions abroad will be considered.

PROMOTIONS & MAXIMISING REVENUE PER AVAILABLE ROOM

The use of promotions in the form of price discounts will be limited to the initial opening of the hotel. As a rule, price discounts are likely to damage the hotel's quality image and therefore reduce future revenue. On this basis, once the hotel is established management and any staff concerned with bookings will be versed in promoting the value proposition of the hotel rather than resorting to discounts to increase booking finalisation[17].

PROMOTION & ROLE IN THE TOURIST COMMUNITY AND DESTINATION

Quality is the core value of the management strategy. Quality of product proposition and customer experience. Quality too of the overall tourist desitination.

The market positioning of any hotel cannot be seen in isolation from the context of its location and the significance of each such investment should not be underestimated. It interacts with the conditions holding for the destination location as a whole, both affected by the latter and, hopefully, influencing the latter in a positive direction.

This reasoning leads in two specific directions. On the one hand, it is an unavoidable factor in pricing policy, which will be considered below, and on the other, it leads to a statement of intent with regard to management activity in the sphere of the community within which the hotel will be located. An integral part of the latter must be active involvement in existing – or in the development of – forums and groups taking forward the interests of the destination overall. The new term coined is "coopetition"[18], from "cooperative competition" – the destination and by extension each individual player will benefit from working together in coordination to promote the destination as well as their own business.

As identified by Koutsouris (2009) in the case of the Plastira Lake destination, business people involved in tourism frequently seem to fall into one of two categories: an informed and educated group on the one hand, possibly bringing in more advanced management skills and experience from outside the locality, and on the other a probably less versed, perhaps more specifically local group, hoping to escape from more traditional occupations or indeed unemployment through some form of tourism exploitation, be it rooms to rent or other commercial activity.

[17] Raza (2005) p141.
[18] E.g., Wang & Krakover, 2008.

The role of discussion and action groups is to bring all stakeholders and players together and, through a process of social learning (Koutsouris, 2009), develop a common vision bringing together and resolving the different interests of the various groups. Other destinations can learn from the Plastiras case, ensuring that not only all interest groups are involved on an equal basis but that they also bring in other “players” that influence the overall tourist product, such airport and port services, local transport infrastructure (ferry personnel, busdrivers, taxis), so that all understand their role in the creation and development of the “destination”, its image and, in the end, its sustainable success.

Thisaspect is seen to be an essential part of management’s role in the field of promotion, that is, active involvement in the (improvement and) promotion of the destination as a whole. Apart from the above local action groups and development of an overall vision, this would also entail the initiation, coordination and cooperation at island (municapality) or smaller community level for the organisation of events and attractions. These should be seen in the context of developing the depth and breadth of the tourist “experience” in Thasos, coherent with the vision of the destination, i.e., presenting something of the island’s culture, produce or history. Ideas abound but this is not the place to develop them. The important point is that the hotel management will regard this as an integral part of its promotional activities, which will impact not only on the marketing of the destination as a whole but also on that of the village and then hotel itself.

ADDITIONAL ACTIVITIES – INCREASING REVENUE & THE VALUE PROPOSITION

Both to expand the product proposition put before the customer, meeting more of his/her wants and satisfaction, and to directly increase revenue flows, the hotel will offer a variety of additional activities. Initial ideas include walking holiday programmes, other special interest holiday programmes (e.g., pottery, painting, poetry), visits to places of interest in the locality or region (e.g., archaeological sites, wine-producers, Nestos River and/or Delta, bird sanctuaries). These activities may be organised in-house with visiting “specialists” or through cooperation with partners. The hotel website will also provide links to other activities available.

The aim will be that the sum of the guests’ experience while in Thasos will make them the hotel’s best ambassadors on their return home.

PRICING

Finally, we come to the pricing policy. The price should represent not only the relative cost of the product offered but more specifically the entire value proposition offered to the guest. The price itself becomes part of the image creation process. Nevertheless, it cannot stray too far outside the norms of the specific market.

A brief survey of the hotel and tourist accommodation market in Thasos gives prices ranging from 30€/night for the barest of room essentials to over 200€ for four-star luxury hotels. More specifically, however, looking at the section that might be considered as the context of competition for the Kallirahi Village Hotel, an indicative table of price ranges for a double room is given in Table 3.

Table 3 - Competitors' prices 2009

Approximate season dates (vary)	Lowest 1/4 - 31/5	Low 1/6 – 30/6	High 1/7 – 31/8	Low 1/9 – 30/10
Hotel A (bed)	35	35	40	30
Hotel E (bed)	40	45	60	50
Hotel G (bed)	30	35	60	35
Hotel H (bed)	35	40	60	40
Hotel M (b+b)	50	70	90	50
Hotel MK (b+b)	65*	80	100	80
Small village hse (2 bedrms) for rent	65	75	75	65
	*throughout winter			

The first four hotels are typical of what is currently considered acceptable moderate hotel accommodation, which abound on the island, making up perhaps as much as 90% of accommodation on offer. Hotel M is fairly typical of a slightly better standard, offering the additional advantage of a swimming pool, but little by way of character and colour. Hotel MK is an example of the latest type of development, more directly in competition with the planned village hotel, though still not using "the genuine article" of refurbished stone houses. There are currently only a handful of similarly styled hotels, all newly set up. Their offering includes both better quality services and an attempt to offer the character of a traditionally styled building set in a village environment. The last two hotels in the table are also the only ones to remain open throughout the year.

The last line in the table concerns self-catering (and self-cleaning) accommodation and has been included as an indication of such prices for accommodation much more true to their village setting (restored village houses, Macedonian architecture).

A scan of comparable, traditionally styled small hotels around mainland and island Greece indicates a price range of between 85-95 € b+b low season and 110-150€ high season (not including the top-end luxury class).

The Village House Hotel pricing policy

The Village House Hotel is planned to come much closer to the product proposition and price range of the latter than other hotel offerings in Thasos, providing family hospitality, the colour and the character of the village together with the comfort of large rooms, hotel and bar services either indoors or in a pleasant garden, with grand views including the sunset granted by the village's hillside setting. Financial forecasts below are based on a price range of approximately 80-100€.

The long term aim of the hotel will be to achieve the prices common to other areas of Greece. Given, however, the current market position of the Thasos destination, starting prices will be set slightly lower, comparable to local, slightly up-market hotels (not top-end). These prices will be discounted to provide special offers only for the first few years of operation, with a diminishing rate of discount. The cost of this promotion tool will start at 15% of set room rate, dropping to 10% and 5% in years 2 and 3, with sales promotion costs through discounts after that amounting to an average of approximately 3% on room rates, roughly consistent with broad industry practice[19].

Beyond the first years, price discounts will the exception as, if used indiscriminately, they are likely to cast a shadow over the hotel's image of quality.

[19] Gouldner & Richie, p.533

PART TWO – FINANCIALS

EMPLOYMENT POSITIONS CREATED

The hotel will employ for at least six months of the year a full-time cleaner and one waiter. It will in all probability also employ on a part-time basis a further waiter for one or two months at peak season.

Given the legal form that the company will take, however, as a private limited company, the forecast accounts drawn up do not include the self-employment of the owner(s).

In total, then, 1 full-time permanent job is created and 2 full-time jobs for six months, plus additional part-time work for limited periods.

FINANCIAL FORECAST

FUNDING

As would be the case in perhaps the majority of such development projects, own capital available is very limited, particularly liquid capital. The latter comes to 120,000€.

The non-cash assets of the company at set up consists of the property itself, which comprises a site in a good situation with an unusable old stone house needing extensive reconstruction and extension to make it suitable for the purpose proposed. The assessed market value of this property is €50,000.

It is the human capital to be devoted to the project which raises the real investment on the part of the owners. Although this “investment” cannot be included in the official proforma income and balance statements, given the company form, nevertheless an attempt has been made to include it in the net present value and IRR evaluation of the proposal by accounting for an opportunity cost of lost income.

The project can only be viable if it receives a significant amount of funding through grants, either in the context of EU Operational Programme funding or through national development funding, such as under Law 3299 of 2004. In the absence of any new development programme, the conditions of the latter are taken as still holding. In essence – and simplification – this means as minimum provision of own capital of 25% and a maximum grant contribution of 60%.

ASSUMPTIONS

The estimated cost of the initial construction investment is €520,000, including architectural and engineering design costs.

Investment in equipment, furnishings and an appropriate vehicle are estimated at €70,000. Although an element of furnishings would normally be regarded as inventory, for the sake of simplicity given that their stock levels should remain relatively constant, they have been treated as fixed assets in the financial tables drawn up. To balance this assumption, depreciation has NOT been added back to operating income in estimating Free Cash Flow to Firm for the evaluation of the proposal. Depreciation is seen as a element that should, if at all possible, be retained from earnings precisely to cover replacement costs.

Given the above assumption, inventory is taken as effectively zero at the beginning and end of the year, since the months of activity are limited to April – October.

ESTIMATING REVENUE

Having set a specific pricing policy, based on market rates and the product proposition, the only realistic way to estimate revenues for a small hotel not aiming to capture a market share as such is to estimate instead the likely occupancy rate, based initially on local averages. The statistics available, as mentioned above, are for the Province as a whole and are logically slightly lower, during the summer season, than those prevailing for the premium holiday destination of Thasos.

The occupancy rates estimated for the hotel over the first five years of activity are given below. Worst case and best case scenarios were also estimated. The latter will be used when examining the financial results for the business proposal.

Table 4 - Estimated Occupancy Rates – various scenarios

	May	June	July	August	September	October	AVERAGE
Base Estimate							
Yr 1	30%	30%	65%	75%	40%	30%	45%
Yr 2	30%	35%	70%	80%	50%	30%	49%
Yr 3	40%	50%	75%	85%	55%	35%	57%
Yr 4	45%	60%	90%	90%	65%	35%	64%
Yr 5	50%	65%	90%	90%	70%	40%	68%
Worst case							
Yr 1	20%	30%	60%	60%	30%	20%	37%
Yr 2	25%	30%	65%	75%	35%	25%	43%
Yr 3	30%	35%	65%	75%	40%	25%	45%
Yr 4	35%	40%	70%	80%	50%	25%	50%
Yr 5	45%	50%	75%	80%	50%	25%	54%
Best case							
Yr 1	30%	30%	65%	75%	40%	30%	40%
Yr 2	30%	35%	70%	80%	50%	30%	44%
Yr 3	45%	55%	80%	85%	60%	35%	60%
Yr 4	50%	65%	90%	90%	70%	35%	67%
Yr 5	60%	70%	90%	90%	75%	40%	71%

FINANCIAL PROFORMA STATEMENTS

The estimates of capacity usage across the season provide a forecast of income flow through the first five years. The full forecast of revenues and costs by month, used to establish the annual cash flow, is given in Appendix 5.

The resulting cash flow forecast for the two-year construction period and the first five years of operation are given below in Table 5, together with the income statement and respective balance statement.

Revenues given here are almost solely from the room revenue, plus breakfast and a minimum consumption, e.g., one beverage per head!. No attempt here has been made to estimate income from further sales of food or beverages or from other potential activities, such as a gift shop, organised trips, car/bike rental commissions, etc. It should be noted, though, that costs of staffing especially are estimated to include a refreshments/catering service. Thus income estimates are respectively low.

Table 5a – Proforma Cash Flows

BASE CASE	Yr 0-1 (2010)	Yr 0 (2011)	**Yr 1 (2012)**	**Yr 2 (2013)**	**Yr 3 (2014)**	**Yr 4 (2015)**	**Yr 5 (2016)**
Variables in blue font							
Cash flows from operating activities							
Rm Sales (as received, i.e., after discounts)			63,320	75,310	93,623	111,503	121,399
Other catering sales (?Eu/room night)			2,490	2,718	4,174	4,724	6,210
Villa rent (same occupancy rate & prom offer))			16,600	18,120	20,870	23,620	24,840
COSTS							
COGS/rmnight (materials, breakfast & other sales)			-7,942	-10,271	-12,122	-13,611	-16,030
Staffing costs			-26,050	-26,832	-27,636	-28,466	-29,320
Electricity, water, heating, laundry			-3,640	-3,906	-4,315	-4,745	-5,024
Selling & distribution - administration costs (-cost of discount)			-9,300	-8,300	-9,300	-10,000	-10,000
Interest expense			-4,000	-3,261	-2,493	-1,695	-864
Tax payments			0	-5,807	-8,832	-13,638	-18,270
Cash flows from investing activities							
Building materials and labour, etc.	-120,000	-400,000					
Equipment and furnishings			-50,000				
Vehicle			-20,000				
Cash flows from financing activities							
Own capital (liquid)	120,000						
Funding capital (EU funding)	50,000	350,000					
Loan		100,000					
Loan repayments			-18,463	-19,201	-19,969	-20,768	-21,599
Distributed profits			-9,171	-18,246	-32,663	-46,561	-53,972
NET CASH FLOW	50,000	50,000	-66,156	324	1,336	365	-2,628
Accumulated cash flow	50,000	100,000	33,844	34,168	35,504	35,869	33,241

Notes:

1. Staffing cost estimates based on collective agreements 2009+

2. Estimates derived from actuals for other hotel

3. Loan for 5 years

4. Funding ratios:

Own capital as % of total:	
	25%
+ loan	*40%*
=> funding=	*60%*

Table 5b – Proforma Income Statements

BASE CASE		Yr 1 (2012)	Yr 2 (2013)	Yr 3 (2014)	Yr 4 (2015)	Yr 5 (2016)
REVENUE		93,584	104,515	123,594	143,296	154,927
COST OF SALES (below) (incl. depreciation)		-45,882	-49,258	-52,323	-55,071	-58,623
GROSS MARGIN		**47,702**	**55,257**	**71,271**	**88,224**	**96,304**
	%	51%	53%	58%	62%	62%
SELLING & DISTRIBUTION - ADMINISTRATIVE EXPENSES		-20,474	-16,668	-14,228	-13,449	-12,478
OPERATING INCOME		**27,228**	**38,589**	**57,044**	**74,776**	**83,826**
Interest expense		-4,000	-3,261	-2,493	-1,695	-864
INCOME BEFORE TAXES		**23,228**	**35,328**	**54,550**	**73,081**	**82,962**
Company income tax (25%)		5,807	8,832	13,638	18,270	20,741
NET INCOME		**17,421**	**26,496**	**40,913**	**54,811**	**62,222**
	Net margin %	19%	25%	33%	38%	40%
DISTRIBUTED EARNINGS		9,171	18,246	32,663	46,561	53,972
RETAINED EARNINGS (TO COVER DEPRECIATION)		8,250	8,250	8,250	8,250	8,250
	EBIT/Interest coverage	7	12	23	44	97

Table 5c – Proforma Balance Sheets

BASE CASE	Yr0-2	Yr 0-1 (2010)	Yr 0 (2011)	**Yr 1 (2012)**	**Yr 2 (2013)**	**Yr 3 (2014)**	**Yr 4 (2015)**	**Yr 5 (2016)**
ASSETS								
NON CURRENT ASSETS								
Buildings	50,000	170,000	570,000	570,000	570,000	570,000	570,000	570,000
Accumulated depreciation				0	0	0	0	0
Equipment				10,000	10,000	10,000	10,000	10,000
Accumulated depreciation				-1,250	-2,500	-3,750	-5,000	-6,250
Vehicles				20,000	20,000	20,000	20,000	20,000
Accumulated depreciation				-2,000	-4,000	-6,000	-8,000	-10,000
Furniture & fittings				40,000	40,000	40,000	40,000	40,000
Accumulated depreciation				-5,000	-10,000	-15,000	-20,000	-25,000
TOTAL Non-current Assets	**50,000**	**170,000**	**570,000**	**631,750**	**623,500**	**615,250**	**607,000**	**598,750**
CURRENT ASSETS								
Inventories (assumed 0 – cf. Assumptions)								
Receivables (assumed 0 – cf. Assumptions)								
Cash and cash equivalents	120,000	50,000	100,000	33,844	34,168	35,504	35,869	33,241
TOTAL Current Assets	**120,000**	**50,000**	**100,000**	**33,844**	**34,168**	**35,504**	**35,869**	**33,241**
TOTAL ASSETS	**170,000**	**220,000**	**670,000**	**665,594**	**657,668**	**650,754**	**642,869**	**631,991**
LIABILITIES AND EQUITY								
LIABILITIES								
Payables (assumed zero)								
Loans (taken out 30/12 yr0)			100,000	81,537	62,336	42,367	21,599	0
Income tax payable				5,807	8,832	13,638	18,270	20,741
TOTAL LIABILITIES	**0**	**0**	**100,000**	**87,344**	**71,168**	**56,004**	**39,869**	**20,741**
Starting Capital (140th cash + house)	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Funding capital		50,000	400,000	400,000	400,000	400,000	400,000	400,000
Retained earnings/reserves				8,250	16,500	24,750	33,000	41,250
TOTAL EQUITY	**170,000**	**220,000**	**570,000**	**578,250**	**586,500**	**594,750**	**603,000**	**611,250**
TOTAL LIABILITIES AND EQUITY	**170,000**	**220,000**	**670,000**	**665,594**	**657,668**	**650,754**	**642,869**	**631,991**

RESULTS

Revenue per available room (RevPAR) is the hotelier's chief measure of comparative efficiency in filling rooms profitably. RevPAR starts at 45€ in the first year, almost doubling to 83€ by the fifth with the increase in occupancy and the decrease in direct room-rate discounts.

At the same time, the net margin grows from 19% to 40%. The interest coverage rate is also clearly satisfactory.

In terms of personal income flow for the owner fully employed with the hotel operation, opportunity cost (≈€1500*12) is approximately half covered in the first year, once earnings equivalent to depreciation costs have been retained to cover replacement and repair, etc., costs.

More analytically, the present value estimate given in Table 6 can give an evaluation of the return on the proposal. Two estimates have been chosen. Both are given based on the return to own capital plus loan. One, using a supposed salvage rate equal to the property value (based on build & equipping costs) minus loan repayment still pending, gives a net present value of almost €320,000. The other uses a Gordon growth model estimate of the discounted future perpetual income stream with an effective zero rate of growth due to the physical property limitations and a "hurdle rate" equal to the assumed interest rate (i.e., with no risk assumed)[20]. This gives a net present value of €703,000.

Including the grant funding in the evaluation highlights the impossibility of such investment ever taking place without support. The net present value is heavily negative at ˉ€80,000

Table 6 – Estimating Net Present Value

FROM OPERATING INCOME TO FREE CASH FLOW TO FIRM							
Initial investment	-570,000	-70,000					
After-tax operating income		17,421	26,496	40,913	54,811	62,222	
- opportunity cost of "employment" of one owner (+3% inflation)		-18,000	-18,540	-19,096	-19,669	-20,259	
+ depreciation (NOT added back as considered necessary reinvestment)		0	0	0	0	0	
-Change in working capital (assumed 10% of depreciation on furnishings and fittings made at beginning of year)		-500	-500	-500	-500	-500	
"Salvage value" (assumed equal to cost value of property - remaining loan repayment)						570,000	
	-570,000	-71,079	7,456	21,316	34,642	611,463	
Discounted at cost of capital (4%) to give net present value	-80,312						
If grant removed from initial outlay	-170,000	-71,079	7,456	21,316	34,642	611,463	
Net Present value	319,688						
If use constant future income stream*	-170,000	-71,079	7,456	21,316	34,642	41,463	1,036,563
Net Present Value	703,169						

* With assumption of no growth & using the cost of capital (= interest rate assuming no risk)

[20] To a certain extent, one could say that the assumption of no growth very roughly counterbalances the assumption of no risk. Growth could be possible through the purchase of other properties, expansion of activities, etc.

Alternatively the proposal can be evaluated by calculating the Internal Rate of Return on capital, perhaps more appropriately for this size of project. The results are very positive; the hurdle rate, i.e., expected risk, would have to be high to make the proposal unattractive. Desptie the no-growth assumption on the perpetual income stream version, its results are markedly above that of the salvage value alternative.

Table 7 – IRR (Base scenario)

Total grant	loan	FCFF Yr 0 (2011)	FCFF **Yr 1 (2012)**	FCFF **Yr 2 (2013)**	FCFF **Yr 3 (2014)**	FCFF **Yr 4 (2015)**	FCFF **Yr 5 (2016)**	**Perpetual income stream discounted**	**IRR**
With salvage value									
400,000	100,000	-170,000	-71,079	7,456	21,316	34,642	611,463		25%
With perpetual income stream not "salvage"									
400,000	100,000	-170,000	-71,079	7,456	21,316	34,642	41,463	1,036,563	33%

The above are the results and evaluation of the proposal given the base scenario with expected occupancy rates, starting lower than local averages but reaching levels slightly higher than local averages by the fifth year, given both the correction for the relevance of the statistics available but also the expected success of the product proposition.

FINANCIAL ROBUSTNESS

It is important, however, to assess the sensitivity of the business proposal to changes in some of the variables which might be considered outside the management's control. This "sensitivity analysis" will consider the vulnerability of the project finances to lower sales (occupancy levels) and to potential difficulties arising from lower funding from EU/national programmes. Table 8 below shows both the Net Present Value and the IRR calculated for the various scenarios, with the level of loan responding to ensure negative accumulated cash flows are "covered"[21]. (To avoid the confusion of too many alternatives, the Free Cash Flow to Firm figures given are for the five-year period with a salvage value at the end rather than the perpetual income stream alternative considered above.)

The first part of the table shows the effect of lower grant levels and the corresponding need for higher loans of longer duration. As can be seen, both metrics are satisactory still if the grant awarded is €350,000 rather than €400,000, i.e., at a ratio of own+loan to grant funding of 45:55, rather than the expected 40:60. Net present value is almost 140,000€ and the IRR is still 17% (down from 25%). Retained earnings can cover depreciation/replacement costs but for the first couple of years, the opportunity cost of devoting the full effort of one member of the management team is only half reiumbursed.

[21] It would be too cumbersome to provide here the full xcel files showing the calculations for the various scenarios. They are, however, available on request.

Table 8 – Results of changes in financing structure & occupancy rates

				FCFF Yr 0 (2011)	FCFF **Yr 1 (2012)**	FCFF **Yr 2 (2013)**	FCFF **Yr 3 (2014)**	FCFF **Yr 4 (2015)**	FCFF **Yr 5 (2016)**	**NPV (own capital)**	**IRR**
Funding ratio	Total grant (€)	Loan (€)	Loan yrs								
40:60	400,000	100,000	5	-170,000	-71,079	7,456	21,316	34,642	611,463	**319,688**	**25%**
45:55	350,000	120,000	10	-220,000	-71,679	6,602	20,198	33,249	535,809	**203,955**	**17%**
52:48	300,000	160,000	15	-270,000	-72,879	5,342	18,876	31,861	464,423	**90,599**	**9%**
Funding ratio	Total grant (€)	Loan (€)	Loan yrs								
LOW OCCUPANCY											
45:55	350,000	120,000	10	-220,000	-81,545	-1,600	4,548	13,097	516,517	**139,890**	**13%**
52:48	300,000	160,000	15	-270,000	-83,045	-3,145	2,956	11,456	435,900	**17,940**	**5%**
LOW OCCUPANCY & HIGHER COST OF CAPITAL											
45:55	350,000	120,000	10	-220,000	-82,445	-2,442	3,770	12,389	512,158	**114,004**	**12%**
53:47	300,000	170,000	15	-270,000	-84,320	-4,379	1,767	10,318	423,935	**-12,098**	**4%**

Once grant funding drops to 48%, however, at €300,000, the IRR falls to 9%, which would be worrying. If we add the effects of low occupancy to this, it will be seen to be far too close to the current cost of capital, with the result clearly negative if interest rates increase, hardly an unlikely possibility. With the lower occupancy given previously in Table 4 as a worst case scenario in this regard, lower funding of only €300,000 reduces the IRR to only 5% with the height of the loan significantly higher at €160,000 for 15 years. Moreover, net income does not even allow retained earnings to cover depreciation.

Should interest rates rise by 1% to 5%, the required loan to cover negative cash flows rises to €170,000. Net present value is now negative and the IRR is lower than the cost of capital, at 4%.

The result of this anlysis is that the business proposal will not be implemented if grant funding falls below €350,000 or 55% of the total investment.

BEST CASE SCENARIO

Table 9 – Results for best case scenario

				FCFF Yr 0 (2011)	FCFF **Yr 1 (2012)**	FCFF **Yr 2 (2013)**	FCFF **Yr 3 (2014)**	FCFF **Yr 4 (2015)**	FCFF **Yr 5 (2016)**	**NPV (own capital)**	**IRR**
Funding ratio	Total grant (€)	Loan (€)	Loan yrs								
40:60	400,000	100,000	5	-170,000	-71,079	7,456	25,806	37,987	616,087	330,340	26%

The proposal presentation concludes with the results of a best-case scenario which is nonetheless realistic. Using the occupancy rates foreseen as a best case in Table 4, the best-case scenario increases the net present value by €10,000 to over €330,000, with an Internal Rate of Return of 26%.

APPENDIX 1 – ARRIVALS TO GREECE & RIVAL COUNTRIES

Arrivals (000s) for 5 Mediterranean destinations from major Western European countries of origin and Russia

	1995	**2000**	1995/ 2000 %incr.	av. %incr . p.a.	**2005**	2000/ 2005 %incr.	av. %incr. p.a.
Brits to:							
Spain	3543	9109	157.10	20.79	9971	9.46	1.82
Italy	1588	2245	41.37	7.17	3185	41.87	7.25
Greece	2225	2772	24.58	4.49	2719	-1.91	-0.39
Turkey	273	342	25.27	4.61	911	166.37	21.65
Egypt	292	359	22.95	4.22	838	133.43	18.48
TOTAL TO 5	7921	14827	87.19	13.36	17624	18.86	3.52
Germans to:							
Spain	4231	8497	100.83	14.96	7336	-13.66	-2.90
Italy	8176	9532	16.59	3.12	8504	-10.78	-2.26
Greece	2273	2395	5.37	1.05	2242	-6.39	-1.31
Turkey	1234	1818	47.33	8.06	3860	112.32	16.25
Egypt	319	786	146.39	19.76	838	6.62	1.29
TOTAL TO 5	16233	23028	41.86	7.24	22780	-1.08	-0.22
Italians to:							
Spain	1304	1908	46.32	7.91	2344	22.85	4.20
Italy							
Greece	645	823	27.60	4.99	1129	37.18	6.53
Turkey	135	203	50.37	8.50	274	34.98	6.18
Egypt	257	752	192.61	23.95	823	9.44	1.82
TOTAL TO 5	2341	3686	57.45	9.50	4570	23.98	4.39
French to:							
Spain	2051	3064	49.39	8.36	3826	24.87	4.54
Italy	2256	2793	23.80	4.36	2937	5.16	1.01
Greece	552	602	9.06	1.75	677	12.46	2.38
Turkey	395	554	40.25	7.00	599	8.12	1.57
Egypt	122	380	211.48	25.51	495	30.26	5.43
TOTAL TO 5	5376	7393	37.52	6.58	8534	15.43	2.91
Dutch to:							
Spain	779	1913	145.57	19.68	1723	-9.93	-2.07
Italy	719	1263	75.66	11.93	1445	14.41	2.73
Greece	506	655	29.45	5.30	666	1.68	0.33
Turkey	201	494	145.77	19.70	1236	150.20	20.13
Egypt	39	142	264.10	29.49	206	45.07	7.72
TOTAL TO 5	2244	4467	99.06	14.76	5276	18.11	3.39
Austrians to:							
Spain	170	261	53.53	8.95	274	4.98	0.98
Italy	1662	1808	8.78	1.70	1698	-6.08	-1.25
Greece	347	475	36.89	6.48	464	-2.32	-0.47
Turkey	150	252	68.00	10.93	223	-11.51	-2.42
Egypt	34	100	194.12	24.08	137	37.00	6.50
TOTAL TO 5	2363	2896	22.56	4.15	2796	-3.45	-0.70

Swedish to:							
Spain	198	928	368.69	36.20	716	-22.84	-5.05
Italy	260	392	50.77	8.56	457	16.58	3.12
Greece	459	486	5.88	1.15	316	-34.98	-8.25
Turkey							
Egypt	19	70	268.42	29.80	122	74.29	11.75
TOTAL TO 5	936	1876	100.43	14.92	1611	-14.13	-3.00
Belgians to:							
Spain	719	1154	60.50	9.92	1036	-10.23	-2.13
Italy	624	717	14.90	2.82	833	16.18	3.04
Greece	246	332	34.96	6.18	372	12.05	2.30
Turkey							
Egypt	45	107	137.78	18.91	154	43.93	7.55
TOTAL TO 5	1634	2310	41.37	7.17	2395	3.68	0.73
Danes to:							
Spain	143	456	218.88	26.10	462	1.32	0.26
Italy	238	388	63.03	10.27	488	25.77	4.69
Greece	324	337	4.01	0.79	289	-14.24	-3.03
Turkey	85	94	10.59	2.03	368	291.49	31.38
Egypt	20	51	155.00	20.59	92	80.39	12.52
TOTAL TO 5	810	1326	63.70	10.36	1699	28.13	5.08
Swiss to:							
Spain	308	1198	288.96	31.21	1155	-3.59	-0.73
Italy	1300	1397	7.46	1.45	1612	15.39	2.90
Greece	259	3239	1150.58	65.74	223	-93.12	-41.44
Turkey	24	44	83.33	12.89	210	377.27	36.70
Egypt	72	104	44.44	7.63	131	25.96	4.72
TOTAL TO 5	1963	5982	204.74	24.96	3331	-44.32	-11.05
Spanish to							
Spain							
Italy	879	1098	24.91	4.55	1606	46.27	7.90
Greece	95	115	21.05	3.90	151	31.30	5.60
Turkey	57	151	164.91	21.51	239	58.28	9.62
Egypt	23	103	347.83	34.97	147	42.72	7.37
TOTAL TO 5	1054	1467	39.18	6.84	2143	46.08	7.87
Russians to							
Spain		237.5	-	-	297.8	25.39	5%
Italy		306.8	-	-	518.8	69.10	11%
Greece		102.1	-	-	182.3	78.55	12%
Turkey		766	-	-	1893.3	147.17	20%
Egypt		200	-	-	777.7	288.85	31%
TOTAL TO 5		1612.4	-	-	3669.9	127.60	17.88
		Yr 2005			**Yr 2006**		2006/ 2005 % incr.
Greece		182.3	-	-	261.3		43%

Source: Research Institute for Tourism report on countries of origin of tourist arrivals 2008, from tables on pp.45 and 64

APPENDIX 2 – BED-NIGHT STATISTICS

(Source: GS NSSG)

70-OVERALL TTL (GR + 65) **2005**	GR-GREECE	Ttl foreign	BG-BULGARIA	CH-SWITZ.	YU-SERBIA & MONT.	CZ-CZECH REP.	DE-GERMANY	DK-DENMARK	UK-UNITED KINGDOM	IT-ITALY	NL-NEDER-LANDS	NO-NORWAY	PL-POLAND	RO-ROMANIA	RU-RUSSIA	SE-SWEDEN
11,305	10,056		317	1	27		80		24	45	3	2	12	13	10	4
9,945	8,880		189	3	54	2	103	2	35	34	16	2	4	8	4	2
20,096	17,022		240		47	20	381	3	573	85	123	77	16	173	37	4
16,125	12,357		615	27	28	30	363	34	108	103	42	36	64	19	10	123
51,257	18,238		1,741	163	260	62	11,570	19	10,915	173	2,209	15	1,514	93	34	75
106,440	29,728		953	33	3,819	7,642	16,606	569	19,948	268	3,644	57	4,383	307	100	465
159,008	66,233		911	168	6,482	9,315	16,129	1,647	20,325	839	3,964	72	9,056	881	194	1,260
197,178	98,527		2,546	162	6,180	9,442	16,683	173	24,611	1,503	3,723	81	9,747	2,108	83	994
103,027	34,153		2,784	132	2,659	6,776	17,608	85	16,259	382	3,418	54	5,477	594	57	444
26,512	18,279		591	166	16	115	3,285	8	513	166	223	4	598	201	9	13
16,797	13,665		436	29	21	2	348	4	101	149	14	5	18	53	109	11
11,893	10,231		711	23	24		64		123	130	40	1		40	26	
729,583	**337,369**		**12,034**	**907**	**19,617**	**33,406**	**83,220**	**2,544**	**93,535**	**3,877**	**17,419**	**406**	**30,889**	**4,490**	**673**	**3,395**
100%	46%															
% of all foreign		100%	3.08%	0.23%	5.02%	8.56%	21.32%	0.65%	23.96%	0.99%	4.46%	0.10%	7.91%	1.15%	0.17%	0.87%

2008

11,484	9,741		333	1	12		57	2	35	48	10	3		52	27	2
14,636	12,440		730	10	11		66		15	77	7	1	4	46	2	4
17,989	14,583		1,321	8	21	3	339	39	123	94	64	2	2	89	48	12
23,853	15,052		4,015	16	136	2	347	49	180	179	233	7	13	715	7	21
69,691	16,710		10,151	230	393	2	20,567	526	10,016	265	2,425	311	1,151	1,547	128	1,173
130,109	29,314		4,814	486	9,450	9,071	21,769	1,553	14,557	227	2,866	2,275	4,992	10,396	257	6,620
190,301	68,151		5,307	330	12,978	14,088	22,331	4,564	14,343	642	3,290	2,674	6,349	9,902	293	6,590

224,668	102,675		6,655	138	11,717	11,375	21,691	2,421	16,524	2,430	3,097	2,548	6,095	13,306	443	4,536
118,648	33,597		9,244	449	4,916	5,441	25,575	858	9,084	352	1,716	1,604	5,889	6,960	957	3,963
30,757	16,323		2,503	78	309	83	7,265	40	69	204	238	48	318	405	47	161
16,857	14,069		968	28	22	3	188		62	40	32		4	36	44	10
15,164	12,140		1,135	14	9		64		28	44	80		6	34	63	16
864,157	**344,795**		**47,176**	**1,788**	**39,974**	**40,068**	**120,259**	**10,052**	**65,036**	**4,602**	**14,058**	**9,473**	**24,823**	**43,488**	**2,316**	**23,108**
100%	40%															
% of all foreign		100%	9.12%	0.35%	7.73%	7.75%	23.25%	1.94%	12.58%	0.89%	2.72%	1.83%	4.80%	8.41%	0.45%	4.47%

18%	2%	**Incease 2008/05**	292%	97%	104%	20%	45%	295%	-30%	19%	-19%	2233%	-20%	869%	244%	581%
6%	1%	**Av. incr. p.a.**	58%	25%	27%	6%	13%	58%	-11%	6%	-7%	186%	-7%	113%	51%	90%

Source of original statistics: General Secretariat of the National Statistical Service of Greece

APPENDIX 3 – DISTRIBUTION OF OCCUPANCY BY MONTH – 2005-2008

Bed-nights by country of origin by month (Province of Kavala)

MONTH	Bed-nights 2005	% of total nights	Bed-nights 2006	% of total nights	Bed-nights 2007	% of total nights	Bed-nights 2008	% of total nights
NORWAY								
1	2		8		2		3	
2	2						1	
3	77		2		1		2	
4	36		5				7	
5	15	*4%*	37	*1%*	341	*8%*	311	*3%*
6	57	*14%*	690	*25%*	901	*21%*	2,275	*24%*
7	72	*18%*	1,066	*39%*	1425	*33%*	2,674	*28%*
8	81	*20%*	840	*31%*	859	*20%*	2,548	*27%*
9	54	*13%*	67	*2%*	793	*18%*	1,604	*17%*
10	4	*1%*	5	*0%*		*0%*	48	*1%*
11	5				5			
12	1							
TOTAL	**406**	*70%*	**2,720**	*99%*	**4327**	*100%*	**9,473**	*100%*
SWEDEN								
1	4		2		2		2	
2	2		14		2		4	
3	4				1		12	
4	123		5		17		21	
5	75	*2%*	510	*4%*	1996	*10%*	1,173	*5%*
6	465	*14%*	2,764	*21%*	4657	*24%*	6,620	*29%*
7	1,260	*37%*	4,530	*34%*	5475	*28%*	6,590	*29%*
8	994	*29%*	3,450	*26%*	3695	*19%*	4,536	*20%*
9	444	*13%*	1,983	*15%*	3627	*18%*	3,963	*17%*
10	13	*0%*	106	*1%*	124	*1%*	161	*1%*
11	11		4		6		10	
12			2		4		16	
TOTAL	**3,395**	*96%*	**13,370**	*100%*	**19606**	*100%*	**23,108**	*100%*
Av. bed-nights/arrival	4						7	
CZECH REP.								
1								
2	2							
3	20		5				3	
4	30		3		6		2	
5	62	*0%*	149	*1%*	217	*1%*	2	*0%*
6	7,642	*23%*	3,726	*21%*	4562	*20%*	9,071	*23%*
7	9,315	*28%*	6,183	*35%*	6548	*29%*	14,088	*35%*
8	9,442	*28%*	4,088	*23%*	7434	*32%*	11,375	*28%*
9	6,776	*20%*	3,592	*20%*	3829	*17%*	5,441	*14%*
10	115	*0%*	68	*0%*	309	*1%*	83	*0%*
11	2		4		8		3	
12								
TOTAL	**33,406**	*100%*	**17,818**	*100%*	**22913**	*100%*	**40,068**	*100%*
Av. bed-nights/arrival	9						10	
GERMANY								

1	80		42		65		57	
2	103		50		119		66	
3	381		134		203		339	
4	363		635		423		347	
5	11,570	*14%*	13,876	*14%*	16414	*14%*	20,567	*17%*
6	16,606	*20%*	20,408	*20%*	24858	*22%*	21,769	*18%*
7	16,129	*19%*	21,063	*21%*	18820	*16%*	22,331	*19%*
8	16,683	*20%*	20,539	*21%*	24468	*21%*	21,691	*18%*
9	17,608	*21%*	18,748	*19%*	23566	*21%*	25,575	*21%*
10	3,285	*4%*	4,286	*4%*	5447	*5%*	7,265	*6%*
11	348		247		192		188	
12	64		51		127		64	
TOTAL	**83,220**	*98%*	**100,079**	*99%*	**114702**	*99%*	**120,259**	*99%*
Av. bed-nights/arrival	8						9	

UNITED KINGDOM

1	24		98		121		35	
2	35		53		125		15	
3	573		50		97		123	
4	108		158		156		180	
5	10,915	*12%*	10,851	*12%*	8003	*12%*	10,016	*15%*
6	19,948	*21%*	16,892	*19%*	14526	*22%*	14,557	*22%*
7	20,325	*22%*	18,942	*21%*	13625	*21%*	14,343	*22%*
8	24,611	*26%*	21,933	*25%*	15953	*24%*	16,524	*25%*
9	16,259	*17%*	18,274	*21%*	11877	*18%*	9,084	*14%*
10	513	*1%*	817	*1%*	615	*1%*	69	*0%*
11	101		93		60		62	
12	123		94		70		28	
TOTAL	**93,535**	*99%*	**88,255**	*99%*	**65228**	*99%*	**65,036**	*99%*
Av. bed-nights/arrival	9						7	

SERBIA & MONTENEGRO

1	27		18		12		12	
2	54		62		13		11	
3	47		22		48		21	
4	28		181		99		136	
5	260	*1%*	451	*2%*	579	*2%*	393	*1%*
6	3,819	*19%*	3,293	*14%*	7546	*23%*	9,450	*24%*
7	6,482	*33%*	7,880	*34%*	9526	*30%*	12,978	*32%*
8	6,180	*32%*	8,371	*36%*	8628	*27%*	11,717	*29%*
9	2,659	*14%*	2,833	*12%*	5446	*17%*	4,916	*12%*
10	16	*0%*	41	*0%*	221	*1%*	309	*1%*
11	21		15		11		22	
12	24		4		27		9	
TOTAL	**19,617**	*99%*	**23,171**	*99%*	**32156**	*99%*	**39,974**	*99%*
Av. bed-nights/arrival	7						8	

Source: General Secretariat of the National Statistical Service of Greece

APPENDIX 4 – INTERNET USAGE STATISTICS FOR EUROPE

Internet Usage in Europe					
EUROPE	**Population (2009 Est.)**	**Internet Users, Latest Data**	**% Population (Penetration)**	**User Growth (2000-2009)**	**% Users Europe**
Albania	3,639,453	**750,000**	20.6 %	29,900.0 %	0.2 %
Andorra	83,888	**59,100**	70.5 %	1,082.0 %	0.0 %
Austria	8,210,281	**5,936,700**	72.3 %	182.7 %	1.4 %
Belarus	9,648,533	**3,106,900**	32.2 %	1,626.1 %	0.7 %
Belgium	10,414,336	**7,292,300**	70.0 %	264.6 %	1.7 %
Bosnia-Herzegovina	4,613,414	**1,441,000**	31.2 %	20,485.7 %	0.3 %
Bulgaria	7,204,687	**2,647,100**	36.7 %	515.6 %	0.6 %
Croatia	4,489,409	**2,244,400**	50.0 %	1,022.2 %	0.5 %
Cyprus	1,084,748	**335,000**	30.9 %	179.2 %	0.1 %
Czech Republic	10,211,904	**6,027,700**	59.0 %	502.8 %	1.4 %
Denmark	5,500,510	**4,629,600**	84.2 %	137.4 %	1.1 %
Estonia	1,299,371	**888,100**	68.3 %	142.3 %	0.2 %
Faroe Islands	48,856	**37,500**	76.8 %	1,150.0 %	0.0 %
Finland	5,250,275	**4,382,700**	83.5 %	127.4 %	1.0 %
France	62,150,775	**43,100,134**	69.3 %	407.1 %	10.3 %
Germany	82,329,758	**54,229,325**	65.9 %	126.0 %	13.0 %
Gibraltar	28,796	**9,853**	34.2 %	515.8 %	0.0 %
Greece	10,737,428	**4,932,495**	45.9 %	393.2 %	1.2 %
Guernsey & Alderney	65,484	**46,100**	70.4 %	130.5 %	0.0 %
Hungary	9,905,596	**5,873,100**	59.3 %	721.4 %	1.4 %
Iceland	306,694	**285,700**	93.2 %	70.1 %	0.1 %
Ireland	4,203,200	**2,830,100**	67.3 %	261.0 %	0.7 %
Italy	58,126,212	**30,026,400**	51.7 %	127.5 %	7.2 %
Jersey	91,626	**28,500**	31.1 %	256.3 %	0.0 %
Kosovo	1,804,838	**377,000**	20.9 %	0.0 %	0.1 %
Latvia	2,231,503	**1,369,600**	61.4 %	813.1 %	0.3 %
Liechtenstein	34,761	**23,000**	66.2 %	155.6 %	0.0 %
Lithuania	3,555,179	**2,103,471**	59.2 %	834.9 %	0.5 %
Luxembourg	491,775	**387,000**	78.7 %	287.0 %	0.1 %
Macedonia	2,066,718	**906,979**	43.9 %	2,923.3 %	0.2 %
Malta	405,165	**200,200**	49.4 %	400.5 %	0.0 %

Moldova	4,320,748	**850,000**	19.7 %	3,300.0 %	0.2 %
Monaco	32,965	**22,000**	66.7 %	214.3 %	0.0 %
Montenegro	672,180	**294,000**	43.7 %	0.0 %	0.0 %
Netherlands	16,715,999	**14,304,600**	85.6 %	266.8 %	3.4 %
Norway	4,660,539	**4,235,800**	90.9 %	92.5 %	1.0 %
Poland	38,482,919	**20,020,362**	52.0 %	615.0 %	4.8 %
Portugal	10,707,924	**4,475,700**	41.8 %	79.0 %	1.1 %
Romania	22,215,421	**7,430,000**	33.4 %	828.8 %	1.8 %
Russia	140,041,247	**45,250,000**	32.3 %	1,359.7 %	10.8 %
San Marino	30,167	**17,000**	56.4 %	580.0 %	0.0 %
Serbia	7,379,339	**3,300,000**	44.7 %	725.0 %	0.8 %
Slovakia	5,463,046	**3,566,500**	65.3 %	448.7 %	0.9 %
Slovenia	2,005,692	**1,300,000**	64.8 %	333.3 %	0.3 %
Spain	40,525,002	**29,093,984**	71.8 %	440.0 %	7.0 %
Svalbard & Jan Mayen	2,198	**--**	**--**	**--**	0.0 %
Sweden	9,059,651	**8,085,500**	89.2 %	99.7 %	1.9 %
Switzerland	7,604,467	**5,739,300**	75.5 %	168.9 %	1.4 %
Turkey	76,805,524	**26,500,000**	34.5 %	1,225.0 %	6.3 %
Ukraine	45,700,395	**10,354,000**	22.7 %	5,077.0 %	2.5 %
United Kingdom	61,113,205	**46,683,900**	76.4 %	203.1 %	11.2 %
Vatican City State	545	**93**	17.1 %	0.0 %	0.0 %
TOTAL Europe	**803,850,858**	**418,029,796**	**52.0 %**	**297.8 %**	**100 %**

NOTES: (1) The European Internet Stats were updated for September 30, 2009. (2) Detailed data for individual countries can be found by clicking on each country name. (3) The population numbers are based on data contained in U.S. Census Bureau. (4) The usage numbers come from various sources, mainly from statistics published by Nielsen Online , ITU , GfK, and other trustworthy sources. (5) Data may be cited, giving due credit and establishing an active link back to InternetWorld Stats . (6) For definitions and help, see the site surfing guide. ©

APPENDIX 5 – REVENUE-COST FLOWS BY MONTH FOR 5 YRS (BASE CASE)

BASE CASE	*Notes*	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Variables in blue font														
Yr1 of operation (2012)														
Capacity (rms x nights)						310	300	310	310	300	310			
Expected occupancy rate %						30%	30%	65%	75%	40%	30%			
Nights booked						93	90	202	233	120	93			
B&B Rm rate (Euro) (Average)* - VAT						82	82	99	99	82	74			
With promotion discount	15%					70	70	84	84	70	62			
REVENUE														
Rm Sales						6,475	6,266	16,907	19,508	8,354	5,810			
Other catering sales (3Eu/night)	3					279	270	605	698	360	279			
Villa rent (same occupancy rate))	200					1,860	1,800	4,030	4,650	2,400	1,860			
COSTS														
COGS (materials, breakfast & other sales)	9				-1,000	-797	-771	-1,727	-1,993	-1,029	-625			
Staffing costs					-500	-2,500	-2,500	-5,900	-5,900	-2,500	-6,250			
Electricity, water, heating, laundry		-100	-100	-100	-200	-366	-360	-583	-645	-420	-566	-100	-100	
Selling & distribution - admin costs	-9,300	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	
Interest on loan	-4,000	-333	-333	-333	-333	-333	-333	-333	-333	-333	-333	-333	-333	
														Check:
Total cash inflow		0	0	0	0	8,614	8,336	21,541	24,856	11,114	7,949	0	0	*82,410*
Total cash expenditures		-1,208	-1,208	-1,208	-2,808	-4,771	-4,740	-9,318	-9,646	-5,057	-8,550	-1,208	-1,208	*-50,932*
Net Cash Flow		-1,208	-1,208	-1,208	-2,808	3,842	3,596	12,223	15,209	6,057	-600	-1,208	-1,208	
Accumulated Cash Flow		-1,208	-2,417	-3,625	-6,433	-2,591	1,005	13,228	28,437	34,495	33,895	32,686	31,478	
Yr2														
Capacity (rms x nights)						310	300	310	310	300	310			
Expected occupancy rate %						30%	35%	70%	80%	50%	30%			
Nights booked						93	105	217	248	150	93			
B&B Rm rate (Euro) (Average) - VAT + Incr.	3%					84	84	102	102	84	76			
With promotion discount	10%					76	76	92	92	76	68			
REVENUE														
Rm Sales						7,061	7,972	19,857	22,694	11,389	6,337			
Other catering sales (3Eu/night)	3					279	315	651	744	450	279			
Villa rent (same occup. rate & prom offer)	200					1,860	2,100	4,340	4,960	3,000	1,860			

	Notes	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Notes
COSTS														
COGS (materials, breakfast & other sales)	10				-1,030	*-949*	*-1,071*	*-2,213*	*-2,530*	*-1,530*	*-949*			
Staffing costs	3%				-515	*-2,575*	*-2,575*	*-6,077*	*-6,077*	*-2,575*	*-6,438*			
Electricity, water, heating, laundry	3%	-103	-103	-103	-206	-377	-402	-632	-696	-494	-583	-103	-103	
Selling & distribution - admin costs	-8,300	-692	-692	-692	-692	-692	-692	-692	-692	-692	-692	-692	-692	
Interest on loan	-3,261	-272	-272	-272	-272	-272	-272	-272	-272	-272	-272	-272	-272	
														Check:
Total cash inflow		0	0	0	0	9,200	10,387	24,848	28,398	14,839	8,476	0	0	*96,148*
Total cash expenditures		-1,066	-1,066	-1,066	-2,714	-4,864	-5,011	-9,886	-10,266	-5,563	-8,933	-1,066	-1,066	*-52,570*
Net Cash Flow		-1,066	-1,066	-1,066	-2,714	4,336	5,376	14,962	18,131	9,276	-457	-1,066	-1,066	
Accumulated Cash Flow		-1,066	-2,133	-3,199	-5,914	-1,578	3,798	18,760	36,891	46,168	45,711	44,644	43,578	
Yr3														
Capacity (rms x nights)						310	300	310	310	300	310			
Expected occupancy rate %						40%	50%	75%	85%	55%	35%			
Nights booked						124	150	233	264	165	109			
B&B Rm rate (Euro) (Average) - VAT + Incr.	3%					87	87	105	105	87	78			
With promotion discount	5%					83	83	99	99	83	74			
REVENUE														
Rm Sales						10,236	12,382	23,131	26,215	13,621	8,038			
Other catering sales (4Eu/night)	4					496	600	930	1,054	660	434			
Villa rent (same occupancy rate & prom offer))	200					2,480	3,000	4,650	5,270	3,300	2,170			
COSTS														
COGS (materials, breakfast & other sales)	11				-1,061	*-1,314*	*-1,590*	*-2,465*	*-2,793*	*-1,749*	*-1,150*			
Staffing costs	3%				-530	-2,652	-2,652	-6,259	-6,259	-2,652	-6,631			
Electricity, water, heating, laundry	3%	-106	-106	-106	-212	-454	-509	-684	-750	-541	-633	-106	-106	
Selling & distribution - admin costs	-9,300	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	-775	
Interest on loan	-2,493	-208	-208	-208	-208	-208	-208	-208	-208	-208	-208	-208	-208	
														Check:
Total cash inflow		0	0	0	0	13,212	15,982	28,711	32,539	17,581	10,642	0	0	*118,667*
Total cash expenditures		-1,089	-1,089	-1,089	-2,786	-5,404	-5,734	-10,391	-10,785	-5,925	-9,397	-1,089	-1,089	*-55,867*
Net Cash Flow		-1,089	-1,089	-1,089	-2,786	7,809	10,248	18,320	21,754	11,656	1,245	-1,089	-1,089	
Accumulated Cash Flow		-1,089	-2,178	-3,267	-6,053	1,756	12,004	30,324	52,078	63,733	64,978	63,889	62,800	

Yr4	*Notes*	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	*Notes*
Capacity (rms x nights)						310	300	310	310	300	310			
Expected occupancy rate %						45%	60%	90%	90%	65%	35%			
Nights booked						140	180	279	279	195	109			
B&B Rm rate (Euro) (Average) - VAT + Incr.	3%					90	90	108	108	90	80			
With promotion discount	3%					87	87	105	105	87	78			
REVENUE														
Rm Sales						12,111	15,627	29,192	29,192	16,929	8,453			
Other catering sales (4Eu/night)	4					558	720	1,116	1,116	780	434			
Villa rent (same occupancy rate & prom offer))	200					2,790	3,600	5,580	5,580	3,900	2,170			
COSTS														
COGS (materials, breakfast & other sales)	11				-1,093	*-1,479*	*-1,908*	*-2,957*	*-2,957*	*-2,067*	*-1,150*			
Staffing costs	3%				-546	-2,732	-2,732	-6,447	-6,447	-2,732	-6,830			
Electricity, water, heating, laundry	3%	-109	-109	-109	-219	-502	-590	-806	-806	-623	-652	-109	-109	
Selling & distribution - admin costs	-10,000	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	
Interest on loan	-1,695	-141	-141	-141	-141	-141	-141	-141	-141	-141	-141	-141	-141	
														Check:
Total cash inflow		0	0	0	0	15,459	19,947	35,888	35,888	21,609	11,057	0	0	*139,847*
Total cash expenditures		-1,084	-1,084	-1,084	-2,832	-5,687	-6,204	-11,185	-11,185	-6,396	-9,607	-1,084	-1,084	*-58,516*
Net Cash Flow		-1,084	-1,084	-1,084	-2,832	9,772	13,742	24,702	24,702	15,213	1,451	-1,084	-1,084	
Accumulated Cash Flow		-1,084	-2,168	-3,251	-6,084	3,688	17,431	42,133	66,835	82,048	83,499	82,415	81,331	

Yr5														
Capacity (rms x nights)						310	300	310	310	300	310			
Expected occupancy rate %						50%	65%	90%	90%	70%	40%			
Nights booked						155	195	279	279	210	124			
B&B Rm rate (Euro) (Average) - VAT + Incr.	3%					92	92	111	111	92	83			
With promotion discount	2%					90	90	109	109	90	81			
REVENUE														
Rm Sales						14,003	17,617	30,377	30,377	18,972	10,053			
Other catering sales (5Eu/night)	5					775	975	1,395	1,395	1,050	620			
Villa rent (same occup. rate & prom offer))	200					3,100	3,900	5,580	5,580	4,200	2,480			
COSTS														
COGS (materials, breakfast & other sales)	12				-1,126	*-1,860*	*-2,340*	*-3,348*	*-3,348*	*-2,520*	*-1,488*			
Staffing costs	3%				-563	-2,814	-2,814	-6,641	-6,641	-2,814	-7,034			

	Notes	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Electricity, water, heating, laundry	3%	-113	-113	-113	-225	-551	-642	-831	-831	-675	-707	-113	-113	
Selling & distribution - admin costs	-10,000	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	-833	
Interest on loan	-864	-72	-72	-72	-72	-72	-72	-72	-72	-72	-72	-72	-72	
														Check:
Total cash inflow		0	0	0	0	17,878	22,492	37,352	37,352	24,222	13,153	0	0	*152,449*
Total cash expenditures		-1,018	-1,018	-1,018	-2,819	-6,131	-6,701	-11,724	-11,724	-6,914	-10,135	-1,018	-1,018	*-61,237*
Net Cash Flow		-1,018	-1,018	-1,018	-2,819	11,747	15,791	25,628	25,628	17,307	3,018	-1,018	-1,018	
Accumulated Cash Flow		-1,018	-2,036	-3,054	-5,872	5,875	21,666	47,294	72,922	90,230	93,248	92,230	91,212	

* Breakfast rate 8Eu/head, 16Eu/rm & cost 8Eu

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