

**AN INDEPENDENT STUDY ON ESTABLISHMENT OF
SOHO INN HOTEL THE THEMATIC HOTEL
GRADUATE STUDENT AT STAMFORD INTERNATIONAL UNIVERSITY**

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“It is not possible to prepare a business plan without the assistance and encouragement of other people. This one is certainly no exception.”

On the very outset of this business plan, I would like to extend my sincere and heartfelt obligation towards all the personages who have helped me in this endeavor. Without their active guidance, help, cooperation and encouragement, I would not have made headway in this plan.

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Yuran Qiu (Dante)

Yuran Qiu. Master of business Administration, September 2013, Graduate school,
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A Business Plan of SOHO Inn Hotel, the Thematic Hotel

Advisor: Dr. Kelvin C.K Lam

Abstract

Facing rapidly changing customer behavior that includes demanding unique and stimulating accommodation experiences in an aesthetically interesting environment, small and medium-sized (SME) hotels are taking the “boutique” concept a step further and are offering thematic experiences to satisfy the growing market. However, as with all SME independent hotels which make up the largest part of the Asia fragmented hospitality industry especially in China, brand awareness and distribution are challenges in an increasingly competitive business where even the large hotel chains are creating thematic brands. One solution for SME thematic hotels may be stick with concept specializing in this segment. Despite the accelerated growth of thematic concept, there is little research to show if their hotel guests are receiving the services that they need or if there are other services required. This plan is the road map of value adding of the theme hotel. It is specialized theme hotel concept and the alignment of the concept offer with the demand.

It has been concluded that most thematic hotels in big cities have similar needs a regards to specialized new room design concept. The main reasons they success, is fit with the concept values and positioning, domestic distribution, and targeted promotions. The most valued services for the hotels are international reach, brand recognition, incremental bookings and specialized marketing. Many are dissatisfied with high decoration fees that are perceived as unjustified and with the rapid growth of the concept, which some believe reduces the level of room design service. However, there are improvements to be made as reported by the hotels, which often need to re-decoration in order to fulfill all of guests requirements.

Recommendations provided for the thematic concept include a review of the financial plan, marketing strategy, operation strategy and the level of personalized service as well as continuing their value added components which have been identified by their current member hotels. For the future theme hotels, recommendations include criteria for selecting thematic concept such as fitting with the concept philosophy, target size, cost effectiveness, personalized service, specialized marketing, brand awareness and clear positioning and targeting.

Key words: SME hotels, thematic concept, fashion lifestyle, design, boutique

Reason to write this business plan

This business plan is a road map for the development of the desire future hotel. It includes a written description of the future business and corresponding financial data.

The goals of this business plan are:

1. To obtain money from lenders (get a loan) or investors (sell some ownership in the company to someone else).
2. To develop and implement the ideas into actual business practices, products and services.
3. To identify the strengths and weaknesses of the possible company and its competitors, and to provide a strategy to further the company's growth.
4. To develop guidelines for the operation of the company.

This business plan is about business results guiding decisions. The plan itself has no value if it doesn't help improve the business. Its value is the decisions it leads to.

Whether it is every month or every quarter, it needs to track results, analyze the difference between the plan and actual results and manage accordingly. Change things that need to be changed.

“I have no special talent, only the strong curiosity always keep curiosity is the man who is always in progress.”

—— Albert Einstein (1912)

The inspiration of the idea

The root of Theme hotel with different rooms is come from human natures – The curiosity. People are always wanted to know those unknowns, try those they never tried. A theme hotel gives people chance to lay down under different miracle environment. It will fulfill the curiosity.

The idea of running this business is to found a new and modern type of hotel in Kunming city, Yunnan province China. This theme hotel will fill the blank area on this type of hospitality business in Kunming.

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Chapter 1 - Executive Summary

1.1 Description of the business and the company

This section presents the basic idea and the proposed name of the company.

The Idea of this business plan is to found a new and modern type of hotel in Kunming city, Yunnan province China. This theme hotel will fill the blank area of this type of hospitality business in Kunming. The theme hotel will start from a new independent business, and then looking for chance of franchise.

The theme hotel will named SOHO inn (苏荷旅), by Dante's brotherhood Co. Ltd. SOHO means Small Office and Home Office; it represents an urban style of work and life.

The spirit of this theme hotel is mainly focus on room interior designs. The hotel doesn't have many rooms, but every room is exactly different from another by applying different themes. Such as room "Zodiac palace" the decoration, elements in the room will be all related to 12 zodiacs. The room will design as nebular roof with soft lights, the 12 zodiacs surrounded wall paper and dark colored floor board. The whole room makes people feeling as walk in the universe. Theme related decorations, tub and bed set will add more experience to guest. And there is many others theme will available.

The theme room design will base on three main components: the whole theme, bed and the tub. Simple and clarified, the theme hotel rooms are different themes but same functions with comfortable beds and tubs.

Customer will have a totally new experience of stay in hotel. The Choice of different themes, the novelty of special design of hotel rooms are also provides a big attraction to customers.

The business will start with partnership by chosen partners. The structure will be 1 primary share holder/the founder and two investors/partners.

The theme hotel will need a hotel business license¹ which also requires hygienic license and special trade license (for lodging, bathing system, and so on).

The hotel business will focus on services and few part of hotel related products.

The location pick in a popular tourist place: Kunming, Yunnan province, China. Kunming City has become a hot spot of fashionable, night life, urban life, and culture mixed tourist place. A boutique theme hotel is needed by young and trendy/fashion tourists.

Yunnan as a tourist destination is becoming more and more popular day by days. It is also the reason St. Regis hotel will pick Lijiang as next destination to locate its new hotel by April 2014. St. Regis hotel is under the giant Hotel group “Starwood”. It is therefore a great opportunity for hotel business focus on, however the business will face a high competition.

If the business is successfully operated in Kunming it is much possible alternative to expand the business.

One to three stars hotels in Kunming city generally provide limited service, facilities and amenities. These are the main weaknesses of existing small hotel business in Kunming. However the four and five stars hotels where multipurpose facilities and services available, are not only affordable by young groups, but also are not matching these young people’s social life style.

Other franchising hotel such as “7 days(七天)”, :Home inn(如家)”, which is very successful franchising economic chain hotel in China, but the innovation of these hotels are not following the actual trend and current market needs.

1.2 Target market and forecasts

This section described the target market; the target group's characteristics; and the analysis of the target group's change in the future.

The target market is the creators of the fashion trends. Their ages are between 20 to 35 years old, received good education, generally no kids, interested in the latest and the coolest, and most fashionable things. They know the fashion, they are concerned about fashion, and also hope can be the fusion of fashion, loving fashion elements or fashion music. And they also have a unique opinion on design; these insights can inspire designers continuously. This group surely has an urban life style.

The specific group nowadays in China is growing fast because the high pressure from life, work and family. The high level of pressure force the young generation stick with a fast moving urban life style. Young generations are scared of marriage and future children education. The other main factor is they can't afford the marriage and children's education. They are spending more, rather than save money. This has become a social issue. These factors are directly and indirectly lead to more demand of kinds of relaxation for young adults.

New generation of "spa one day tour", "hot spring tour", "night club hotel" and so on is becoming popular for young adults to spend their short weekend on. This group of people is looking for a new, fashionable, trendy and exciting type of relaxation. So why don't try theme hotel?

1.2 *Competitive advantages*

The different services and the main selling point

Until September 2013, there is no such type of hotel in Kunming yet. But the idea has already applied in other bigger cities such as Beijing, Shanghai, Wuhan, and so on. And they operating very well, very popular, very profitable and the demand exceed supply already.²

The selling points of the theme hotel are:

- The fashionable themes.
- The round comfortable bed.
- The beautiful designed tub. And these three selling points will also be the competitive advantages of this business.

1. The fashionable themes

Normal hotel is regularly have similar room design and decorations, it is convenient and easy going, suit for those customers only want to have a simple rest. The theme hotel put entertainment and special experience and rest together; it will refresh customers' eyes when every time they try a new theme.



2. The round comfortable bed.

The chosen bed is different because the round bed gives more moods to the quest, not like the normal beds customer will hardly forget the round bed once they tried. Round bed also give a romantic and mystery feeling when they covered with different themes bed set, sheet and covers.



2: <http://business.sohu.com/20130510/n375521436.shtml>

3. The Designed Tub.

The tub will right in the room, not in the rest room any more. It is optional block hide or open by big screens. The idea is very progressive and dare to try. This will also match the target group's life style.



1.4 Sustainability

This section is showing how the business idea sustainable over time.

The similar concept theme hotels in big cities are already demand exceeding supply². Some desirable rooms has already book out for long period.

Consider the potential demand of novelty theme hotel from the market, this theme hotel will popular very soon. To meet the current and future demand, the theme hotel business will be sustainable and viable

To sustain the hotel for a long run, the re-new and re-decoration strategy will help this theme hotel insure its existing customers and attract new customers.

For next five years, the hotel will expand to other hot tourist cities or any cities with certain demand. The wide coverage will also maintain its sustainability.

1.5 Team

Possible person will be in charge of putting the business idea into practice.

The planner as the representative of his family will be the prime founder and core executives. The planner will also in charge of finance.

Person's Background:

Name: Yuran Qiu.

Age: 26.

Education: BBA in Marketing at Bangkok University International College
MBA at Stamford International University, Thailand

Work experience: International Admissions/Marketing at Stamford International University, Thailand.

One friend of planner will handle the designs, construction of the decorations for the rooms. The person will report to the director of design and construction work. And the planner will also assist.

Person's background:

Name: Xuyang Luy.

Gender: Male

Age: 26

Education: Bachelor of Civil engineering, in Kunming University of science and engineering.

Work experience: Detector, Route and Bridge construction Co. Ltd. Yunnan.
China.

One friend of planner will in charge of IT system and organizing the online services, as the director of IT and online customer services.

Person's back ground:

Name: Longfei Xiong

Gender: Male

Age: 25

Education: bachelor of Science, Computer and Information technology in Yunnan

Metallurgical School, China.

Work experience: Supervisor in Constabulary Information center, Yunnan, China.

Chapter 2 - The company and Services

2.1 The service

This section provides a complete description of the characteristics of the service offered.

The hotel business will focus on the services and few hotel related products.

1. Hospitality,

In terms of normal hotel's standard, the hotel will have the same hospitality services.

But in case of theme hotel's room theme and design are different by each of the rooms; the room services will be also different.

The process will be simple and impressive as follow:

The front desk/Check in: When the guest walks in to the hotel, there will be a big light board behind the front desk to showing the guest all available rooms. When the room has taken, the light will off for that room. Once guests decide to check in, they will be asked to show their ID card and filling a simple personal information sheet. The following is paying the deposit and the room fee.



Guide to room: After guest check in, one of the hotel footmen will guide the guests to their room. In front of guests, the footman will bring the clean shower towels, other toilet requisites with sealed plastic bag and place them for the guest, and the same for the key card.

In room introduction: After settle down, the footman will pour a small welcome drink with goblet glass and give a short introduce for the theme room features' usage and show the drinks in the refrigerator and other appliances they may use but need to pay extra. Of course different rooms use different color and style of appliances.



Checkout: At the other day's 11:30 a.m. (the latest time to check out is 12:00 p.m.,) those rooms should check out will receive a call from the front desk to notice the checkout time. During the checkout time, guest may open a member card if they are interested. In the end the guests will leave with one hotel business card.

2. Online/IT service,

The SOHO Inn will have a website as the basic information platform, and then it will attach a forum to let guests left comments or read others' comments.

The new generation of hotel will also use new generation of technologies, such as online promoting tools: QQ, Weibo and other new social Medias Apps to promoting SOHO Inn. The hotel will have its own business QQ number account and Weibo account to post newest information and pictures. The hotel will receive online booking from these Medias too.

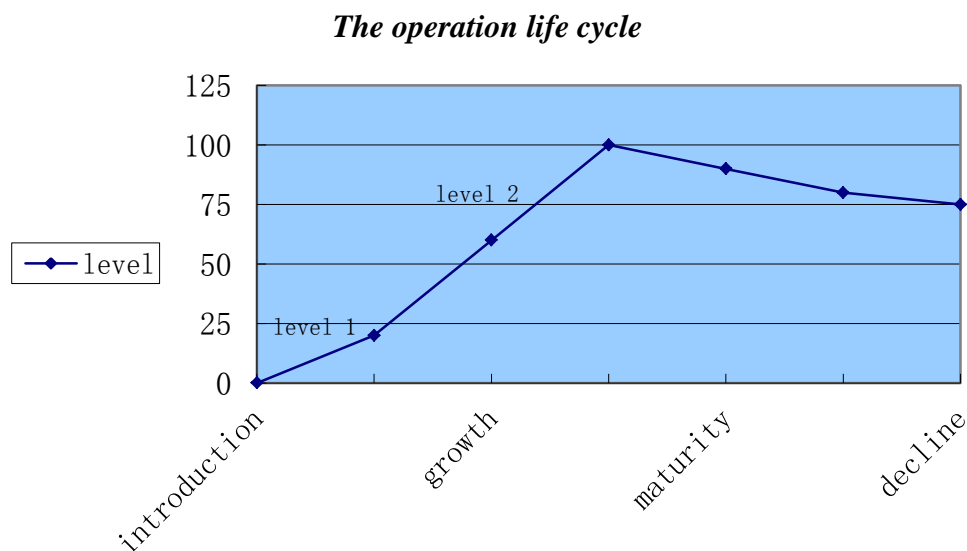
The Weibo (known as the Chinese twitter) is widely used in China now. The QQ and Wechat is software similar as MSN, which people used to real time chat or send voice messages. These Apps are more developed now and widely used by young generations.

The hotel's IT support will allow the guests use free Wi-Fi connections.

After all, the hotel will also have an database to keep all customers' information for financial and marketing use.



2.2 Market entry and growth strategy



- The introduction level:

The SOHO Inn will start from Wu Jing road branch in Kunming. The starting hotel will have 30 rooms. Before the settle of the hotel's construction and decoration, the marketing will prepare several big bangs on internet, to create some noise and let people aware of SOHO Inn. The hotel will also need people to follow and talk about the hotel by word of mouth. The grand opening promotion will be very important.

The introduction level will be shorter by using new technologies mentioned above. The new social Medias are available on smart phones. The trend of using new social Medias and new Technologies is multitasking. Young generations are capable to "Like", "Tag", "@" everything they see and interested, and share these information by using all those social Medias mentioned. Their experience is sharing fast by their friends also. The friends pass to friends, the spread speed is very fast. This hotel concept is innovative, and it will be noticed by young generations. This is a transformed way of "word of mouth" strategy.

- The growth level

The hotel's core selling point is a piece of new, exciting, and mysterious experience. But how can it maintain these with only 30 different rooms? The strategy is to re-decoration few rooms every six month after the breakeven point. The re-decoration will be fully designed before make changes and it will change the whole look of the room.

This action will keep the hotel's attractiveness and insure the existing customers. The comments and feedback from customers will help hotel to analysis which room is popular and which room should be re-decorated.

The faster the demand exceeds the supply, the faster hotel will meet the breakeven point to make real profit.

2.3 *The growth strategy*



- Stage one: Market Development (Existing hotel/New Market)

SOHO Inn attempts to develop a new market for an existing concept hotel. The new market is Kunming city. It's even possible to develop a new market for existing concept hotel by adjusting the structure of the hotel.

In any event, a market development growth strategy requires a working knowledge of existing markets and the ability to gaps in the marketplace that can be exploited to the hotel's advantage.

The theme hotel concept has already popular in Japan for a while. Some theme hotel in Japan has transformed into "Love hotel", which is more suitable for Japanese market. SOHO Inn is trying to bring this concept hotel into China and add creativities to matching Chinese market.

- Stage two: Product Development (New Product/Existing Market)

In hotel business, the hotel room can be look as the product. To renew or re-decoration of hotel rooms are similar as developing new products.

Instead of pioneering a new market with existing concept hotel, SOHO Inn will attempt to roll out a new design of room by re-decoration in Kunming Wu Jing Road branch. The hotel is more comfortable working in this kind of scenario because the hotel already possesses an awareness of prevailing market conditions.

2.4 SWOT Analysis

Internal

Strength

- The rooms design is fashionable, trendy and unique.
- Thematic decorations give more impression to guests.
- Unique way to settle up the tubs provides special experience while live in.
- Renewable and re-decoration keep updating the room design. Keep it always new.
- The planner's personal network build in Thailand will help the hotel with resources and human resources.
- Small organization is flexible, able to make quick change and re-act the practical situation.
- Small Capital investment compare to chain hotels and star grade hotels

Weakness

- Small dimension of hotel has limited room numbers.
- Lack of flexibility of rooms: Because every room is different from another, if certain room have problem or not available, guest can't change to the similar room.
- Difficult to manage the different designed rooms. Rooms are required different facilities and amenities. Hard to purchase also.
- Limited target group, not for majorities' customers.
- Lack of brand image in the beginning.
- Limited capital from investment

External

Opportunity

- New Ideas are commonly talked by young generations. It's a better chance to promote the SOHO inn.
- Many demands from other cities.
- Very less direct competitors
- The trend of hospitality industry is more humanity and life stylish.
- High speed development on Chinese hospitality industry.
- Large numbers of graduate student from Universities in China and abroad has certain ability can be recruited to use or future use.
- Kunming as one of the top ranked tourist cities in China will attract more potential customer to SOHO inn.
- ASEAN 10+1 will promote the tourism and hospitality industry. Kunming is the main gate between China and ASEAN.

Threat

- Steal or copy of designs
- Can't compete with large brands
- Many small low budget hotels, motels guest house or chain hotels in China.
- Because of ASEAN, a bunch of new concept hotel start to enter China. Such as Starwood group, Hilton group and Accor group. Bigger competitions.
- Seasonal fluctuations will affect hotel business.

	<p>Strengths</p> <ul style="list-style-type: none"> • Fashion and unique • Renewable • Good Connections • Flexibility on strategy • Low investment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Limited capacity • Lack of room flexibility • Difficult to manage • Limited target group • Lack of brand image
<p>Opportunities</p> <ul style="list-style-type: none"> • Young people likes new ideas • Demand exceed supply in other cities • Less direct competitors • Trend • Fast developing on industry • Many man power chance. • Tourist city 	<p>SO</p> <ul style="list-style-type: none"> • Young people are trendy and fashionable • Precocious idea is the trend of hospitality • Low investment by home land • Located in the tourist city • AESAN connections 	<p>WO</p> <ul style="list-style-type: none"> • Professional management team • Wider range of customer basis online • Creating good brand image by go green or ecofriendly
<p>Threats</p> <ul style="list-style-type: none"> • Imitate and copy • Competitors • ASEAN • Seasonal change 	<p>ST</p> <ul style="list-style-type: none"> • Imitate the ideas and designs • Design or ideas are not popular • Competitors from ASEAN 	<p>WT</p> <ul style="list-style-type: none"> • Large investment on same concept hotel • Merger and acquisition by large organizations

Chapter 3 - Market analysis

3.1 Clients

On this section, it shows the calculation of target size; the target group characteristics

³The primary customers mainly are young adults living in Kunming. And secondary customers are tourists from other cities or countries. The majority of customers are lovers or young couples. They are willing to try something special, different, mysterious, and exciting.

According to the sixth nationwide population census⁴, Kunming has 7.2 million people and 6.4 million are permanent resident population. 20-35 year old people have 18% of total population, 80% of people from it were educated. The approximate target group size is the 15% of Kunming's population for the hotel.

So the size approximately is 1 million people. Assume only 1% of people is interested in this concept of theme hotel, it is at least 10,000 people in potential.

In terms of SOHO Inn only has limited 30 rooms' capacity. It is easy to create awareness among the target size, when these young people using new social Medias and new technology.

This group of people was received good education, generally no kids, interested in the latest and the coolest, and most fashionable things. They know the fashion, they are concerned about fashion, and also hope can be the fusion of fashion, loving fashion elements or fashion music. And they also have a unique opinion on design. They are following a fast moving urban life style.

Over all, the target group is creating following demand from market:

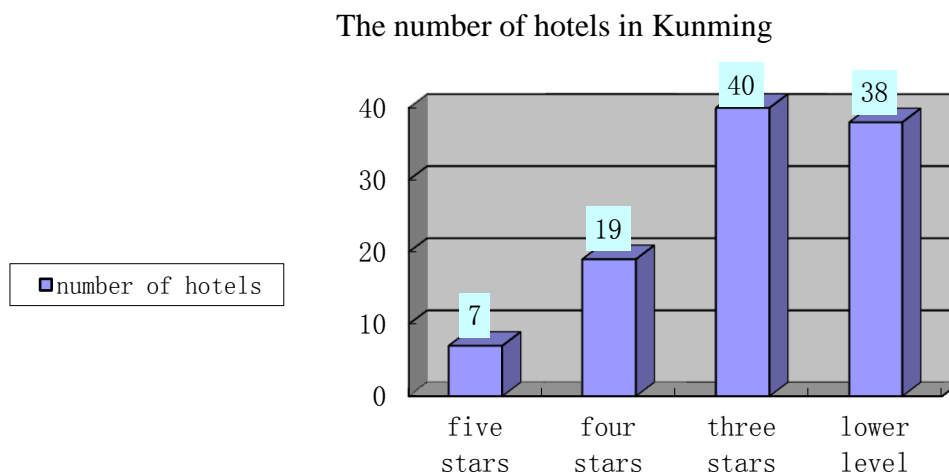
1. Urban life style
2. Willing to pay for new and hi-so entertainment
3. Spending rather than saving
4. Willing to try something new
5. Like to follow the trends

3: <http://info.hotel.hc360.com/2010/05/270847204652.shtml>

4: <http://bbs.tianya.cn/post-290-36440-1.shtml>

3.2 *The competitive environment scanning*

On this section it discussed the recognition of competitive environment



In year 2012, ³The five stars hotel average room prices is 521.04 CNY, increased by 20.15% and the occupancy rate increased by 3.14% compare last year,

The four stars hotel average room price is 321.59 CNY, increased by 1.28% and the occupancy rate increased by 10.57%;

The three stars hotel average room price is 217.21 CNY, increased by 4.4% and the occupancy rate dropped by 3.33%

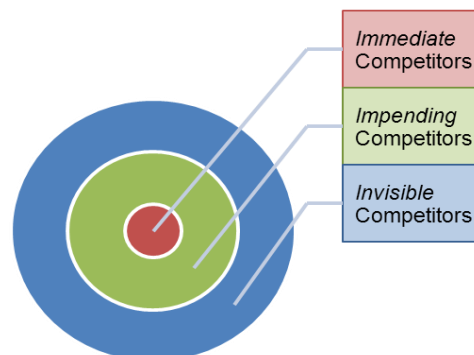
The occupancy rate of one, two, three stars hotels are all dropping down. But higher levels of hotel's occupancy rate are rising up. It is showing customer's higher demand of better quality services and facilities. It is also showing the good purchasing ability of people.

On the other hand, star leveled hotel meeting their big and growing competitors now – the economic hotels (chain hotel). Since 2008, the Family Inn proudly announced entering Kunming market. The hotel industries were meeting a big earthquake. Especially the three stars hotels. The economic hotel has similar price as three stars hotel. But it is new and no need to reservation, they also allow hourly rent. Over all the new generation hotels are more convenience and valuable, it is more fitting current demand situation.

3.3 *The competition and its advantages*

Analysis of competitors

For same concept hotel, SOHO Inn doesn't have direct competitors (immediate competitors) in the market yet.



The hotel impending competitor will have 3 levels:

Level 1: the economic hotels

In Kunming hotel market, economic hotels are getting more and more popular recent years. The economic hotels have become a trend of young people's best choice.

These hotels are more fitting the fast moving urban life style. They have simple check in and checkout process, they have competitive price and they normally looks very new. They are 7days(7 天), Home Inns(如家), and one local brand Yun Shang Si Ji. (云上四季)

Level 2: the stars leveled hotels

In Kunming, there are 104 hotels⁵ with three stars and higher. These hotels are quite a bit aging. They are about 10-20 year old buildings, and only few are less than 5 years. This is also a reason, the economic hotel getting popular.

These hotels are hard cores in hospitality industry; they have a completed traditional management and strategy system. They also have outstanding but tedious service provided. But complicated reservation, check in and checkout process are getting bored by young generations. They are not catching the new and fast moving trends.⁶

5: <http://zhidao.baidu.com/question/52290061.html>

6: <http://www.yunnaninfo.com/Article/news/2455.html>

Level 3: the lower stars Hotel, Motels, and low budget Guest houses.

In Kunming city, especially border of Kunming city, there are large number of small hotels, Motels and low budget guest houses. They are very low priced (20-50CNY per day). Of course their facilities are very poor, and hardly any management involved. Sometimes the room is not even clean.

Even so, the extreme low price strategy is still keeping them in the position.

3.4 Estimated sales volume and market share

In foreign countries, the chain hotel or economic hotels are appearing earlier than China.⁷

Their characteristics are, Simplified function and service process, paid more attention to lodgings, and also weaken the catering, entertainment function; the whole idea is to reduce total input cost. In recent 10 years, these kinds of hotel just entering China. To compare with big cities, the chain economic hotel industry developing slower, but they have become a new element.

According to the Yunnan tourism news report (Jan 24, 2013)⁷. In Western countries, the average economic hotels have 70% market shares in the whole hospitality industry; in China however they only have less than 10%. If the target is 50%-80% of the market share, the potential growing space will be 5 -8 times. So the new concept hotel in China has a great opportunity.

The SOHO Inn's estimated occupancy rate will be 75-90% in the first year. And following years, hotel will probably only increase the price by certain reasons, and also renew the hotel to insure the existing customers. The hotel will not trying to increase sales, unless the first hotel meeting the expectation (90% + occupancy rate and meet the BEP) and the hotel will consider expand to increase the capability.

7. <http://www.yunnaninfo.com/Article/news/2455.html>

3.5 Market evaluation during implementation

This section is to measure the results of marketing activities.

The hotel will have the fixed daily rent price for all 30 rooms. The idea is give customer no difference on quality or level of rooms when they make choices. And also the fixed price for company is easy to manage by using Opera PMS software.

The PMS software is very cheap and convenience to keep track on the daily, monthly and yearly occupancy rates, range of design types and so on.

Basically, the hotel will look at the occupancy rate and number of membership when measuring the results of marketing activities. The rate is to compare with the average hotel occupancy rate on city, to match the seasonal situations. The amount of membership is to insure the customer basis.

The Opera software can also report the occupancy rate, when the occupancy rate and the price is lower than the average or higher than the market, company will immediately response on it, whether hold a marketing campaign or an online promotion.

Chapter 4 - Marketing plan

4.1 General marketing strategy

Aim to achieve hotel's short and medium term sales plans

For the theme hotel business the short term target will be increase the occupancy rates to achieve the medium target as soon as possible which is meet the breakeven point and start to make profits.

To achieve the short term target:

The hotel will begin with a low price strategy to enter the market, and holding several promotion activities at the same time. The purpose is to create the brand and hotel awareness and build the primary customer basis.

Then the hotel will following by many promotions (mainly online with social medias) to insure the existing customers and try to achieve the brand influence online. It is the basis when the customer promoting us by word of mouth. The larger customers' basis will bring larger number of new customers.

With s good number of customer and membership basis, the hotel's 30 rooms will naturally filled. The occupancy rate will be maintained. And the breakeven point will be achieved sooner

4.2 Pricing policy

This chapter will discuss the basis of price setting based on the Value and market.

The objective to set price by using two strategies is to survive in the market and make profits. Consider the uncertainty of the market situation and seasonal factors, to set the price based on the market and hotel's values is necessary.

4.2.1 The market – oriented pricing,

Analysis from competitors:

The five stars hotel average room prices is 521.04 CNY; the four stars hotel average room price is 321.59 CNY; the three stars hotel average room price is 217.21 CNY.

According to the level and the market situation, the hotel will have a competitive fixed price for all rooms. The price for entry level will be 300CNY based on the grand opening promotion. Using the low price strategy to attract new customer and create awareness in the beginning of the business. The market oriented pricing also help the hotel get and increase the market share.

4.2.2 The Value based pricing

After three month, the promotion is finished and the hotel will increase the price to 400CNY. This is the conducted price by using services components strategy on Value-based pricing. The price is the combination of cost and service value added from room design (mainly on design and decorations) and others.

The room prices will float by seasonal changes or other market factors. The 400 CNY price is only an average price. The price will not lower than 300CNY (to make sure the price covered the costs), and not higher than 800 CNY (in special festivals, such as Valentines' day). Within this range, the hotel will survive and making profit.

4.3 Sales tactics

This section is describing the actions should do to increasing sales in the short and medium term

In short term, SOHO Inn will hold some promotions activities such as Grand opening promotions. And also several social Media lucky draws to win the membership with credits. These actions will stimulate consumptions.

In medium term SOHO Inn will focus on the attraction of the room designs. Renew and re-decoration few rooms every six months after BEP. It is to insure the exciting customers and attracting new customers.

4.4 Other services

This section is describing the other services will offer from the hotel.

- **Membership service:**

There is a database to store customers' information such as general information and occupancy information. This service is aims to help the guests collect and save member credits. (For promotion)

The Membership status will shorter the check in time, and keep a higher priority than nonmembers. The hotel will have two queue lines, one for the members and one for the nonmembers. The members' information is all stored in the system database, members need only scan their card, the check in will already done.

Members will also have chance to gain extra credits curing specific days, such as in birthday they will have double credits earning.

- **Lost and found service:**

If the guests lost anything valuable in SOHO Inn hotel, the hotel will keep them for specific period of time, for their lost and found. The policy is, the fresh food and drinks will keep for three days in maximum. The normal belongings we will keep for three months in maximum. The expansive belongings, we will keep for 12 months in maximum. Exceed the time limit; the items will be disposed by hotel's decision.

4.5 Advertising

This section will determine the advertising method for the hotel.

Digital marketing – new channels are emerging constantly. Such as social Medias: SOHO Inn will widely use new social Medias as the main distribution channel to deliver the advertisement.

Weibo (as twitter): the hotel will apply the business certified Weibo account, to post the newest promotions, room design pictures and also forward creative ideas, photos, interesting messages, the newest fashion items; the hotel will also post some

suggestion of place to travel, food to try and cool thing to use; and many more. The messages will more or less relate to the Hotel or some creative idea. This action is to create the brand awareness to the market and build an interaction platform.

QQ and We-chat: These are communication tools widely used in Chinese new generations. They both has a function called friend circle, it is a transformed way to promote by word of mouth.

The Adverting message deliver through these new social Medias channels is much cheaper than traditional advertisings channels. These new social Medias also have very high efficiency in terms of reaching the target groups.

The analysis of using the new social media channels is below. To determine new social media is the best channel for theme hotel to implement advertising distribution.

Pros:

- Cheap – they are free applications
- Easy/efficiency – easy to use and manage, fast reactions
- Real time communication – real time chatting and voice message
- Wide coverage – large number of users
- Transformed way of word of mouth – friend get friends

Cons:

- Limited user group – elder people not use
- Passive receive message way – only get information when people using smart phone, mobile devices or computers and choose to browse.

4.6 Promotions:

The objectives of promotions are, 1, to present information to consumers as well as others audience (for the brand image); 2, to increase demand; 3, to differentiate with others. Listed few promotions below but the hotel will have many more, depends on the market situation. The promotions will also designed by trendy and creative ideas. The purpose of promotion is to create the awareness, get new customers and lead to increase the sales.

Outdoor event – public relations:

Grand opening:

Low price strategy will be announced during the opening ceremony of SOHO Inn hotel, the duration of low price will be last three months.

Within the first month, the guests will have chance to apply member card for free and get two extra credits when they become the member.

“The lover Kiss competitions!”. Any couples lovers can join after apply.

The winning couple will win 2 nights of experience in SOHO Inn, and 1 member card with 5 credits.

The second place couple will get 1 night of experience in SOHO Inn, and 1 member card with 3 credits.

The third place couple will get 1 night of experience in SOHO Inn, and 1 member card with 1 credit.

All the appliers will get one membership card for free with 1 credit.

The Online participation – public relations

1. The social media will keep posting the status of the competition; hotel will pick the lucky forwarder (who forward the advertising/promotional message) and audience (who click “like” and replies) to give the membership card and prize.

2. Whoever passing by, people can take a picture of hotel's ceremony on that day and @SOHO Inn on weibo, QQ or Wechat, they will have a chance to win prize as well.

Membership promotion/ Loyalty incentives:

The guests may voluntarily apply their membership card. And this card will save their personal information and occupancy details on the hotel's database. And guests will gain 1 credit by each day they check in. Once they get 10 credits, they will able to use these 10 credits to trade 1 free experience day in the hotel, and these 10 credits will be removed from record.

As the hotel's member, the customers will have double credits earning by their birthdays. And also similar promotion will also holding during certain festivals.

4.7 Distribution

This section is aim to hotel services available to the target market

The small hotel business will focus on the walk in customers.

But also the SOHO Inn hotel will use online channel to distribute the hotel advertising and online reservation services. Customer will able to reserve rooms online by using the website; and also by social Medias such as QQ, Weibo and Wechat.

Furthermore, the hotel will also try the new technologies such as two-dimension code booking. It is a trendy, fashion, DIY, and convenience way widely used by young groups.

For this method of booking, customers only need to find the hotel's two-dimension code online or wherever they see the hotel advertising, and simply scan the code with their smart phones, they will have the whole booking information right way. And customer will have option of whether book the room first and arrive within 2 hours or make the full payment with e-paying.



<For illustration use only>

Chapter 5 - Design and development plan

5.1 Current development status and outstanding tasks

This section is to understand the current stage of the business idea; and actions should do to implement the business idea

In order to implement the thematic hotel business idea, this business plan discussed following actions should do:

1. To have a simple marketing research on if the young group interested on the designed theme hotel in Kunming.
2. To show this plan to the potential investors/partners and convince them to invest.
3. To implement: start with the location picking, room design, and followed by the marketing campaigns.

5.2 Risks and difficulties

This section is to find out the potential problems might encounter when implementing the idea.

The potential problem might be:

- 1) The limitation of investment: A reliable individual partner and investor will be the key factor to keep a good cash flow.
- 2) The investment in the beginning is high, the potential investor/partner may not willing to take the risk.
- 3) The location is not desirable.
- 4) The promotions not creating enough awareness, the advertising is not attractive.
- 5) The design/decorations of rooms are not applied completely from idea. The designer and constructor must work tightly together. To bring the best experience to customer, the hotel will require the best achieve to the design ideas.

5.3 Service improvement and new services?

This section is explaining the detail of improving services.

The employee will keep trained as professionals in their positions. The higher efficiency and effectiveness will bring higher productivity and better service provided.

SERVICE:

S - Smile

E – Eye contact

R – Recognition

V – Voice

I – Information

C – Clean and Crisp

E - Everyone

Measure the employee’s performance by certain criteria:

- The front desk:

Check in within 10 minutes if room is available.

VIP/membership amenity, give members higher

The attitude of working – smile face and has a mind of “put the foot on customer’s shoes”, able to understand customers’ requires

- The footman

Attitude of working

Escort guest to their rooms

Explain the room features

- House keeping

Able to clean up a room with in 20 minutes

Morning and afternoon shift

In room amenities – filling the minibar and others intime

Employee evaluating and coaching

To maintain and increase productivity; to recognize the problem

The hotel will offer monthly bonus for the best employee in each month (calculated with average employees' salary). This action is to motivate employees and increase their work passions. The manager will coach employees in order to changing their attitude and objectives

The store manager will also make sure the employees understand the goals and objectives of the company. And to help employees create reasonable goals for themselves.

New services possible

When the hotel has a stable occupancy rate and good number of membership basis, the hotel will consider adding simple food and barrage services on it.

5.4 Costs

To show the basic cost structure to put the business idea into practice

Fixed Cost includes:

- 1) The cost of property will form the Building Rental.
- 2) The beginning room decoration cost for 30 rooms
- 3) IT/software; to buy the database, software and the internet charge
- 4) Facilities/equipment; computers, elevators

Variable cost

- 1) Marketing cost; promotion activities, advertising, events
- 2) Property insurance;
- 3) Operation cost: Water and electricity

Laundry cost

Training cost

Employee salary, benefits and bonus

5.5 Intellectual property

This section describes the actions to protect the hotel business idea from possible copies or imitations

The action should take to avoid or react on the copies or imitations as follow:

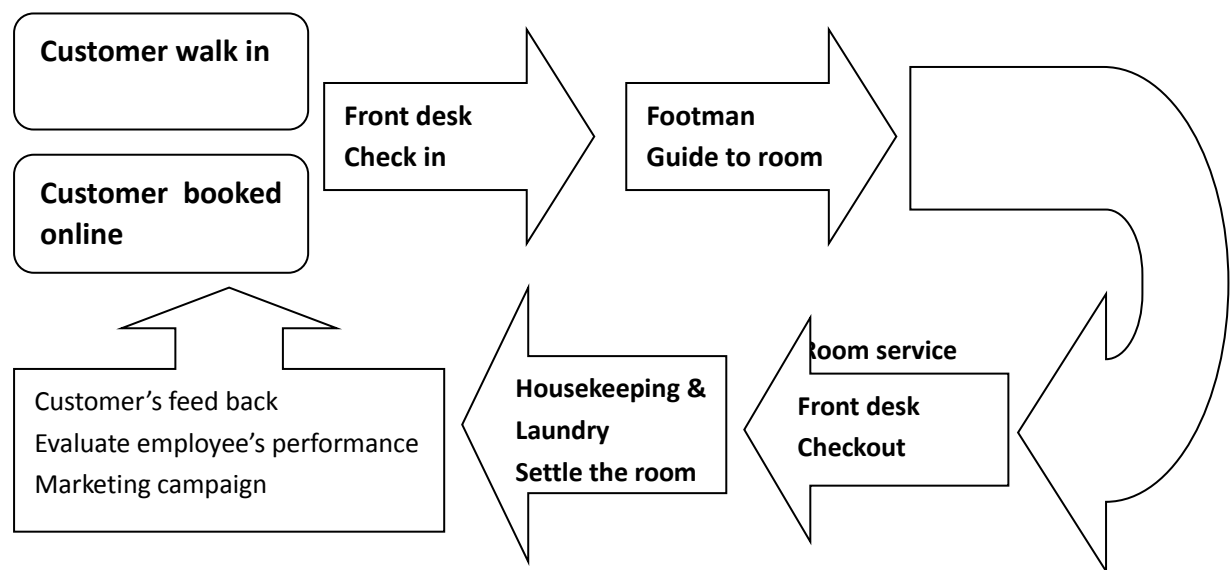
1. Registration in advance, the protection of intellectual property rights
2. Brand name and logo registered trademarks, and obtains the trademark registration certificate
3. Determine the ownership of patent stability, determine the scope of the regulation protection
4. Once the infringing act occurred report to industrial and commercial bureau for the infringement

Chapter 6 - Operation plan

6.1 Operating process

This section describes the whole operating process which required making hotel services to sell; and the detail of the entire process from beginning up to delivery to the customer.

Operating flow chart:



Front desk

The receptionist will be in charge of guests' check in and checkout. They will also input the customers' information into the system. They require the ability of upselling. Such as they should be able to smoothly promote new rooms, new promotions or the membership while check in or check out time.

Footman services

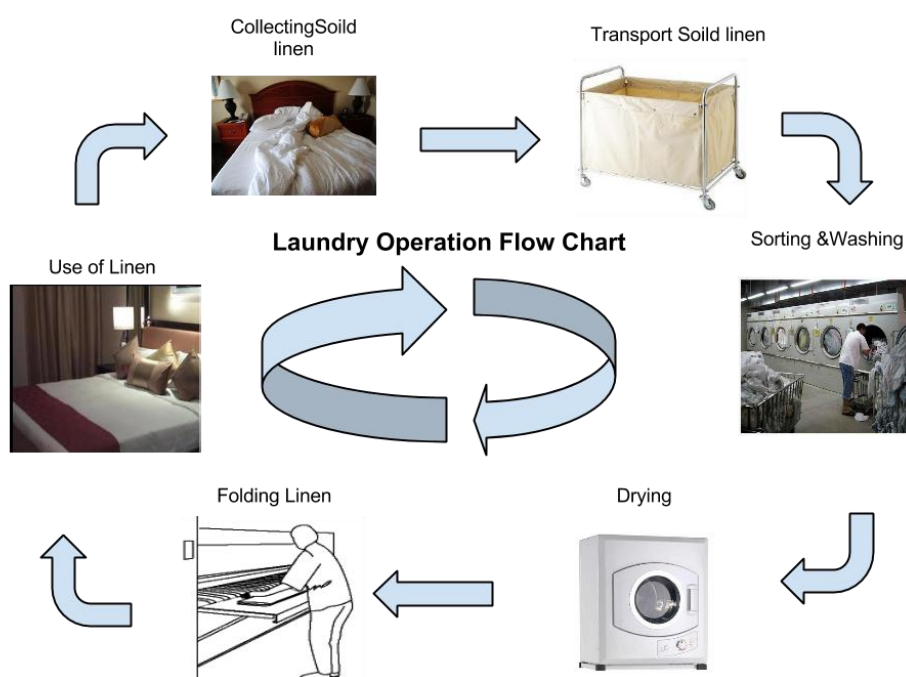
After guest check in, one of the footmen will guide the guests to their room; the footman will bring and place the clean shower towels, other toilet requisites with sealed plastic bag for the room in front of guests, and the same for the key card.

Room services

When settle down, the footman will pour a small welcome drink with goblet glass and give a short introduce for the theme room features' usage and show the drinks in the refrigerator and other appliances they may use but need to pay extra.

At the other day's 11:30 guests will receive a call from front desk to notice the checkout time.

Laundry



Laundry is a big operation in hotel business. The Hotel will have two big laundry machines operate by two men, running 12 hours a day to insure the cleanness of bed sets and towels.

For theme hotel, the laundry is a difficult procedure. Because all rooms theme is different from another, so the color will be different as well. Theme hotel's strategy is to separate the inner bed sheet, quilt and the bed covers. The cover will be less used by guests, and they are colored. The bed sheet and quilt, the hotel will use regular white color which is easier to clean and manage.

After the cleaning and drying, the towel will have a sealing machine to put the towels in the plastic bag. This gives guests more comfortable and confident to use them.

Security Guard

Hotel will have security guard in position to guarantee the hotel property and guests safety.

6.2 Geographic location

This section will describe the chosen location.



Map of downtown area in Kunming City

Firstly the SOHO inn's location must be in the inner ring of Kunming city. But the closer to the downtown, the more expensive the rent will be. The best option is Wu Jing Road, which is in the south of Kunming downtown, only 1-2 Kilometers from Nan Ping Street, the center of Kunming (the most crowded area). The rental of a certain building on the Wu Jing Road is more or less 200,000 - 400,000 CNY per year

Secondly, the hotel need at least 1200 m² to operate. So the desire location should be a building provides enough spaces.

In the end, the building should able to rent, restructure, and use.

6.3 Operation spaces and Facilities

This section is showing the physical space will use for operations and facilities will have.

The spaces

SOHO Inn will need a 250-350 m² size of building with 8 floors. The building will have both elevators and stairs. The first floor will be the lobby hall, and back side will be the laundry room and staff rest room.

This is to make sure each thematic room has 40-50 m² space and 5 - 6 rooms in each floor. And hotel will have extra space for other use.

The facilities:

The front desk will need two computers to help the customer information checking, customer check in and checkout process.

The house keeping will need two carts to help settle the rooms.

The Laundry will need two washing machines to wash the amenities.

The IT support will need two computers to manage the online system and Opera PMS.

6.4 Strategy and plans

This section is showing the actual strategy on acquire resources and distribute hotel service from each position.

The front desk: receptionist will be trained by IT engineers to learn how to efficiently use the Hotel property management system (Opera PMS). They will response for entering the right customer information in the system. And also collect the cash from customers or use portable – ATM machines. Furthermore, they will also active the magnet key card for guests and hand them to guests with a smile and warm attitude. They must be honesty and reliable person.

The Footman will have very gentle attitude as a guide, to lead the way and give the welcome drink while introductions. The guests will directly receive the warmth from them.

Laundry staffs will proficiently handle the washing machines; keep the laundering process smooth and efficiency. In order to supply the clean bed sets for available rooms.

The store manager will assign the daily task to employees. Suring the day the manager will monitor and motivate them. The manager will also handle the problems and situations. In the end of the day they will check daily reports from opera PMS with assist of IT support and report to CEO.

6.5 Regulatory and legal issues

This section showing the laws and regulations required for the hotel business in China; and also documents and listers should prepare.

The hotel will need a hotel business license which also requires hygienic license and special trade license (for lodging, bathing system, and so on).

Industrial and commercial bureau will check the name of the approval documents and the bank confirmation issued by bank to deal with the formalities that register capital sum. After receive from the bank the investors prepare form and statements form, and then the accounting firm will issue the capital verification report.

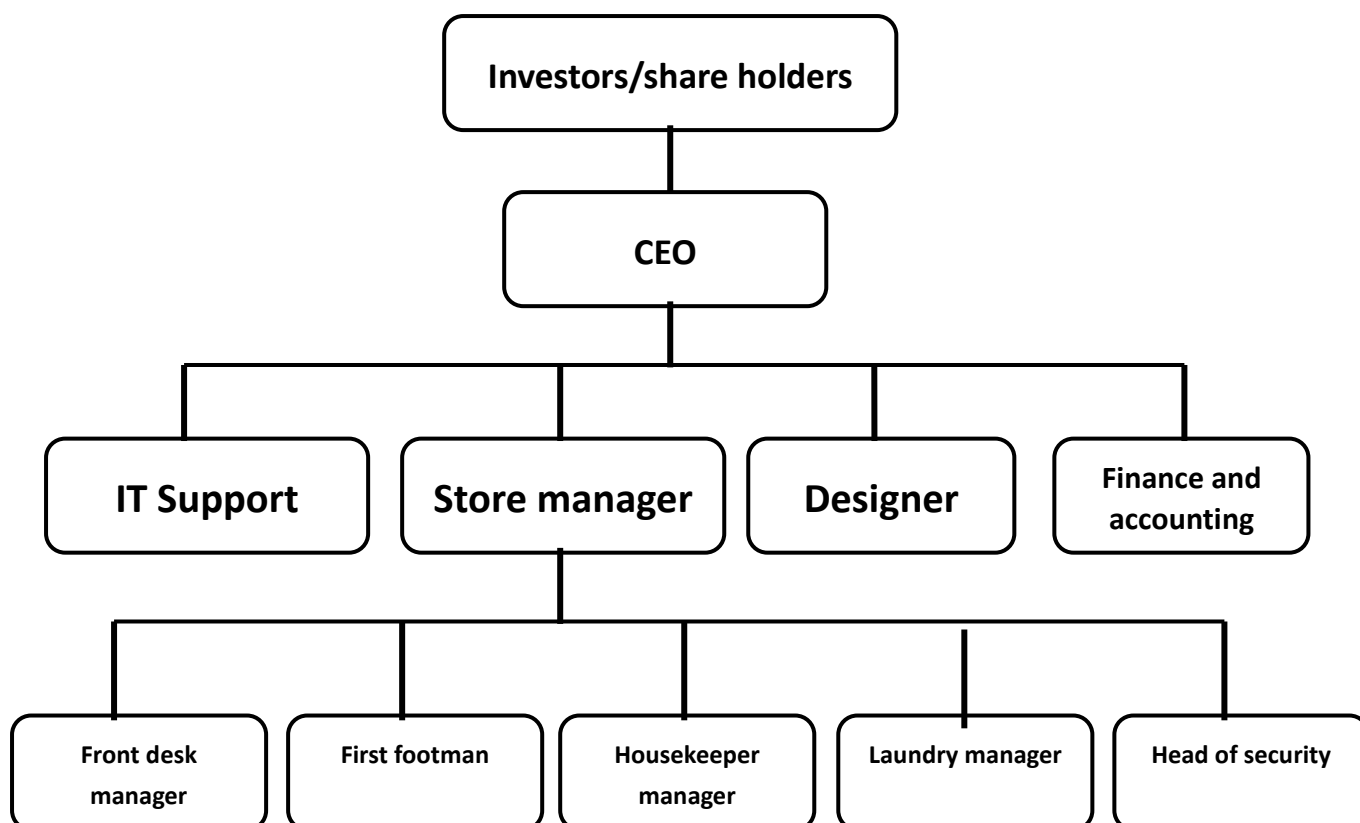
When the hotel is holding the capital verification report, the industrial and commercial bureau should issues the business license. Then, the business will allowed to implementing.

Chapter 7 - General plan

7.1 Organization

On this section, it will showing the persons will be involved in the company that will bring the business idea to life, and the organizational chart

The organizational chart



Investor/ share holder: Primary share holder is planner's family and primary partner.

CEO: Yuran Qiu

Head of IT support: Longfei Xiong

Designer: Xuyang Luy, Yuran Qiu

Store manager: To be hired

Others: to be hired

7.2 Key management personnel

The persons are needed to run the company and characteristics they have.

CEO: Yuran Qiu

CEO should have view of whole operation. Setting visions and missions; assign tasks and objectives to store managers. Make decision on operation movements.

He will able to accounts and analysis the financial report.

Report the operation situation and financial statement to the shareholders.

Head of IT support: Longfei Xiong

The IT support should completely handle the function of Opera PMS, and able to train the front desk and others to use the system. Capable to use new social medias functions. They will also requires R&D ability.

Designer: Xuyang Luy

Designer is the soul of SOHO inn; better ideas remain the better advantages. To apply the design and imagination into practice is the key to achieve the desire theme hotel.

Store manager: To be hired

Store manager requires fully understand the vision and mission from CEO. Divide work deities and assign tasks to employees. Report daily, monthly and annually operating situation and income statement to CEO. They must able to deal with emergency situations and able to solve problems.

7.3 Management and shareholder compensation

The compensation of company management and shareholders

The hotel will start the business by partnership with chosen partners. The dividend will be divided with shares in hand and compensate to the shareholders. The shares will depend on the amount of investment plus their duties. The dividend will divide into four parts. 51% of dividend will give to the primary share holder; two part of 24% will give to the secondary investors.

The core management team will have basic monthly salary and bonus if they achieve the monthly target. The management team will also have 1% from the dividend as their shares in hand given by company. They will also have the treatment of 2 meals a day and monthly uniform provided. They regularly have employee's benefits which include the social insurance and health care.

7.4 Investor and shareholder policy: rights and duties

The rights accruing to company investors; the criteria for someone to invest in the company

The hotel will need 1 prime founder and two investors/partners.

The primary founder will invest at least 51% of the initial capital and he will hold 51% of the shares in company.

The secondary investors will invest at least 24% of the initial capital and they will both hold 24% of shares in company.

The 1% of share left will divided into small part and give as the management bonus to the management team.

The regulation in China the shareholders of a limited company have rights to "determining the company's management policy and investment plan, through the general meeting of shareholders.

Refers to the qualification of shareholders based on obtain economic benefits (annually) from the company, enjoy rights, and participate in the management of the company

Criteria of investor:

1. Must showing the objective and purpose of buying the shares
2. Accept the share divide policy and return of investment policy
3. Able to invest the certain amount of investment from the minimum requirement that primary and secondary investor should be responsible.

7.5 Employment policy and related agreements

This section is describing the policy of hiring staff for the company; and the benefits will offer to them.

The minimum wage in Kunming by the Labor law

Area type	Minimum wage CNY/Month	Minimum wage CNY/Hour	Applied areas
Type one	1265	11	Kunming city
Type two	1130	10	Sub States
Type three	955	10	Other sub countries

The hotel will post the recruitment information online first, and also post in front of the constructing/decorating building. Planner knows and understands some persons capabilities, these people will have higher priority to be hired.

According to the Chinese labor law, the normal employees will have basic monthly salary, and company will also offer bonus if they achieve the monthly target, and attendance bonus if they have full attendance each month. They will also have the treatment of 2 meals a day and monthly uniform provided. They regularly have employee's benefits which include the social insurance and health care. For normal employees the hotel will have training sections for them to learn their job requires.

Chapter 8 – Executive calendar

Present a calendar with the activities needed to put the business into practice.

Executive calendar

- October 1st, 2013 to March 31st, 2014

Present the business plan to several potential investors. Try to convince them to become a shareholder and one of the founders to this company.

- April 1st, 2014 to April 31st, 2014

Find and pick the desire location, get the building structure drawing. Analysis and organize the room structure base on the drawing.

- May 1st, 2014 to July 31st, 2014

Start to rent the building. Transform or restructure the building. Design the theme room by room, design the lobby hall. Start the social media noises on internet.

The first bang of creating awareness is to post the design pictures via social medias..

Start to recruit employees, and select.

- Aug 1st, 2014 to Oct 31st, 2014

Start to decorate each room. Purchasing facilities: TV, Round beds, Tubs and others.

Start employees' training.

Second bang of creating awareness is to post the grand opening time and the promotions.

Promotion: The lover Kiss competitions!

Any couples lovers can join after apply.

The winning couple will win 2 nights of experience in SOHO Inn, and 1 member card with 5 credits.

The second place couple will get 1 night of experience in SOHO Inn, and 1 member card with 3 credits.

The third place couple will get 1 night of experience in SOHO Inn, and 1 member card with 1 credit.

All the appliers will get one membership card for free with 1 credit.

- Nov 1st , 2014 to Den 31th , 2014

Finish the decorations and set down all facilities. Imitate operating for 2 days to try each function works and test the efficiency.

Holding the Lover kiss competition promotion on December 24th

The social media will keep posting the status of the competition; pick the lucky forwarder and audience to give the membership card and prize.

Whoever passing by, can take a picture of the event and @us on weibo, QQ or Wechat, will have a chance to win prize also.

- Jan 1st , 2015

The grand opening of SOHO Inn; Cut the ribbon at an opening ceremony.

The hotel is Official running.

- Jan 1st , 2015 to Jan 31st , 2015

The promotion of double credits for guests applies the membership.

The grand opening low price promotion: 300 CNY per room per day.

- Till Mar 31st , 2015

The low price promotion ended, price flow to 400 CNY (average).

To be continued.

Chapter 9 Critical risks, problems and assumptions

This chapter discussed the main risks the company will face; the potential problems might encounter when implementing the business idea; and the assumption to chosen target market.

Risks and problems assumption

- The high initial capital, the potential investors/partners are not willing to take the investment risk.

The start-up capital is approximately 2 million CNY, it requires the primary founder invest at least 1.02 million and other two will invest as least 480,000 CNY from each.

- The limitation of investment: A reliable individual partner and investor will be the key factor to keep a good cash flow.

The Use of the investment is very critical. After the business has 2 million of investment, there will be budget allocations for the following expenditures. For example, 300,000 CNY is for the building annually rent, 50,000 CNY is for each design theme room's decoration and facilities in room. In total is 1,500,000 CNY for the whole hotel decorations. 100,000 CNY is for the lobby and needed facilities. The rest of 100,000 CNY is for other budget reservation.

- The location may not desirable.

The location picking is very important. The hotel picked central place of Wu Jing Road. This area is quite but very near downtown, people can go to downtown by bus in 10 minutes. The location is surrounded by at least 10 restaurants and many of them located on the main road. But the area is also surrounded by 4 hotels. They are 1 three stars hotel, 2 small guesthouses and 1 "7 day" economic hotel branch.

- The promotions not creating enough awareness, the adverting is not attractive.

The effect of promotion and advertising might be overestimated. The online campaign, real activities might not successful by input the wrong key words or using a wrong MC on the event.

- The design/decorations of rooms might not apply completely from idea.

The designer and constructor must work tight together. To bring the best experience to customer, the hotel will required the best achieve to the design ideas. The management should have back up construction teams to avoid if any conflicts happened between designer and constructors.

Or the design is not commonly enjoyed by customers. Therefore, the hotel will consider redecorate/redesign the particular room.

Chapter 10 - Financial plan

10.1 Sales and earning

Table of Sales and Earning

For year 2015-1019

CNY ¥	Year 1	Year 2	Year 3	Year 4	Year 5
Gross sales	3,465,390	3,691,476	3,911,477	4,141,564	4,371,651
Less returns, allowance & discount	360,600	360,600	360,600	360,600	360,600
Net sales	3,104,790	3,330,876	3,550,877	3,780,964	4,011,051
Less operating expense	250,000	260,000	270,000	280,000	290,000
Gross profit	2,854,790	3,070,876	3,280,877	3,500,964	3,721,051
cost					
Building Rent	300,000	300,000	300,000	300,000	300,000
Re-decoration cost	0	100,000	100,000	100,000	100,000
Utilities	100,000	100,000	100,000	100,000	100,000
Marketing	50,000	60,000	70,000	80,000	90,000
Pay roll	270,000	283,500	297,675	312,559	328,187
Taxes	713,698	767,719	820,219	875,241	930,263
Property Insurance	20,000	20,000	20,000	20,000	20,000
Net income before tax	2,264,791	2,467,376	2,663,202	2,868,405	3,072,864

10.2 forecasting Revenue 2015

This section is showing the calculation of earning revenue on year 2015.

CNY ¥	Season 1 90 days	Season 2 91 days	Season 3 92 days	Season 4 92 days	Total 365 days
Rooms	648,000	873,600	883,200	883,200	3,288,000
minibar	43,200	43,680	44,160	44,160	175,200
Telecommunication	540	546	552	552	2,190
Total revenue	691,740	917,826	927,912	927,912	3,465,390

- Season1: Jan 1,2015 to Mar 31, 2015

Assume the occupancy rate is 80%, and the room price follows the Grand opening promotion. Therefore the rental income from rooms will be calculated as:

$$\begin{aligned} \text{Room rent: } & 30 \text{ (rooms)} \times 300 \text{ (CNY/day, room)} \times 90 \text{ days} \times 0.8 \text{ (occupancy rate)} \\ & = 648,000 \text{ CNY} \end{aligned}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

$$\begin{aligned} \text{Minibar revenue: } & 24 \text{ (occupied rooms)} \times 40 \text{ CNY} \times 92 \text{ days} \times 0.5 \text{ (sold rate)} \\ & = 43,200 \text{ CNY} \end{aligned}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \text{Telecommunication: } & 24 \text{ (occupied rooms)} \times 5 \text{ CNY} \times 92 \text{ days} \times 0.05 \text{ (sold rate)} \\ & = 540 \text{ CNY} \end{aligned}$$

- Season 2: Apr 1, 2015 to Jun 30, 2015

Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

$$\begin{aligned} \text{Room rent: } & 30 \text{ (rooms)} \times 400 \text{ (CNY/day, room)} \times 89 \text{ days} \times 0.8 \text{ (occupancy rate)} \\ & = 873,600 \text{ CNY} \end{aligned}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

$$\begin{aligned} \text{Minibar revenue: } & 24 \text{ (occupied rooms)} \times 40 \text{ CNY} \times 89 \text{ days} \times 0.5 \text{ (sold rate)} \\ & = 43,680 \text{ CNY} \end{aligned}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \text{Telecommunication: } & 24 \text{ (occupied rooms)} \times 5 \text{ CNY} \times 89 \text{ days} \times 0.05 \text{ (sold rate)} \\ & = 546 \text{ CNY} \end{aligned}$$

- Season 3: Jul 1, 2015 to Sep 30, 2015

Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

$$\begin{aligned} \text{Room rent: } & 30 \text{ (rooms)} \times 400 \text{ (CNY/day, room)} \times 92 \text{ days} \times 0.8 \text{ (occupancy rate)} \\ & = 883,200 \text{ CNY} \end{aligned}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

$$\begin{aligned} \text{Minibar revenue: } & 24 \text{ (occupied rooms)} \times 40 \text{ CNY} \times 92 \text{ days} \times 0.5 \text{ (sold rate)} \\ & = 44,160 \text{ CNY} \end{aligned}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \text{Telecommunication: } & 24 \text{ (occupied rooms)} \times 5 \text{ CNY} \times 92 \text{ days} \times 0.05 \text{ (sold rate)} \\ & = 552 \text{ CNY} \end{aligned}$$

- Season 4: Oct 1, 2015 to Dec 31, 2015

Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

$$\begin{aligned} \textbf{Room rent:} & 30 \text{ (rooms)} \times 400 \text{ (CNY/day, room)} \times 92 \text{ days} \times 0.8 \text{ (occupancy rate)} \\ & = 883,200 \text{ CNY} \end{aligned}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

$$\begin{aligned} \textbf{Minibar revenue:} & 24 \text{ (occupied rooms)} \times 40 \text{ CNY} \times 92 \text{ days} \times 0.5 \text{ (sold rate)} \\ & = 44,160 \text{ CNY} \end{aligned}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \textbf{Telecommunication:} & 24 \text{ (occupied rooms)} \times 5 \text{ CNY} \times 92 \text{ days} \times 0.05 \text{ (sold rate)} \\ & = 552 \text{ CNY} \end{aligned}$$

- The total revenue on year 2015 is to sum four seasons revenue

$$\begin{aligned} \textbf{Room rent:} & 648000+873600+883200+883200 \\ & =3,288,000 \text{ CNY} \end{aligned}$$

$$\begin{aligned} \textbf{Minibar:} & 43200+43680+44160+44160 \\ & =175,200 \text{ CNY} \end{aligned}$$

$$\begin{aligned} \textbf{Telecommunication:} & 540 + 546 + 552 + 552 \\ & = 2,190 \text{ CNY} \end{aligned}$$

The total revenue on year 2015 is **3,460,590 CNY**

10.3 Forecasting revenue in year 2016, 2017, 2018 and 2019

This section is showing the calculation of the revenue earning for next four years.

CNY ¥	Year 2016 366 days	Year 2017 365 days	Year 2018 365 days	Year 2019 365 days
Rooms	3,513,600	3,723,000	3,942,000	4,161,000
minibar	175,680	186,150	197,100	208,050
Telecommunication	2,196	2,326.875	2,463.75	2,600.625
Total revenue	3,691,476	3,911,476.875	4,141,563.75	4,371,650.625

- Year 2016 to insure existing customer and keep 80% of occupancy rate.

Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

Room rent: 30 (rooms) x 400 (CNY/day, room) x 366 days x 0.8 (occupancy rate)

$$= 3,513,600 \text{ CNY}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

Minibar revenue: 30 (rooms) x 0.8 (occupancy rate) x 40 CNY x 366 days x 0.5 (sold rate)

$$= 175,680 \text{ CNY}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

Telecommunication: 30 (rooms) x 0.8 (occupancy rate) x 5 CNY x 366 days x 0.05 (sold rate)

$$= 2,196 \text{ CNY}$$

- Year 2017 to maintain 5% of occupancy growth to 85% of occupancy rate
Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

Room rent: 30 (rooms) x 400 (CNY/day, room) x 365 days x 0.85 (occupancy rate)

$$=3,723,000 \text{ CNY}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

Minibar revenue: 30 (rooms) x 0.85 (occupancy rate) x 40 CNY x 365 days x 0.5 (sold rate)

$$= 186,150 \text{ CNY}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

Telecommunication: 30 (rooms) x 0.85 (occupancy rate) x 5 CNY x 365 days x 0.05 (sold rate)

$$=2,326.875 \text{ CNY}$$

- Year 2018 to maintain 5% of occupancy growth to 90% of occupancy rate
Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

Room rent: 30 (rooms) x 400 (CNY/day, room) x 365 days x 0.9 (occupancy rate)

$$= 3942000 \text{ CNY}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

Minibar revenue: 30 (rooms) x 0.90 (occupancy rate) x 40 CNY x 365 days x 0.5 (sold rate)

$$= 197100 \text{ CNY}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \text{Telecommunication: } & 30 \text{ (rooms)} \times 0.90 \text{ (occupancy rate)} \times 5 \text{ CNY} \times 365 \text{ days} \times \\ & 0.05 \text{ (sold rate)} \\ & = 2463.75 \text{ CNY} \end{aligned}$$

- Year 2019 to maintain 5% of occupancy growth to 95% of occupancy rate
Assume the occupancy rate is 80%, and the room price float back to regular price.

Therefore the rental income from rooms will be calculated as:

$$\begin{aligned} \text{Room rent: } & 30 \text{ (rooms)} \times 400 \text{ (CNY/day, room)} \times 365 \text{ days} \times 0.95 \text{ (occupancy} \\ & \text{rate)} \\ & = 4161000 \text{ CNY} \end{aligned}$$

Assume 50% of guests will drink the extra drinks in the minibar each day, and use the amenities. The average sale is 40 CNY. The minibar revenue calculates as:

$$\begin{aligned} \text{Minibar revenue: } & 30 \text{ (rooms)} \times 0.95 \text{ (occupancy rate)} \times 40 \text{ CNY} \times 365 \text{ days} \times \\ & 0.5 \text{ (sold rate)} \\ & = 208050 \text{ CNY} \end{aligned}$$

Assume 5% of guests will use the telephones in the room each day, the average fee is 5 CNY, the telecommunication fee will calculate as:

$$\begin{aligned} \text{Telecommunication: } & 30 \text{ (rooms)} \times 0.95 \text{ (occupancy rate)} \times 5 \text{ CNY} \times 365 \text{ days} \times \\ & 0.05 \text{ (sold rate)} \\ & = 2600.625 \text{ CNY} \end{aligned}$$

10.4 forecasted Income statement

Income statement

For the year 2015-2019

December 31 of each year

CNY ¥	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
Revenue					
Rooms	3,288,000	3,513,600	3,723,000	3,942,000	4,161,000
minibar	175,200	175,680	186,150	197,100	208,050
telecommunication	2,190	2,196	2,327	2,464	2,601
Total revenue	3,465,390	3,691,476	3,911,477	4,141,564	4,371,651
Departmental Expenses					
rooms	300,000	300,000	300,000	300,000	300,000
minibar	60,000	60,000	60,000	60,000	60,000
telecommunication	600	600	600	600	600
Total departmental expenses	360,600	360,600	360,600	360,600	360,600
Gross operating income	3,104,790	3,330,876	3,550,877	3,780,964	4,011,051
Operating Expense					
Administrative and General	50,000	50,000	50,000	50,000	50,000
Marketing	50,000	60,000	70,000	80,000	90,000
Property operations and maintenance	50,000	50,000	50,000	50,000	50,000
Utilities	100,000	100,000	100,000	100,000	100,000
Total operating expenses	250,000	260,000	270,000	280,000	290,000
Gross operating profit	2,854,790	3,070,876	3,280,877	3,500,964	3,721,051
Fixed expense					
Income taxes 25%	713,698	767,719	820,219	875,241	930,263
Insurance	20,000	20,000	20,000	20,000	20,000
building rent	300,000	300,000	300,000	300,000	300,000
employee Salary	270,000	283,500	297,675	312,559	328,187
Total fixed charges	1,303,698	1,371,219	1,437,894	1,507,800	1,578,449
Net operating income (NOI)	1,551,093	1,699,657	1,842,983	1,993,164	2,142,601

10.5 Forecasted balance sheet

SOHO INN
Balance Sheets
As of December 31, 2015 to 2019

CNY ¥	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
Cash	1,551,093	1,699,657	1,842,983	1,993,164	2,142,601
Inventory	1,500,000	1,600,000	1,600,000	1,600,000	1,600,000
Prepaid Rent	300,000	300,000	300,000	300,000	300,000
Total Current Assets	3,351,093	3,599,657	3,742,983	3,893,164	4,042,601
Furniture, Fixture and Equipment	1,500,000	1,350,000	1,215,000	1,093,500	984,150
Accumulated Depreciation 10%	0	150,000	135,000	121,500	109,350
Total Long-term Assets	1,500,000	1,200,000	1,080,000	972,000	874,800
Total Assets	4,851,093	4,799,657	4,822,983	4,865,164	4,917,401
Accrued Salaries	270,000	283,500	297,675	312,559	328,187
Accrued Taxes	713,698	767,719	820,219	875,241	930,263
Total Current Liabilities	983,698	1,051,219	1,117,894	1,187,800	1,258,450
Owner's equity	2,867,395	2,748,438	2,705,089	2,677,364	2,658,951
Retained Earnings	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Owner's Equity	3,867,395	3,748,438	3,705,089	3,677,364	3,658,951
Total Liabilities and Owner's Equity	4,851,093	4,799,657	4,822,983	4,865,164	4,917,401

10.6 Fixed, variable and semi-variable costs

Fixed Cost

Cost of property:	Building Rental	300,000CNY per year
Room decoration cost	budget of	50,000 CNY per room
	In total	1,800,000 CNY
IT/software		10,000 per year
Facilities		100,000 CNY

Variable cost

Operation cost

Water and electricity	100,000 CNY/year
Employee salary, benefits and bonus	30,000 CNY/year (Average 2500 CNY/month)
Administrative& General	50,000 CNY/year
Property operations and maintenance	50,000 CNY/year
Marketing cost	50,000 CNY/year
Property insurance	20,000 CNY/ year

The cost per room per day is 224 CNY on the first year.

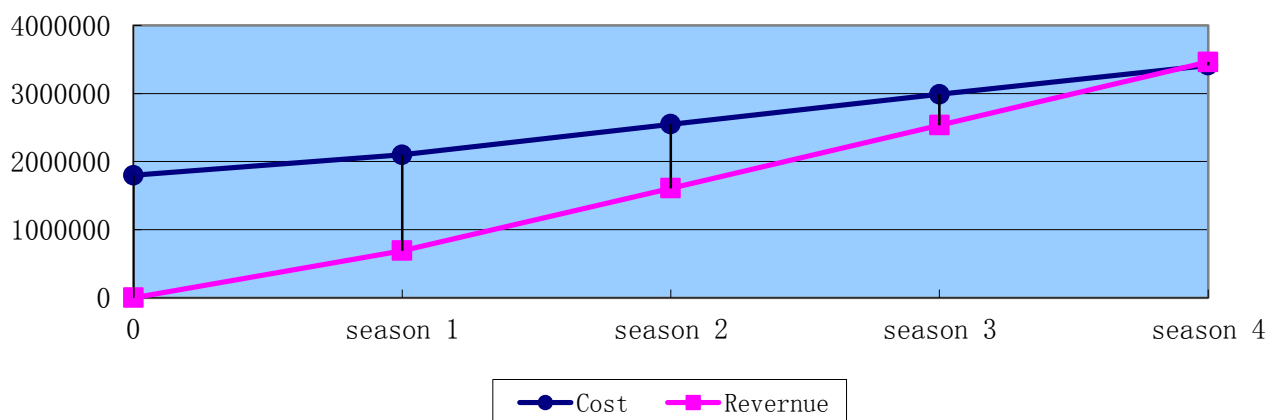
$$\begin{aligned} & \text{Sum of all operation cost + the beginning fixed cost} / (365\text{days} * 30 \text{ rooms}) \\ & = 223.75 \text{ CNY} \end{aligned}$$

The cost per room per day is 87 CNY after the breakeven point

$$\begin{aligned} & \text{Sum of all operation cost + fixed cost} / (365\text{days} * 30 \text{ rooms}) \\ & = 86.75 \text{ CNY} \end{aligned}$$

10.7 Graph of break-even will be achieved

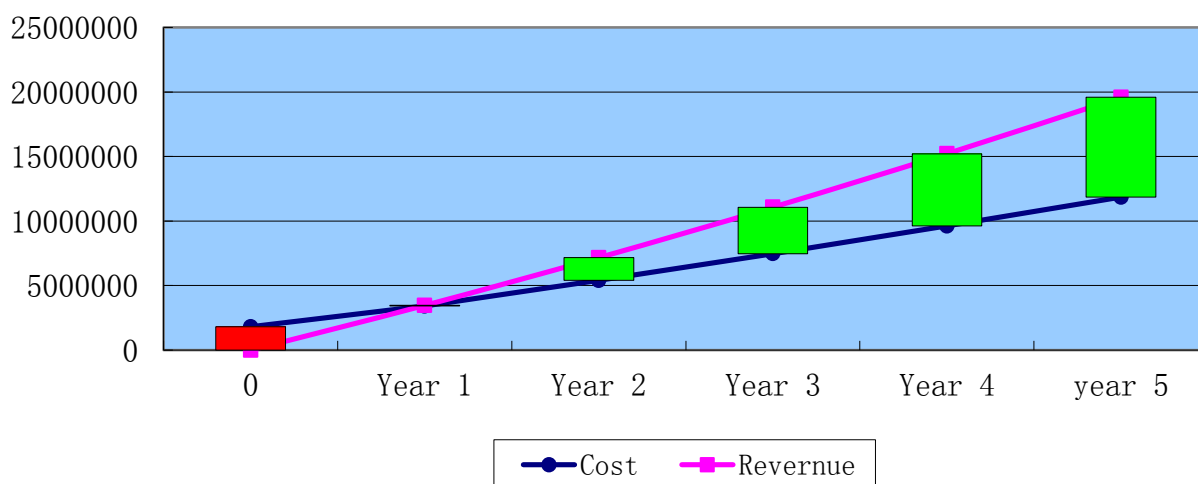
The curve of cost and revenue in year 2015



- At month 12 meet the BEP point on first year.

The hotel business will meet the breakeven point in the end of the first year operation.

The curve of cost and revenue in year 2015-2019



- The longer business operations the higher profit margin will occur.

According to the chart, the hotel's profit margin is higher by each year operations.

The revenue increase rate curve is sharper than the cost increase rate curve. It is showing the higher profit margin the company will get, when the longer the hotel operates.

- ***Chapter 11 – Summarize***

This business plan is a road map for the development of the SOHO Inn. It includes a written description of the future business and corresponding financial data.

The goals of this business plan are:

1. To obtain money from investors (the show and convince the partnership in the company).
2. To develop and implement the ideas into actual business practices.
3. To identify the strengths and weaknesses of the SOHO Inn and its competitors, and to provide a strategy to further this hotels' growth.
4. To develop guidelines for the operation of SOHO inn.

This business plan is about business results guiding decisions. The plan itself has no value if it doesn't help improve business. Its value is the decisions it leads to. Whether it is every month or every quarter, it needs to track results, analyze the difference between the plan and actual results and manage accordingly. Change things that need to be changed.

After review all the information provided above. The planner can conclude:

The idea is meeting the market demand. The SOHO Inn will be successfully taking a position in the Kunming hotel market. The organization will be operating smoothly on hotel business. The business will meet the breakeven point shortly in the end of first year operation. The shareholder will get generous profit from the hotel business. The hotel will be applicable and profitable in coming years.

After all, the Theme hotel idea will apply in practice and the business will be developed.

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