



Bed and Breakfast Company FINANCIAL PLAN AND MARKETING STRATEGY

FANTASY BED AND BREAKFAST

510 Old Town Rd.
Petoskey, MI 49770

A strong and complete vision for the renovation of an existing bed and breakfast is described in this plan with special attention given to area competitors. An outline for an aggressive marketing campaign, thorough market analysis, and detailed financial projections show proof of the entrepreneur's competence and dedication, aiding in the apparent feasibility of the idea.

EXECUTIVE SUMMARY

- COMPANY DESCRIPTION
- MARKETING
- OPERATIONS PLAN
- FINANCIALS

EXECUTIVE SUMMARY

At the heart of our company is a commitment to providing a quality bed and breakfast experience to all visitors in the Vermont area. With the availability of ski resorts in the winter, color tours in the fall and a spectacular season of fun and sun in the summer, Vermont is a year-round tourist destination for thousands of travelers and sightseers. Fantasy is to capitalize on that tourist traffic and focus on providing a popular stop for those exploring the region. This plan serves to illustrate the profit potential that can be obtained through the renovation of an existing structure that serves a specialty clientele. If done with flair and a sense of style, it is our belief that we can turn Fantasy into a reality.

COMPANY DESCRIPTION

Fantasy Bed and Breakfast is aiming to be one of the most exclusive and upscale establishments of its kind in

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the New England area. Located in the sprawling countryside near Marlboro, Vermont, Fantasy will take a solid hospitality approach to the bed and breakfast industry and carve out a specialty niche in the marketplace. The charm of Fantasy will come from its unique perspective in selling romance and escapism to a popular demographic pool of urban professionals in the New England area. The specifics of this plan are illustrated below.

Building Description

The structure selected for Fantasy is both prominent and visually striking. The building chosen for the project is a large, three level A-frame style structure that is fully coded and architecturally sound. This building was used one time as an antique store in the area and already comes fully equipped with plenty of New England charm. Each room selected is open, with no divisions made at the present time. The interior is currently done completely in knotty pine with open, split-level staircases. The top level has eight skylights with plenty of natural interior lighting. The building is built against a hill, so the second level has a complimentary walkout section in the back of the house.

Floor Planning

Lower Level: Includes front desk and lobby, a separate large country kitchen, one housekeeper suite with bathroom, and one generic guest suite which is fully handicapped accessible (in keeping with A.D.A. requirements). This level can also support a main storage room in addition to the water-heater / furnace room section.

Second Level: Includes six period theme-style guest suites (one of which is the multi-purpose generic suite), and three with their own private hot tubs located in separate courtyards.

Third Level: This floor serves as the dining room, lounge, and game room with juice bar. No alcohol will be served from the bar area to avoid concerns about liquor license liability; however, wine will be served with meals in the dining room and will be available for separate purchase in the gift shop section of the front lobby.

Lodging and Room Amenities

This bed and breakfast will specialize in unique theme-oriented rooms catering to specific parameters of decor and splendor. Architecturally, the building is capable of more than seven guest rooms in addition to the living space required by the operators; however, it is felt that in order to achieve the ambiance necessary for a premium experience, the rooms should be of a certain size and living capacity.

This bed and breakfast will be a true getaway. A place to escape hectic lifestyles of nearby commercial centers, and a place where fantasies and dreams can come true. Each of the following seven rooms will have a theme which is a trip back in time through a specific era, and comes complete with matching costumes and music. Each room will have a private bathroom area and modern hot tub amenities. Each room is also designed for a simulated gas operated fireplace, which will give each a distinctive look and a perceived value-added interior.

The rooms of Fantasy are as follows:

1. Great Northern Room:

Interior—Log cabin interior with knotty pine style wallboards, hardwood floors, field (gas) fireplace, and oak mantel.

Furniture—Handcrafted split-log bed, with split-log style window rods and bent vine settee. Amish



quilt for bed along with matching scarves on window rods.

Wildlife pictures on walls and decor which further enhance the log cabin theme and setting.

Optional coordinating costumes—Lumberjack and flannel style, wilderness look.

2. Victorian Romance / Southern Plantation Room:

Interior—Soft colored walls with flowered border and hardwood floors with large central spiral style rugs. Colonial style mantel.

Furniture—Large cherrywood sleigh bed with matching dressers. Lace curtains and dry roses decorating window rods. Victorian style furniture with antique wash basin and stand.

Optional coordinating costumes—Southern plantation style. Antebellum dresses and formal menswear.

3. Nile Room:

Interior—Smooth stone wall facade with matching hieroglyphic style drawings. Lengthy curtains complementing an ancient Egyptian style look.

Furniture—Ornate gold and jeweled bed with veiled windows, fainting style couch, and Egyptian statues and wall hangings.

Optional coordinating costumes—Anthony and Cleopatra style costuming.

4. Seven Veils Room:

Interior—Standard walls with specific Middle Eastern color scheme. Sheer draped windows and matching sashes.

Furniture—Over-stuffed futon style mattress floorbed with a dozen large pillows and sheer veils surrounding bedroom area. Large Persian carpets and other Persian oriented furnishings.

Optional coordinating costumes—Aladdin and princess, King and harem girl, etc.

5. Renaissance Room:

Interior—Walls given a dark stone facade in order to simulate English castle style walls. Upon these walls hang decorative tapestries, coat-of-arms, and ornate candelabras.

Furniture—Centerpiece of room is a large covered bed made of oak and accentuated with sheer drapes. Over the large stone mantel would be crossed swords or maces. A full-length mirror and oak chest for guest storage would not be out of place. Rose petals would be spread on the bed in keeping with the customs of the time.

Optional coordinating costumes—Knight and Lady-in-waiting would be the predominant theme.

6. This room will be left generic so that it can be tailored for specific use.

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Fine Dining

Dining at Fantasy will be an experience, not simply an amenity. The kitchen will be supervised by an experienced chef who has already formed a working relationship with the owner and will consult on specific menu ideas and item preparation. Specialty menu items will include: wildflower pound cake, baked blueberries, brandied apple tarts, shrimp Creole, artichoke quiche, three cheese baked eggs, and other traditional fare. These menu items do not include any theme-oriented fare prepared specifically for a particular guest suite.

General Information

Fantasy will have a total guest capacity of seven rooms, double occupancy. Each room will have a private bathroom with indoor or outdoor Jacuzzi. The lower level room will be wheelchair accessible and smoking will be allowed in courtyard rooms only. No children or pets will be allowed under normal circumstances. The full breakfast will be included as part of the lodging cost; however, other meals will need to be purchased separately. Fantasy will be open year round and all major credit cards will be accepted.



Local Attractions

All of these attractions are located within a ten-mile radius of Fantasy:

Antique Shops	Canoe Rentals	Local Taverns
Beaches	Fishing	Mountain Climbing
Bike Rental	Golf	Restaurants
Bike Trails	Horseback Riding	Shopping
Boat Rentals	Hunting	Skiing

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Beaches	Fishing	Mountain Climbing
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Boat Rentals	Hunting	Skiing

Note: Reciprocal agreements will be in place with most of these local attractions to cross advertise and feature package deals and specials. Please see marketing section for further details about reciprocal licensing agreements.

Pricing

Room rates for Fantasy:

\$150.00 per night (Mon. through Thurs.)

\$220.00 per night (Fri. through Sun.)

Holidays and special events priced separately.

Additional Revenue

Additional revenues from such sales as the gift shop section, homemade jams and jellies, crafts, and specialty wines are included in these estimates as additional revenue.

Average Occupancy

For purposes of this business plan, an average room rate of five rooms (booked per night) will be used unless otherwise noted.

MARKETING

Service

Service and ambiance at Fantasy will set us apart from the competition. We need to be a destination, not simply a place to stay. Solid marketing will help us accomplish that goal. Our customer expects quality service and will judge our service with a fairly high level of expectation. The bed and breakfast industry in general is fueled by word of mouth, and repeat business is the lifeblood of any business in the hospitality sector. We intend to live up to that reputation and have developed several creative-marketing ideas to enhance a successful startup. Networking and referrals will be the key but, initially, there simply will be aggressive marketing. The owner has experience and knowledge in marketing and the ideas outlined below are not only feasible, they can be accomplished with comparatively little effort using resources already at her disposal:

Initial Marketing Campaign

1. Local media will be invited to cover the grand opening and opening will be a media event.



2. Pre-made press releases and sample stories will be provided to local media outlets.
3. Selected celebrities will be given free stays on a limited basis to help generate word-of-mouth.
4. Cross advertising will be performed with other local attractions to enhance regional awareness.
5. Traditional mass mailings will be made through local mailing distributors.
6. Traditional cable (better value than television) and radio spots will be purchased in limited numbers.
7. Heavy Internet presence will be prepared and site selected by various search engines.
8. Telemarketing campaign to advertising agencies in the region will be performed prior to opening.
9. Selected travel-writers and travel agents will be given free stays on a limited basis to aid referrals.
10. Bookings will be aided by connecting with tourist and convention bureau, brochure distribution programs.
11. A specific market plan will be developed for the Bed and Breakfast channel.
12. An affiliation with the Professional Association of Innkeepers will be promoted.
13. The Bed and Breakfast Premium online confirmation system will be used to secure reservations.
14. The Directory of Holiday Accommodations will list our establishment.
15. A listing will be obtained with the Vermont Bed and Breakfast locator service.

Customer Profile

The ideal customer that Fantasy is targeting will be upscale urban professionals who scour the countryside on weekend antique excursions and are looking for various destination places in the New England area. It is a proven market that has existed since the turn of the century and is expected to accelerate well into the next century and beyond. The trend is for the blossoming in the industry to continue at an unprecedented level of expansion. With this in mind, we would like to address some of the key trends in the industry.

Key Strengths

Fantasy sells romance, a rather hot commodity in today's marketplace. With a strong location and an experienced owner, a bed and breakfast can truly be a profitable and enjoyable venture. Fantasy sells an excellent service, one that is highly desired yet hard to obtain. This bed and breakfast will be developed in an area that has strong ties to the bed and breakfast industry and one that is located in a market that is currently experiencing a growth rate in excess of 30%. For these reasons, Fantasy is expected to become profitable within its first year of business.

Economics

According to American Business Information (ABI), an industry tracking firm based in Omaha, growth in the bed and breakfast industry is up 33.1% nationwide. ABI actually tracks growth of the industry through national yellow page advertisements placed on an annual basis. ABI estimates that the average annual occupancy rate for all bed and breakfasts is 65% with an average annual booking increase of 3-5%. A 1998 survey found that while bed and breakfasts with less than four rooms were not profitable, overall, establishments with four or more rooms were at a break-even point in regards to profitability. This same survey also found that, in the industry, seven rooms is roughly the national average for building capacity, if the larger (20 plus rooms) inns were not counted. With an average of seven rooms, and if an establishment was not found to be absentee-owner (this factor decreases profitability considerably), the average profit estimate nationwide was found to be 8% per annum.

Tax Treatment

This establishment would fall under IRS section 280A and possibly section 262. It is prudent to note that depreciation can only be taken for rooms rented and not those shared with the guests.



Competition and Area Comparison

There are only four direct competitors in the immediate district:

Peep-Willow Farm 3 guest rooms

No private bath

\$35-55 per night

Not a premium establishment and not considered a direct competitor.

Wright Masion Inn

6 guest rooms

4 with private baths

\$115-190 per night

A premium competitor without the amenities of Fantasy.

Post & Bean Bed and Breakfast

6 guest rooms

2 with private baths

\$55-85 per night

Not a premium establishment but favorable pricing.

Squires Inn Bed and Breakfast

5 guest rooms

5 private baths

\$70-80 per night

Solid competitor and favorable pricing.

Even though there is limited competition in the area (which also goes to show that the area is destination driven), none of these competitors are truly direct because they lack a thematic orientation. Several competitors can compete on price alone; however, the customer who will consider the Squires Inn is not our target customer. Our customer wants an experience, not simply a place to stay, which is the key difference separating Fantasy from the competition.

Strategy

The strategy of Fantasy is to position itself as a unique experience among the competition in the area and a cut above anything the competition might have to offer. This exclusivity and charm will be promoted as a stand-alone principle that will appeal to our target demographic. This will ensure that our average annual occupancy rate is obtained quickly and increased incrementally over time.

OPERATIONS PLAN

Personnel

This will not be an absentee-owner operation. The owner plans to be directly involved in all key aspects of decision making and day-to-day operations of Fantasy. There will be no off-site control of the operation which would tend to minimize profits (as noted previously) and minimize service. With that in mind, however, there will be a small need for peripheral personnel to help maintain the facility. Since the owner plans to perform most of the meal service operation herself, with assistance from a well-known chef and a minimal kitchen staff, costs will be controlled in this phase of operation, which has the largest variable cost control environment. In addition, the owner will also be able to directly supervise the front desk functions and night auditor functions



to a limited degree. In addition to herself, the owner plans to hire a full-time room cleaning person, a full-time kitchen assistant, and one to two part-time maintenance / handyman type positions. The total personnel requirement will be less than five employees at all time.

Credit Policies

All major credit cards will be accepted and merchant agreements are already in place.

Legal Environment

Zoning approval from the township is easily obtainable and the climate is favorable for economic development in the region. This specific piece of property has already been zoned commercial (prior use: antique store) so there are no zoning problems anticipated. Other licensing is also readily obtainable and there are no perceived regulatory obstacles that would tend to inhibit development.

Exclusive Licensing

An agreement has been formed to make Leelanau Cellars Winery the exclusive wine merchant of Fantasy. This agreement will allow for a reduced price on all wines obtained and will most likely lead to a reciprocal marketing agreement with the company.

Management

Linda Mark will be the owner and operator of Fantasy Bed and Breakfast. Her experience includes small business management and accounting oversight for other small businesses. In addition, her direct hospitality management experience comes from over seven years as a director for a twenty person adult foster care facility involving large-scale oversight in a heavily regulated environment. Linda currently co-owns and operates an entertainment company which generates revenues in excess of thirty thousand dollars a month. A separate detailed financial statement will be presented in the attachments section.

FINANCIALS



Startup Expenses and Capital Outlay Projection

Purchase of house and property (secured):	\$140,000
Rewiring and coding	8,000
Plumbing rework	10,000
Carpentry	20,000
Subtotal (sec.)	\$178,000

Remodeling:	
Great Northern Room	\$8,500
Victorian Romance Room	9,500
Nile Room	8,500
Seven Veils Room	7,500
Renaissance Room	10,000
2 Multi-purpose suites	8,000
Kitchen	5,000
Kitchen equipment	9,000
Laundry (twin commercial W & D)	5,000
Misc. carpet, tile and vinyl	20,000
Subtotal (unsec.)	\$91,000

Furniture & Fixtures	
Dinette sets	\$8,000
Pool table	2,500
Electric dart / pinball	6,000
Game room furniture & TV	3,000
Specialty lighting	2,000
Sound system	3,000
Suite hot tubs	21,000
Suite televisions	4,000
Suite phones	1,000
Suite room misc.	5,000
Subtotal (unsec.)	\$55,000

Office & Misc.	
Reservation tracking computer	\$3,000
Landscaping & plowing	9,000
Linen / towels / bedding	5,000
Utensils	1,000
Glasses	2,000
Dishes	2,000
Office fax / copy / etc.	2,000

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Glasses	2,000
Dishes	2,000
Office fax / copy / etc.	2,000

Parking lot expansion	12,000
Decking	4,000
Other misc.	6,000

Subtotal (unsec.)	\$46,000
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Total secured outlay	178,000
Total unsecured outlay	192,000
Total capital reserve	30,000

Total loan request (all sources)	\$400,000
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Parking lot expansion	12,000
Decking	4,000
Other misc.	6,000

Subtotal (unsec.)	\$46,000
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Total secured outlay	178,000
Total unsecured outlay	192,000
Total capital reserve	30,000

Total loan request (all sources) \$400,000



Pro Forma Balance Sheet

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$30,000	Accounts payable	\$0
Petty cash	\$1,400	Notes payable	\$8,000
Accounts receivable	\$0	Interest payable	\$0
Food Inventory	\$2,300	Taxes payable	\$0
Short-term investment	\$500	Sales tax	\$0
Long-term investment	\$1,500	Payroll accrual	\$0
Fixed assets		Long-term notes	\$400,000
Land	\$10,000	Total liabilities	\$408,000
Buildings	\$168,000	NET WORTH (owner equity)	
Improvements	\$91,000	Proprietorship equity	\$5,700
Equipment	\$35,000	Partnership equity	\$0
Fixtures	\$20,000	Capital stock	\$0
Automobile	\$8,000	Surplus paid (earnings)	\$0
Other assets	\$46,000	Total net worth	\$5,700
Total assets	\$413,700	Total liabilities &	\$413,700
Total net worth			

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Current Assets		Current Liabilities	
Cash	\$30,000	Accounts payable	\$0
Petty cash	\$1,400	Notes payable	\$8,000
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Food Inventory	\$2,300	Taxes payable	\$0
Short-term investment	\$500	Sales tax	\$0
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Automobile	\$8,000	Surplus paid (earnings)	\$0
Other assets	\$46,000	Total net worth	\$5,700
Total assets	\$413,700	Total liabilities &	\$413,700
Total net worth			



Profit and Loss Projection 12 Months

Expenses	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Mortgage	850	850	850	850	850	850	850	850
Utilities	300	300	300	300	300	300	300	300
Phone	200	200	200	200	200	200	200	200
Advertising	150	150	150	150	150	150	150	150
Insurance	300	300	300	300	300	300	300	300
Leasing	0	0	0	0	0	0	0	0
Payroll	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Dep. Exp.	0	0	0	0	0	0	0	0
Operation	250	250	250	250	250	250	250	250
Advertising	400	400	400	400	400	400	400	400
Food	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Loan pay	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Subscript	50	50	50	50	50	50	50	50
Fees	100	100	100	100	100	100	100	100
Misc.	100	100	100	100	100	100	100	100

TOTAL 9,300 9,300 9,300 9,300 9,300 9,300 9,300 9,300

Revenue	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Lodging	25,900	25,900	25,900	25,900	25,900	25,900	25,900	25,900
Dining	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Misc.	100	100	100	100	100	100	100	100
Total Rev.	28,200	28,200	28,200	28,200	28,200	28,200	28,200	28,200

Profit

Note: These figures are based on a five room per night average at \$185.00 per night. A break-even analysis shows that a two room per night average would suffice.

Expenses Jan Feb Mar Apr May Jun Jul Aug

Note: These figures are based on a five room per night average at \$185.00 per night. A break-even analysis shows that a two room per night average would suffice.

Mortgage	850	850	850	850	850	850	850	850
Utilities	300	300	300	300	300	300	300	300
Phone	200	200	200	200	200	200	200	200
Advertising	150	150	150	150	150	150	150	150
Insurance	300	300	300	300	300	300	300	300
Leasing	0	0	0	0	0	0	0	0
Payroll	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Dep. Exp.	0	0	0	0	0	0	0	0
Operation	250	250	250	250	250	250	250	250
Advertising	400	400	400	400	400	400	400	400
Food	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Loan pay	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Subscript	50	50	50	50	50	50	50	50
Fees	100	100	100	100	100	100	100	100
Misc.	100	100	100	100	100	100	100	100

TOTAL 9,300 9,300 9,300 9,300 9,300 9,300 9,300 9,300

Revenue

Lodging	25,900	25,900	25,900	25,900	25,900	25,900	25,900	25,900
Dining	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Misc.	100	100	100	100	100	100	100	100
Total Rev.	28,200	28,200	28,200	28,200	28,200	28,200	28,200	28,200

Profit

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Sep	Oct	Nov	Dec	Total Exp.
850	850	850	850	10,200
300	300	300	300	3,600
200	200	200	200	2,400
150	150	150	150	1,800
300	300	300	300	3,600
0	0	0	0	0
1,500	1,500	1,500	1,500	18,000
0	0	0	0	0
250	250	250	250	3,000
400	400	400	400	4,800
1,600	1,600	1,600	1,600	19,200
3,500	3,500	3,500	3,500	42,000
50	50	50	50	600
100	100	100	100	1,200
100	100	100	100	1,200
9,300	9,300	9,300	9,300	111,600

25,900	25,900	25,900	25,900	310,800
2,200	2,200	2,200	2,200	26,400
100	100	100	100	1,200
28,200	28,200	28,200	28,200	338,400

Gross Pre-tax Profit
(rev - exp) 226,800

Sep	Oct	Nov	Dec	Total Exp.
850	850	850	850	10,200
300	300	300	300	3,600
200	200	200	200	2,400
150	150	150	150	1,800
300	300	300	300	3,600
0	0	0	0	0
1,500	1,500	1,500	1,500	18,000
0	0	0	0	0
250	250	250	250	3,000
400	400	400	400	4,800
1,600	1,600	1,600	1,600	19,200
3,500	3,500	3,500	3,500	42,000
50	50	50	50	600
100	100	100	100	1,200
100	100	100	100	1,200

9,300 9,300 9,300 9,300 111,600

25,900	25,900	25,900	25,900	310,800
2,200	2,200	2,200	2,200	26,400
100	100	100	100	1,200
28,200	28,200	28,200	28,200	338,400

Gross Pre-tax Profit 226,800
(rev - exp)