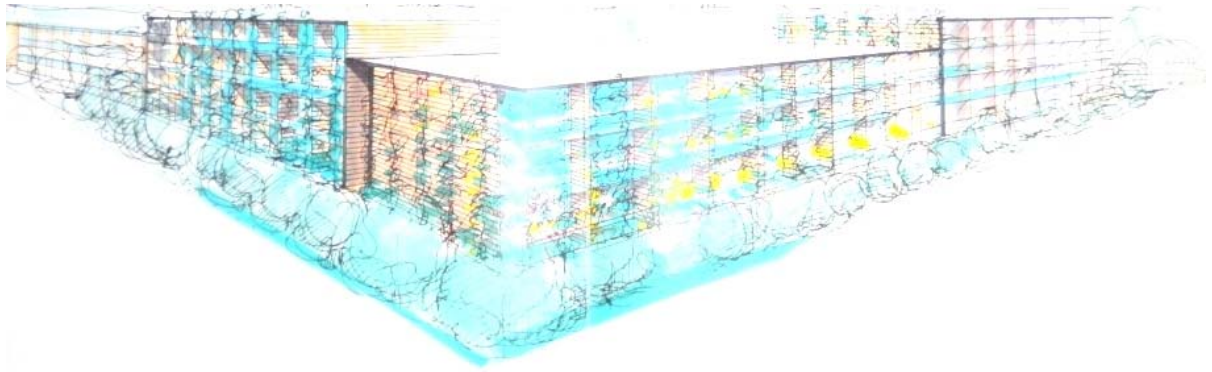


# Business Plan

## Hotel Somnium \*\*\*



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## Management Summary

This paper aims to investigate the feasibility, construction costs, and risks of a three star hotel in Hunzenschwil AG. We do not to run the hotel, therefore operating costs are not considered, whereas the hotel will be rented to a further party.

Most statistical data was gathered by contacting the respective authorities and professionals. Market information was gained by conducting on-site visits in similar establishments and telephone interviews.

Conclusively, the paper reveals a shady light on the feasibility and costs. Due to high constructions costs a discrepancy of about CHF 8'000'000 between the actual (22.5 Mio) and budgeted (15 Mio) costs are alarming. However, despite already established competitors there is a shortage of hotels in the region of Aarau and the positive location next to a highway make the project attractive. Moreover, the current macroeconomic movements also make construction more appealing at the moment.

Also the profit margin after depreciation is good. Depending on the scenario and price, the margin in the first year varies from 23% to 67%. This promises a good negotiation environment with possible hotel operators.

## Declaration of Authenticity

We the undersigned declare that all material presented in this paper is our own work or fully and specifically acknowledged whenever adopted from another source.

We understand that if at any time it is shown that we have significantly misrepresented material presented here, any degree or credits awarded to us on the basis of that material may be revoked.

We declare that all statements and information contained herein are true, correct and accurate to the best of our knowledge and belief.

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# Table of Contents

<b>Management Summary .....</b>	<b>2</b>
<b>Declaration of Authenticity .....</b>	<b>3</b>
<b>1 Introduction .....</b>	<b>7</b>
1.1 Initial Position.....	7
<b>2 Vision and Positioning.....</b>	<b>10</b>
2.1 Facts and Figures .....	11
2.2 Definition of a 3 star Hotel.....	11
<b>3 Utility .....</b>	<b>12</b>
3.1 Customer Utility .....	12
3.1.1 Customer Segment.....	13
3.1.2 Customer Needs.....	13
3.2 Product and Service Utility.....	14
<b>4 Industry and Competition.....</b>	<b>15</b>
4.1 Analysis and Potential of the Market.....	15
4.1.1 Customers .....	16
4.1.2 Competitors .....	17
4.1.3 Suppliers .....	17
4.1.4 Substitutes.....	18

4.2	Competition Analysis .....	18
4.2.1	Hotel Ibis Rothrist .....	19
4.2.2	Hotel Aarau West .....	20
4.2.3	Hotel Egerkingen .....	21
4.2.4	Budget Motel Dällikon.....	22
4.2.5	Overview of Competitors .....	24
<b>5</b>	<b>Strategy and SWOT-Analysis.....</b>	<b>25</b>
5.1	Strengths .....	25
5.2	Weaknesses .....	26
5.3	Opportunities .....	27
5.4	Threats.....	27
<b>6</b>	<b>Finance.....</b>	<b>30</b>
6.1	Investment Costs .....	30
6.1.1	Cost Estimation with Swiss Association of Hotels Benchmark .....	30
6.1.2	Cost Estimation with Construction Cost Figures.....	31
6.1.3	Depreciation on Investment.....	36
6.2	Best Worst Case Scenario of Revenue Calculations .....	37
<b>7</b>	<b>PESTEL Analysis .....</b>	<b>41</b>
7.1	Political .....	41
7.2	Economic .....	41
7.3	Social .....	43
7.4	Technological.....	43

7.5	Environmental.....	43
7.6	Legal.....	44
<b>8</b>	<b>Conclusion.....</b>	<b>45</b>
8.1	Reserve Zone .....	45
8.2	Budget Mismatch .....	46
8.3	Price Per Person.....	47
<b>9</b>	<b>Group Suggestion .....</b>	<b>48</b>
9.1	Corporate Governance .....	48
9.2	Design of the Facility.....	49
<b>10</b>	<b>Bibliography .....</b>	<b>50</b>
<b>11</b>	<b>List of Figures .....</b>	<b>54</b>
<b>12</b>	<b>Appendices.....</b>	<b>55</b>
12.1	Appendix I – Benchmark Conference Room.....	55
12.2	Appendix II – E-mails from Mr Bitterli.....	57

# 1 Introduction

At the Kick-Off Meeting of the exciting project “Businessplan für ein 3 Stern Motel” we observed that the principal allows us to think of an own solution how the building should be built, look like, and be operated. Additionally, we decided to create a business plan for a hotel and not for a motel, as stated in the title. Reasons for this are discussed in the conclusion of this paper. Furthermore, we define why potential clients will choose Hotel Somnium and why our hotel is superior to its competitors. As the average customer already has a wide range of possibilities for hotel accommodation, we aim to focus on directness and limit our concept to the customer's basic need.

## 1.1 Initial Position

Hunzenschwil is a small village in the canton of Aargau with 3'196 inhabitants according to the home page of the village Hunzenschwil (Hunzenschwil, 2010). To the east Hunzenschwil is about 40 kilometres away from Zurich and to the west about 85 kilometres away from the capital city of Switzerland Bern. Figure 1 on the following page shows that the national highway A1 which connects Bern and Zurich borders on Hunzenschwil and is directly linked our hotel. Additionally, Lucerne and Basel can be reached by car in about 40 minutes. The geographic location is very attractive and the industrial districts in Aarau, Suhr, and Oberentfelden catch the fancy of various business travellers. The client, RcR Ritter Rechtsanwälte AG's aim is to use the synergies between the

location and the travellers' need of accommodation in order to ensure a prosperous future.

Hotel Somnium will attract people who consider hotels in the 3 star segments. It will consist of 120 standardized rooms with a maximum capacity for 240 persons. A simple bed and breakfast service will be offered to the customers. Hotel Somnium will offer its services during 365 days a year.



**Figure 1 Landed Property in Hunzenschwil**



**Source: Authors**

## 2 Vision and Positioning

Hotel Somnium is a place for people to relax and recharge their inner batteries. We offer our guests silence, recovery, well-being, and pleasure. Business travellers, driving through tourists and long-range drivers will find the right place to recover. Hotel Somnium is centrally located between two major Swiss cities, Zurich and Bern, and can be reached easily by car.

The existing competition in the hotel industry, especially in the three star segment, is very tense and therefore expectations of customers are on a high level. We are ready to face this challenge. Hotel Somnium will compete on an optimal price-performance ratio and attract numerous customers.

The hotel will offer simple bed and breakfast service. Additionally several conference rooms will be available to business customers. If requested we can offer meals prepared through an external catering firm. With a sufficient number of parking lots we can ensure that the customers park their cars safely and closely.

## 2.1 Facts and Figures

The size of the land in Hunzenschwil accounts for 10'359 m<sup>2</sup>. In this lot of land we plan to construct a three floor building with 120 standardized rooms. All bedrooms will have a size of 21m<sup>2</sup> including a bathroom. According to the principal the price range should be between CHF 80 and CHF 100 per person and night. As we offer breakfast we will need a breakfast room and a kitchen to prepare food. Daily cleaning processors require additional facilities and rooms in order to store the particular material. Additionally, laundry rooms and lingerie stores are needed. Several administrative offices are included in the planning as well as personnel rooms.

## 2.2 Definition of a 3 star Hotel

A 3 star hotel is a middle-class hotel with a Multilanguage and a fully functional reception. In general, all rooms do have a toilet with a bath or shower. The rooms are comfortably equipped with a colour television and radio as well as a telephone. The accommodation facilities need to be neat and visually appealing. The hotel has to offer a breakfast buffet. There is no need for a fully operational restaurant. The range of service offered according middle demand and covers the elementary requirements in the domain reception and service. The difference to the two star segments is that star hotels offer higher quality such as material, more generous rooms, and an enlarged service offer.

## 3 Utility

In this section the project team describes the specific utilities the customer can expect, who the customers are and what their needs are.

### 3.1 Customer Utility

We position Hotel Somnium as a leading lifestyle and business hotel in the region of Hunzenschwil, canton of Aargau. Furthermore, the optimal use of the synergies of the region such as catering service, entertainment as well as adventures will maximise our customer's utility. This idea is linked to international tourism platforms and car-trip internet websites. In order to improve cooperations with other parties we could provide our partners with special offers. We should focus on as many partners as possible. Nevertheless, it is crucial to choose specific partners who match to our customer segment as well as the idea of a modern three star hotel.

A clear organizational structure will ensure that there is very little space for conflicts. Conflict free course of action is the most important aspect in regard to our long-term reputation. Additionally, customer utility should always remain on the same high level and therefore, quality fluctuations must be avoided and kept to a minimum. Motivated and qualified people from the gastronomy and other industries willing to make a difference should find a place in the hotel.

Customer demands or expectation is closely related to its utilities and as customer demands and needs change over time, the management should create an innovative environment in order to generate constantly new ideas.

### **3.1.1 Customer Segment**

Our concept will attract mainly business people who demand good quality without any complications. We want to attract “over-night-stayers” as well as business people who intend to organize a conference or a meeting at our hotel.

The hotel also offers accommodation to tourists who are on their way through Switzerland and want to stay over night. Due to our special focus on business travellers, the hotel Somnium does not provide special family friendly hotel rooms or facilities.

### **3.1.2 Customer Needs**

Our guests look primarily for passive regeneration or a possibility to disconnect after a hard business or congress day in order to start well into the next day. The hotel will offer this in an exclusive ambient.

Also the need for conferences or meeting can be satisfied by our conference rooms and the top of the art equipment promises every event to be a success.

## 3.2 Product and Service Utility

Hotel Somnium offers 120 comfortable bedrooms. Customers have the possibility to enjoy a breakfast if needed. We will offer a simple bed and breakfast service. Breakfast offer will be a tasty, healthy, enjoyable menu for all tastes. The hotel will offer 120 parking lots in front of the facility. Additionally, congress and seminar rooms are a must with the purpose of attracting companies and their external clients. If companies plan a congress event, they have the opportunity to have lunch and dinner which will be organised by a selected catering company.

## 4 Industry and Competition

In order to gain an overview of the industry and the competition in the region of Hunzenschwil we used several booking sites to gain quick access to similar businesses. We decided to use Porter's 5 forces for the theoretical approach of an industry analysis. Additionally four businesses were chosen to conclude an in depth study of establishments which come the closest to our conception of the hotel and as a further support to create a benchmark.

### 4.1 Analysis and Potential of the Market

The following analysis of the market is based on the 5 forces of Michael Porter. According to Michael Porter, Professor at Harvard University, the 5 forces model is a good way to assess the attractiveness of a market (On competition, Michael E. Porter). The model breaks the market down in 5 categories or forces such as customer power, supplier power, threat of substitutes, threat of new entrants and rivalry in the industry.

We assess these forces on the following pages whereas the main focus is on customer power and competitors (rivalry) due to the high importance of these two forces.



## **4.1.1 Customers**

### **4.1.1.1 Price Sensitivity**

Based on the conducted on-site visits, we conclude that most customers are business people. Therefore, we believe that there is certain flexibility in the price sensitivity for this customer segment due to the fact that most customers stay one or two nights and the company usually covers the expenses. Hence, the average business traveller is less price-sensitive. On the other side, we think that the average tourist customer travelling through Switzerland prefers low or moderate prices. Therefore, the average tourist is rather price sensitive.

### **4.1.1.2 Customer Power**

The relative high supply of hotels in the region implies a high customer power. This results in tense competition and price pressure. Nevertheless, this is most likely only true in low demand periods such as Christmas holidays. Most interviewees stated that during expositions and similar events most hotels are fully booked and therefore customer power is lowered.

Conclusively, the customer power in the hotel business depends to a certain extend on seasonal events. Though the customer power for tourists is relatively high, since they are not bound to a certain location and do not mind driving a few miles further. As mentioned the majority of customers are business people and therefore the tourists do not take a big influence on the customer power.



### **4.1.2 Competitors**

The threat of entry of new competitors is low since the entry barriers as well as the exit barriers are relatively high. Capital requirements is high, it is very costly to build a new hotel. Meaning the facility itself as well as the establishment of a brand and creating a customer loyalty. In case of a business failure it is difficult to sell the building or make new use of it because it is built only for the purpose of a hotel with closeness to a highway, this increases exit or possible switching costs. It is hard to create brand equity due to the opportunistic nature of the business where customers do not attach big importance to loyalty to a certain brand. The profitability of the industry is not very attractive since the whole gastronomy business is known for its toughness to survive.

The intensity of competition is high in this region and numerous hotels of a similar type can be found along the highway from Zurich to Bern. It is hard to create a competitive advantage since the concept of a hotel does not leave too much room for innovation. The requirements of the customer are clear and simple and that is exactly what this projects intends to offer.

### **4.1.3 Suppliers**

We assume that due to the high availability of suppliers for almost all respects, the power of suppliers is believed to be relatively low or at maximum moderate. There are no suppliers specialized only in the hotel industry.

#### **4.1.4 Substitutes**

After intensive thinking and research we conclude that there is no real substitute for a hotel or motel. One might argue rest areas where truck driver's sleep could be used as a substitute to hotels but we highly doubt business people would choose this option. Neither campings place nor hostels fully reflect the service and comfort of a hotel or motel.

### **4.2 Competition Analysis**

In order to gain an impression of the current market situation in terms of competitors and rivalry for hotels, we decided to collect information about hotels and motels around Hunzenschwil and its proximity. Around twelve hotels or motels were detected in the area between Egerkingen and Hunzenschwil. We decided to focus on four establishments which are most comparable with our conception of the hotel.

The project group considers the Ibis Hotel in Rothrist, Hotel Aarau West in Entfelden, Budget Motel in Dällikon and the hotel in Egerkingen as the key players in the area and they correspond mostly to the client's tendency. Hence, an in depth analysis should reveal valuable information for the project.

#### 4.2.1 Hotel Ibis Rothrist

Hotel Ibis in Rothrist belongs to the Ibis chain and is located very close to the highway. There are 64 standard rooms available. The hotel has a consistent price class and customers are charged per room (up to 3 persons). This is a part of the Ibis policy and rather uncommon in Europe. The normal price is CHF 110 per room with a surcharge of CHF 15 for breakfast.

According to the interview with the manager, Mr. Töpper, the Hotel works with eleven employees (100%)

**Figure 2 Hotel Ibis Rothrist**



**Source 4**

and a few part time employees, depending on the season. He could not declare how the average utilization is but he assured that it is way above the Swiss industry average. The typical client is a business traveller and in the summer time tourists are also frequent visitors.

Furthermore, Mr. Töpper mentioned that expositions and fairs in Switzerland have a positive influence on the business. Even fairs in Basel or Zürich let number of customers increase. Important to mention is that Mr. Töpper has the impression that there is almost no competition in the area.

These are the key facts about Hotel Ibis:

- 64 Standard Rooms
- above average capacity usage
- typical clients are business people

#### 4.2.2 Hotel Aarau West

The Swiss Quality Hotel Aarau West is located in Oberentfelden, two minutes away from the highway and is a member of the Aargau Hotels chain. 70 rooms

**Figure 3 Hotel Aarau West**



**Source 1**

are available in the hotel and the prices range from CHF 120 for a single standard room up to CHF 180 for a double standard room. The most luxurious category is the golfer room which is CHF 160 for single room and CHF 220 for double room. Breakfast is included in all prices.

The Hotel offers three conference rooms and has also an upper-class restaurant as well as a comfortable middle-class restaurant. To mention is the golf and tennis court attached to the hotel.

According to Miss Volker from the Hotel Aarau West, there are usually 39 employees working for the hotel. The average client is a business person that stays for one or two nights. Unfortunately, she could not give any information about the utilization but she mentioned that during fairs and exposition times,

especially the BASELWORLD expo, the hotel is usually fully booked. Furthermore, Miss Volker states that she thinks there is a healthy competition among the local hotels whereby she strongly believes that the hotel can gain a lot of synergies from the membership of the Aargau Hotel chain.

These are the key facts about Hotel Aarau West

- 70 Rooms
- 2 Restaurants
- golf and tennis court
- typical clients are business people

#### 4.2.3 Hotel Egerkingen

The Comfort Hotel in Egerkingen belongs to the Autogrill Schweiz AG. It is located next to the highway. It offers 68 rooms. The single rooms are as standard or comfort room available for CHF 139 respectively CHF 149. Double rooms are also available as standard or comfort for CHF 188. The hotel has a few family rooms for 4 persons for CHF 250. The breakfast is included in all prices. Miss Fankhauser, receptionist, stated that about 35 employees are working part-time for this establishment.

**Figure 4 Hotel Egerkingen**



**Source 3**

The typical client is the business traveller but also tourists, especially at weekends stay often for one night. During Christmas days the hotel has reduced opening hours due to low occupation. Especially during the BASELWORLD expo the hotel is fully booked in advance. In general, the utilization is inconsistent and hard to predict.

These are the key facts about Comfort Hotel

- 68 Rooms
- breakfast included in all prices
- typical clients are business people

#### 4.2.4 Budget Motel Dällikon

The motel is located near the airport Kloten and close to the highway. This rather small motel has 30 rooms. It offers simply furnished single bedrooms (no

**Figure 5 Budget Motel Dällikon**



**Source 2**

bathroom) and double rooms. Prices range from CHF 75 to CHF 85 per room. Double bedrooms range from CHF 125 up to CHF 145 per person. For each room an additional bed can be placed for an extra charge of CHF

10. The breakfast is available for a surcharge of CHF 10. The motel also has a seminar room for business travellers. The motel has 11 employees whereas most work part-time. According to Miss Moser, receptionist, the typical client is the business traveller whereas the motel is fully utilized during the week. At the

weekends the motel is less occupied. Expositions and fairs have an impact on the utilization on the weekends, especially events in Zürich.

These are the key facts about Budget Motel Dällikon

- 30 Rooms
- breakfast costs additional CHF 10
- typical clients are business people

#### 4.2.5 Overview of Competitors

Hotel Name	# of Rooms	Price Single Room Standard	Price Single Room Advanced	Price Double Room Standard	Price Double Room Advanced	Breakfast	Other
Hotel Ibis Rothrist	64	CHF 110	not available	CHF 110	not available	+ CHF 15	-----
Hotel Aarau West	70	CHF 120	CHF 160	CHF 180	CHF 220	included	golf & tennis court
Comfort Hotel Egerkingen	68	CHF 139	CHF 149	CHF 188	CHF 189	included	few family rooms available (4 rooms) CHF 250
Budget Motel Dällikon	30	CHF 75 – 85	not available	CHF125 – 145	not available	+ CHF 10	additional bed for each room available for surcharge CHF 10



## 5 Strategy and SWOT-Analysis

The project is building and operating a three star hotel in Hunzenschwil. The client provides a financial frame and a location in Hunzenschwil. As a part of the business plan we provide a SWOT analysis in order to have a better comparison with other hotels and a better understanding of the whole project. The idea of the client is to create a modern hotel with no-frills interior for reasonable prices. The main target audience is the business traveller. The hotel will serve only breakfast but might access a catering service if needed.

### 5.1 Strengths

The new building offers various possibilities to differentiate the hotel from its competitors and create a competitive advantage, as the building itself is also a competitive advantage. Customers tend to prefer new and modern buildings over elderly facilities. Since the target customers are business people a contemporary hotel might be more appealing for the average business customer. Conference rooms increase the attractiveness for business people. Yet also tourists will look for a comfortable place next to a highway.

The hotel will be located in Hunzenschwil in an industrial area surrounded by several big companies which definitely belong to the target customers. The closeness to the highway facilitates the movement of people and goods, which