

A Business Plan For:

The Alamo Park Hotel

San Antonio, Texas

May 1, 1994

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Summary Statement

The Alamo Park Hotel is expected to begin operations in 1995 upon approval and contractual agreement from the West Hotel Franchising committee. The founders will be Jerry Knife, president, and his daughter, Carrie Snow. The company will be incorporated in the state of Texas. It will offer \$3 million in public stock and obtain \$2 million in loans and investments and \$700,000 in personal capital. The hotel will be located in San Antonio, Texas. It will have 100 rooms, a lounge, meeting facilities, room service, and a kitchen. The Alamo Park Hotel will offer superb service and hospitality to its patrons. The hotel anticipates several competitive advantages:

1. The location of the hotel is close to the highway that runs through western Texas, is accessible to the airport, and is in a nice area of San Antonio.
2. The market for hotel lodging is increasing yearly by 8 percent to 10 percent.
3. Major surrounding area competitors do not have the quality of service the Alamo Park Hotel does for the money.
4. The total time expected to pay off debt is expected to be 20 years in lieu of having excess cash to pay dividends and profit to the owners.

As a result of these conditions, The Alamo Park Hotel believes it can capture a good share of the hotel market. The total investment costs are projected to be \$4.5 million, and forecasted sales for the first year of operations (1995) are \$1,212,292. The common stock outstanding will be 40 percent; Jerry Knife will own 41 percent and Carrie Snow will own 19 percent.

I. Company Analysis

Background of Company: West Hotel International was founded in 1954 by M. K. Certain, a California-based hotelier with 23 years' experience in the lodging industry. By 1963, West Hotel (BH) was the largest motel chain, consisting of 699 members and 35,201 rooms.

West Hotel members receive many benefits in marketing and operational support services. The member dues help provide an international reservation system, the STAR property-to-property reservation network, quality assurance programs, marketing programs, corporate advertising, public relations, educational and professional development, group purchasing, and design consulting services.

STAR uses computers to book and confirm reservations for guests in 30 seconds around the world. BH is an industry leader in airline data links. It offers a telecommunications device for the deaf. BH has a marketing department that provides market research, sales promotion, and special use directories for specific market segments. (See Exhibit I-A for more information on member services.)

West Hotel's headquarters are located in Dayton, Ohio. It is considered the world's largest hotel chain, with 3,300 independently-owned hotels and 264,000 guestrooms located in 2,400 cities and 36 countries. It plans to have more than 5,000 properties in 60 countries by the year 2000. BH plans to add 150 new properties in 1991 to its North American network (Exhibit I-B).

The international reservations and data processing centers are located in Dayton, Ohio and Wichita, Kansas. They project that more than 620 reservations sales agents will take more than 9 million reservations calls in 1995 through their toll-free 1-800 number (Exhibit I-B).

West Hotel publishes a yearly road atlas and travel guide, an atlas and hotel guide, and offers frequent guest programs that allow participants to earn points to receive free room nights and travel amenities (Exhibit I-B).

West Hotel is rated second in the industry in number of rooms (Exhibit I-C). It claims to have the lowest affiliation rates over a ten-year period compared to the competitive industry (Exhibit I-D).

Purpose of the Company: To construct a hotel under the West Hotel franchise name in the year 1993. The hotel will be independently owned by partners Carrie Snow and her father Jerry Knife.

The purpose of the hotel will be to serve the tourism and travel needs of the growing San Antonio area. It will be a lodging facility with 100 guestrooms, lobby, lounge, meeting facilities, adequate parking, swimming pool and Jacuzzi, and limited room service. The hotel will have a comfortable, but modern and appealing atmosphere to serve both business and vacation travelers.

Profits will provide a comfortable living and a future investment opportunity for the owners of the hotel. Another purpose will be to establish a business under their own management control and objectives.

Principal Roles

Carrie Snow

Education: A college graduate of the University of Texas in 1991 with a degree in Small Business Management.

Work History: San Antonio Plaza Resort, after graduation from UT. She was a Conference Sales Manager, selling conventions and banquet facilities to patrons. Aug 91–May 94.

Sensations Niteclub—Waitress—May 90–Aug. 91.

Sherman Inn—Exec. Secretary—May/Sept 89.

Bell Captain—Christmas Break

Activities: Certified P.A.D.I. Scuba Diver, Weight Training, Aerobics, Running, Skiing.

Jerry Knife

Education: High school diploma and some college from Texas University.

Work History: Omaha Public Power—operator 1967–1977.

City of San Antonio—Street Foreman—1988–1985.

Self-Employed—Evaporative Coolers—1981–1985.

Self-Employed—Pacific Fish Imports—1985–1990.

Merchant Marine—Seaman—1990–1991.

Self-Employed—Venture Capitalist—1991 to present.

Activities: Travel, work, family.

Reasons for Entering Business: Jerry Knife was looking for an investment opportunity to plan for his future retirement. He has been watching the hotel industry for some time now and he saw the healthy profits that could be made in the business. His wife June Knife has worked for First Federal Bank for 14 years and she wanted to work for a family business with more flexibility and to see some of her hard work pay off for a family business. Jerry also wanted his daughter Carrie to be successful in a career that she knew she wanted to be in. The two decided to open a business together, since they are both entrepreneurial-minded and have the same interests in business: investment and management control opportunities. Jerry would be the major backing for the financial investment by raising capital and applying for a bank loan to help construction. Carrie will be owner of 19 percent until Jerry retires or decides to give her more shares in the company. The business will be a corporation with 40% of public common stock outstanding.

Current Organizational Structure: The hotel will have 18 to 22 employees, depending on the season. The job duties are as follows:

Owner, Chief Financial Officer and Purchasing Agent: Jerry Knife. Duties include making the final decisions for management and operations; in charge of paying debts and collecting accounts receivable; dealing with investors; purchasing hotel supplies, lounge supplies, and vending.

Sales and Marketing Manager, Human Resource Director: Carrie Snow. Duties include selling guest rooms to business travelers, conventions, vacationers, and setting promotions; placing ads and promotions for the hotel rooms, lounge, meeting rooms, and special functions in the hotel; hiring employees, managing employees and overseeing the general day to day operations of the hotel.

Guest and Conference Service Manager: June Knife. Duties include attending to guests' needs, complaints, and requests; setting up conference meetings and arranging for beverages and food for the meetings. June will also train newly hired employees.

Legal and Accounting: Will be contracted out to a Certified Public Accountant and a Corporate lawyer (when needed). Duties for CPA include preparing monthly financial statements, cash flow analysis, preparing profit and loss statements, and tax preparation.

Department Managers: Each department will have a manager appointed from within the department to oversee the daily operations of the department, scheduling, hiring, purchase orders, etc.

Front-Desk Personnel: There will be four full-time desk clerks. One will be the night auditor, working 11 p.m.–7 a.m. Monday through Friday. He or she will check in guests and answer the PBX (phone system) throughout the night as well as keep daily auditing records. The other three will check in guests, answer the PBX and direct calls, take reservations, file guest bills, do light typing, and perform any other reasonable duties that the management or guest requests.

Housekeeping Department: There will be three to six full-time maids, depending on the season. Duties include: Clean rooms—full clean, average 30 minutes: change linens, clean bathroom, vacuum, dust, empty trash, stock toiletries, and make sure room is clean and ready for new guests. Partial clean for stayovers, average 20 minutes: make beds, change linens if necessary, restock towels and toiletries, clean bathroom, and empty trash. Each day one housekeeper will be assigned to thoroughly clean the hotel lobby, lobby bathrooms, lounge, meeting room (if necessary), straighten chairs, and clean up trash around the pool area. There will be an in-house laundry room for the housekeepers to wash linens daily.

Lounge Personnel: There will be three full-time bartenders. Bar will be open from 12 p.m. to 1 a.m. daily. One head bartender, whose duties include: Set bar schedules for bartenders and waitresses, order liquor supplies, manage bar operations, and tend bar. The other two bartenders' duties include: Tend bar, clean behind bar, and count drawer at end of shift. There will be two waitresses who will each work three or four nights a week from 5 p.m. until the bar has slowed down later in the evening. A third waitress will be hired during the pool season to waitress the pool and lounge area during the day. Duties include: Serve customers cocktails, refill happy hour hors d'oeuvres bar, pick up trash, straighten up chairs and wipe tables.

Meeting Room Personnel: There will be one full-time person to set up meeting facilities and serve beverages and food to the attendees. On days when there are no conventions, he or she will help out in other areas of the hotel, bag pulls when large groups come in on a bus, etc., help in kitchen, and any other needed duties that arise.

Room Service: There will be two part-time room service and kitchen attendants at the hotel. There is no restaurant in the hotel, but the lounge will serve a small menu of sandwiches and daily specials. The kitchen will be open for delivery to rooms or bar from 5 p.m. to 10 p.m. The food will be cooked to order by these employees and delivered to the guestroom or waitress in the bar to serve to the lounge customer. Each morning from 7 a.m. to 10 a.m. there will be free continental breakfast, including rolls and coffee, served either in the lounge or by the pool, depending on the weather. This will be prepared the night before by the kitchen help and put out by the desk clerks in the morning.

Maintenance and Landscape: There will be one full-time person to attend to maintenance and the hotel grounds. Duties include: Repair any damaged equipment or fixtures on the property grounds, etc. Maintain the property grounds equipment and fixtures, pool, and landscape.

Current Trends in Sales and Financial Performance: San Antonio county has been growing in population over the years. Within ten years, from 1978 to 1988, there was a 46.7 percent growth rate in the population. The service industry employs the largest number of people in Texas with 377,862 employees. The average weekly wage for service employees is \$359.89 (Exhibit I-E).

The 1990 trends forecast that the U.S. economy will steadily rise in the next few years. Travel volume is continually rising, along with hotel supply, at 2 percent and demand of 3.5 percent. Room rates should increase 3 percent to 4 percent to offset occupancy rates. Leisure and international travel are expected to grow, while commercial travel is expected to decrease because of rising fares and company cutbacks. The Southwest will be the main place for people to relocate to through the year 2000. Mature households (members age 50 and older) will travel the most because of higher discretionary income, and there will be growth for minority travelers. There are many factors that will affect travel in the future, including technology, global economy, environment, population growth, and other international trends. The key to success is to keep up with the changing trends, but not give in to one fad (see Exhibit I-G).

Travel Trends for San Antonio:

Purpose of Visit: In 1986, 48 percent of travelers visited San Antonio for business or convention reasons; 47 percent visited for discretionary purposes (Exhibit I-H).

Transportation: 75 percent of travelers visit San Antonio by air and 19 percent visit by car (Exhibit I-I).

Transportation by accommodation: 86 percent of air travelers and 10 percent of car travelers stay in a hotel (Exhibit I-J).

Visitor Accommodation: 54 percent of visitors stay in hotel/resort/motel (Exhibit I-K).

Visitors' Residence: San Antonio attracts visitors from the Western United States and the North Central United States. Southern Texas represents 11 percent of the visitors to San Antonio (Exhibit I-L).

Visitors' Residence by Accommodation: Northeast and southern residents prefer to stay in hotels rather than in private households, condos, and campgrounds (Exhibit I-M).

Visitors' Residence by Transportation: Southern Texas residents travel mostly by car, and those from the Northeast, South, and North Central areas travel mostly by air (Exhibit I-N).

Spending per Group per Day in Selected Categories: The average room rate is \$78 per day. People average \$15 a day on alcoholic beverages (Exhibit I-O).

Summary of Visitors' Spending: See Exhibit I-P for a complete overview of San Antonio visitors.

Strategic Analysis of the Lodging Industry: Internal and external factors that affect the hotel industry's competitive advantage:

Overbuilding: The occupancy demand will catch up with the overbuilding of hotels. A favorable balance between supply and demand is expected.

External Factors:

Finance: Long-term financing coming from foreign sources and U.S. insurance agencies. The current yield of the dollar compared to foreign markets will encourage travel in and to the United States.

Factors affecting travel: Competition of airlines will encourage international travel. Interest in foreign places will increase tourism. Constraints on travel will be environmental degradation and a strained infrastructure.

Giving pause: Average nights stayed on a trip have declined 2 percent. Business trip nights have increased 6 percent.

Labor: The hotel industry is competing for unskilled labor and graduates of college hospitality programs.

Technology: Computerized technology will become more prevalent due to decreasing labor.

Competitive advantage: Differentiation and low costs are key factors in success.

Strategies: To target specific markets with new products or extensions of existing products. Technology will also gain advantage.

Success: Key factors to success are the products offered, marketing tactics, operations of maintaining standards, ongoing research and development, and a stable cash flow to cover all expenses (See Exhibit I-Q).

Product: The service offered will be a one-hundred-room hotel with upgraded amenities at

fair room rates. The hotel will have meeting rooms for small conventions and parties available for the use of guests and the local community at rates comparable to those of the competition. The conventions will be served beverages and food at an extra cost. There will be a lounge on the premises to serve guests and the local community. It will provide cocktails and menu items to the bar and pool area. A nightly room service menu will be provided for the guests to receive meals in their room. A continental breakfast will be served each morning from 7 a.m. to 10 a.m., consisting of rolls and morning beverages. Vending machines including nonalcoholic beverages and snacks will be located on each floor. Ice machines will also be on each floor.

The hotel will have a pool and Jacuzzi for guests. The grounds will be kept up to excellent standards. The rooms will be completely clean and ready for the guests. Guestroom supplies will be restocked daily and when a guest requests more supplies. Lower than competition rates will be available to guests of the hotel to provide nice rooms to business and vacation travelers at affordable prices.

The hotel will accommodate each guest with a clean, friendly, and relaxing atmosphere. The three basic principles of the hotel are (1) to encourage respect for the individual; (2) to provide the best guest service in the hospitality industry; (3) to instill a commitment to excellence.

Markets: The hotel plans to divide its market into segments specific to the guestrooms, lounge, and meeting facilities.

Guest Rooms: The target markets for the guestrooms will be business persons and vacationers visiting the San Antonio area. The hotel will be located on Katy Highway and Highway I-10, so it will be easily accessible from San Antonio Airport for tourists who fly to San Antonio. The hotel will also target tourists driving by car from Southern Texas on the I-10 freeway. The basic characteristics of the business markets will be people who need to commute to downtown San Antonio for business meetings. The vacationers will mostly be people flying to San Antonio for an extended stay or people driving from the Texas area for a short vacation. The rooms will be affordable for most patrons and provide upgraded amenities to provide a pleasurable stay.

Lounge: The lounge will target the local community market and the hotel guests. The local community will be mostly professionals living in the vicinity of the hotel who want to have cocktails with friends after work in a relaxing atmosphere. The hotel guests will use the lounge to escape their rooms and have cocktails during the day or evening hours as part of their vacation. The lounge has happy hour from 4 p.m. to 7 p.m. daily, during which it serves cocktails at a low price and has a free hors d'oeuvre bar.

Meeting Rooms: The meeting room facilities will target local businesses and organizations, and visiting groups and conventions that are staying at the hotel and need a place to hold meetings. The sales department will promote the facilities for banquets and conventions. The facilities will provide food and beverages along with banquet service. The cost will be less than the other local hotels, but the service and atmosphere will be comparable.

Target Marketing: West Hotel conducts two types of marketing research studies to remain competitive in the USA. One is the Monthly Opinion Survey to discover the way consumers perceive and what they want and need of West Hotel. The other is the monthly Member Occupancy Study, which has properties that provide Best Western with information on key travel markets (Exhibit I-R).

Customers: The major customers will be business persons, vacationers, and family travelers. They will come either by car from Southern Texas or into San Antonio Airport by plane.

Technology Position: West Hotel International opened a new reservation center in 1990 to meet the hotel needs through 1997. It is also training reservations agents to answer more

information about each property to improve sales. West Hotel offers a toll-free reservations line available around the clock. They also offer a telecommunications device for the deaf to book reservations. Worldwide expansion has made West Hotel a global competitor, and reservations can be booked through overseas affiliate offices. The STAR program allows computers to book reservations throughout the world in 30 seconds and it keeps accurate records for referral. A STAR III program is a management system that allows hoteliers to enact rate changes instantaneously in any room category (Exhibit I-S).

Research done by the American Hotel and Motel Association (AH&MA) shows that hotel service can be enhanced with automation. Many hotels are behind in technology because of a lack of understanding of it. Education and tracking of developments in technology are needed to show how valuable it can be. Technology should be used for three main purposes: service, productivity improvement, and office operations (Exhibit I-T).

Cost Analysis: Based on industry figures provided by Bob Sharky (Exhibit U), a San Antonio architect, the building and startup costs would equal \$4,168,371 and operating costs are expected to be \$649,375 in the first year for a 100-room hotel of this type (Exhibits V and I-W). The figures for the Alamo Park Hotel are operating costs of \$551,190 the first year and a total investment of \$5.5 million (increasing the total investment over the projected cost of \$4,168,371 because of inflation, emergency, financing costs, and to have excess cash to get through the first year). The cost per room to build and start up would be \$55,000 for the 100-room hotel with a lobby, lounge, meeting rooms, and kitchen.

Licensing: A hotel with a lounge requires a Class-six liquor license. This is fairly easy to obtain over any other liquor license, because the bar is located in a hotel and serves food.

Other licenses and requirements to adhere to are a business license, county and city health codes, zoning requirements, federal and state taxes, workers' compensation laws, building requirements, and safety regulations.

Location: The hotel will be located on the south side of I-10 and the east corner of the Highway. The hotel will be seen from the freeway and easily accessible from either direction on the freeway.

Use and Size: The hotel will have 100 guestrooms: 8 guest suites, 16 king guest suites, 75 double-double guest suites, and 1 manager's apartment. It will have four floors: first floor has lobby, lounge, administrative offices, corridors, meeting facilities, kitchen, pool area and covered parking. There are 27 covered parking spaces and 75 uncovered spaces, totaling 102 parking spaces. The lot area will be 6 lots equaling 42,000 sq. ft. The total building area will equal 57,748 sq. ft. (Exhibits I-X1, X2, and X3 floor plan).

Capacity: Each guestroom will be at least 12' by 26' including the bath, entry, and dressing areas (312 sq. ft.). The ceiling height will be 8', measured from the floor. There will be two handicapped rooms located on the second floor. The interior finish will include wall-to-wall carpeting, vinyl wall covering, and ceilings with a textured finish. Furniture, fixtures, and equipment will include beds, bed frames, headboards, mattresses, boxsprings, bedspreads, one nightstand, one credenza, luggage shelf, desk, mirror, desk chair, two lounge chairs, round activity table, light fixtures, draperies, television, two framed pictures, two wastepaper baskets, telephone, and hanging clothes storage.

Bathrooms will be 40 sq. ft., including the vanity area. The floor will be ceramic tile and the walls will be covered with enamel paint. Furniture, fixtures, and equipment will include tub/shower combinations with soap holder and grab bar, high quality toilet seats, mirror over the vanity, and guest bath lighting. Chrome-plated accessories will include tissue dispenser, facial tissue dispenser, 24" towel bar, one robe hook, and a heavy duty shower curtain.

Guestroom corridors will be 6' wide, ceilings 8' high, well lighted, have signs to indicate room location, etc., and have carpeting and vinyl wall finish.

The lobby will be 1,028 sq. ft., soundproofed, have high-quality static-resistant carpet, high-quality wall covering, 8' high ceiling, dated light fixtures, and seating for at least 10 persons. Fixtures and equipment will include reservation terminal, postage stamp machine, two house phones, and two pay phones.

The front desk will be 10' long, with key storage accessible only to front desk personnel while working behind the desk. Safety deposit boxes and a mail-drop box will be located behind the desk.

The public rest rooms will be located in the lobby close to the lounge and meeting facilities. The lavatories will contain all the standard furniture, fixtures, and equipment.

There will be one vending area located on each floor containing one self-service ice machine, one soft drink machine, and one candy machine.

The cocktail lounge is easily accessible to the rest rooms, has dimmer-controlled lighting, concealed waitress stations, high-quality carpeting, and accessibility for the handicapped. There will be a long bar with 10 to 15 stools, 8 four-seated booths, and 8 four-seated tables. High quality silk plants and flowers will surround the room.

The meeting room will be 792 sq. ft. with dimmer-controlled lighting, padded chairs, movable tables, high-grade carpet, individually controlled heat and air conditioning, vinyl wall covering, and one folding partition (see Exhibition I-Y, West Hotel New Construction Guidelines).

The kitchen will be 375 sq. ft., including pantry storage and refrigeration. It will contain three sinks, a commercial stove with two ovens, a grill and four burners, a large countertop, and dishes and kitchen utensils.

There will be two offices, one for the general manager and one for the other two administrators. They will contain high-quality desks, high-back chairs, filing cabinets, one PC per office, and general office supplies.

The housekeeping area will have three commercial washing machines and three commercial dryers. All cleaning swipes, cleaning carts, and linens will be stored there.

The hotel will have two elevators for easy accessibility to the four floors of the hotel.

All equipment will be purchased by the contractor new at the time of construction. Equipment, fixtures, and furniture will be replaced as needed when it is outdated, nonrepairable, or obsolete.

Capacity Utilization: Guestrooms need a 35 percent occupancy rate to break even. The expected capacity is 80 percent or over in the winter and 60 percent in the summer. The lounge is expected to be 50 percent full each weekday evening and 80 percent full on the weekends. The meeting facilities should be utilized 80 percent of the time, depending on season and demand. Room service will be utilized by 25 percent of the guests and 30 percent of the lounge patrons.

Acquisition: The hotel will be built by a subcontractor named Bob Stark. He is a long-time friend and business partner of Jerry Knife. Bob will help obtain financing for the hotel and will be in complete control of construction and purchasing of furniture, equipment, and fixtures. He will have a major investment interest in the hotel and be generously compensated for his

involvement in its development. Color schemes will be chosen by an interior designer. The land will be purchased for \$700,000 in the summer of 1991, while the real estate market price for buying is low. Building costs will equal \$2,592,968; development costs will equal \$282,778; furniture, fixtures, equipment, and preopening costs will equal \$380,000; and financing costs will equal \$212,625. The total project breakdown costs will equal \$4,168,371 (Exhibit I-V, project breakdown).

Company Strengths:

West Hotel Membership Advantages:

1. *Low cost and no long-time commitment:* Annual fees cost one-quarter of other lodging franchises. Franchise agreements renewable every year.
2. *Name recognizable by guests:* Guests know they will have attractive rooms and good service.
3. *International reservation system:* Available to guests 24 hours a day.
4. *STAR-plus marketing programs:* The reservation system can build and sell promotional rate programs.
5. *Airline reservations systems:* Travel agencies and airline companies have direct links with West Hotel.
6. *B-H insurance:* B-H Insurance agency, affiliated with Best Western, provides members with better insurance coverage with lower premiums.
7. *B-H Supply:* Designs programs to allow members to buy quality hotel supplies and services at low costs.
8. *Quality assurance:* Field inspection teams inspect property to help improve deficiencies.
9. *West Hotel Design:* Design staff helps with refurbishment or hotel design.
10. *Camaraderie:* Independent ownership and common goal of mutual success.
11. *STAR III:* Computer system provides operations and management functions.
12. *Technical services:* Property automation consulting services, telecommunications consulting, and satellite services.
13. *Credit cards:* West Hotel's national contacts with credit card services provide lower discount rates.
14. *Advertising:* Extensive international advertising programs, discount travel and trade advertising, cooperative advertising, advertising and promotional materials are available:
 - a. Road atlas and travel guide and travel agent edition.
 - b. Eleven regional sales offices target major markets.
 - c. Meeting and conference services guide—hotel can be placed in this book for added awareness.
 - d. Fly/Drive Kit: Package deals sold by airlines, travel agents, etc., that include B-H lodging.

15. *International operations:* B-H promotes sales to overseas tourists to the United States.
16. *International commission payment and foreign check conversion:* Program to pay travel agents in local currency.
17. *Reservations traffic bulletin:* Monthly reports of each property's reservations activity.
18. *Corporate communications:* Answers questions and advises members.
19. *Education and training:* Ongoing educational programs available to B-H members. (Exhibit I-Y, B-H membership advantages)

Marketing: The hotel will have an administrative person working on the promotion and sales of the rooms, lounge, and meeting rooms.

Finance: Some investment capital will be raised from personal funds and reliable investment sources.

Purchasing: The land will be acquired at a low market cost in times of a suffering economy.

Distribution: The service offered will be available to consumers on an ongoing basis.

Information Systems: Updated computer systems and software will be available from West Hotel.

Policies and Procedures: Each administrative department will have set objectives, but will work with the other departments' goals as well.

Management: Experienced management personnel will be operating the hotel and making important decisions.

Employees: Growing number of administrative employees will provide excellent service.

Location: Traffic area, accessible from downtown, airport, and freeways.

Company Weaknesses:

Finance: Large amount of capital needs to be raised to build and start up the hotel. Must find interested investment capitalists to help finance venture.

Sales: The hotel business depends on the U.S. economy and lodging demand.

Franchise: Must abide by West Hotel standards and pay annual membership fees (Exhibits I-Y, B-H Rules and Regulations, Bylaws and Articles, membership fees).

Bases of Competition: Direct competition comes from Motel 66, Chariot Fairview, and Andrew Park, all located in the same area on the I-10 freeway. Having all of these hotels together can be an advantage to the West Hotel because people will know where hotel rooms are available. There is enough demand to support all of these hotels.

Rates:

Motel 66, budget
Chariot, medium
Andrew Park, high

West Hotel, medium

Amenities:

Motel 66, very few
Chariot, hotel services, pool, bar
Andrew Park, hotel services, pool, lounge, restaurant, conference facilities
West Hotel, hotel services, pool, bar, meeting rooms

Quality:

Motel 66, fair
Chariot, good
Andrew Park, excellent
West Hotel, excellent

Reputation:

Motel 66, low
Chariot, very good
Andrew Park, excellent
West Hotel, very good

Service:

Motel 66, low
Chariot, good
Andrew Park, very good
West Hotel, very good

The Alamo Park Hotel, West Hotel, is comparable to Andrew Park in service and reputation but has lower rates. This will give the hotel a better market advantage over the surrounding area hotels.

Key Success Factors: The West Hotel will focus on competitive rates with high-quality lodging, service, and atmosphere. The West Hotel name will provide a well-established reputation for the hotel.

II. Industry Analysis

Definition: The hotel industry is mainly a service industry. The services offered by the hotel industry include lodging, entertainment (televisions, cable, swimming pool, Jacuzzi, relaxation), banquet facilities, meeting rooms, restaurants, lounges, food and beverages, room service, concierge service, free transportation, housekeeping, telephone service.

Full-service hotels are located throughout the world in all countries. Foreigners own hotels in the United States, as Americans own hotels in foreign countries. It is an ongoing industry that will continue to grow and be used by people forever.

The market segments that use hotels are divided into people who travel for pleasure/vacation, visiting friends, conventions, and business.

The first-class/full-service hotel industry competes directly with resorts and economy/limited-service hotels. The hotel industry competes indirectly with camping, mobile homes and travel trailers, apartments/condos, and private homes.

Industry Size: In Texas there were 41,657 rooms in 1989 (Exhibit II-A). In Metropolitan San Antonio in 1989 there were 12,264 first-class/full-service hotel rooms (Exhibit II-B, page

6). The forecast predicts 38,837 total rooms in the Metropolitan San Antonio area by 1994. (Exhibit II-B, page 10).

The total industry size in annual dollars is summarized in the tables from *Trends* magazine (Exhibit II-C). They are divided by size, rates, city size and property age, and geographic divisions. (See the income before other fixed charges on these tables for 1989.)

1. Dollars per available room: \$44,858
Alamo Park Hotel: \$6,631.02
2. Dollars per available room by rate groups: For over \$42.50, \$5,467.
3. Dollars per available room by size classifications: For fewer than 125 rooms, \$3,220.
4. Dollars per available room by city size and property age: For large city, \$5,424; for hotels built within last 15 years with fewer than 200 rooms, \$3,850.

Industry Growth Rate: In Texas the number of lodging rooms has increased 32.2 percent, from 31,508 in 1989 to 41,657 in 1992. Demand for hotel rooms has increased at a compound annual rate of 10.1 percent over the same period. This has caused occupancy levels to remain stable at levels of 59 percent to 61.2 percent (Exhibit II-A). The national percentage of occupancy in 1992 was 64.8 percent for full-service hotels (Exhibit II-C, page 39).

Texas had 9,306,176 room nights in 1992, which was a 7.8 percent increase over 1991 (Exhibit II-A).

According to Accorn Kerr Forester (AKF), the average room rate has been increasing steadily each year at a rate of 3.8 percent since 1986. This rate is below the inflation rate. The growth is slow because the increase in the number of hotels being built causes the operators to discount rates in order to keep market share. In 1992 the average room rate was \$74.28 (Exhibit II-A). The full-service hotel average room rate in 1992 was \$70.71 (Exhibit II-B). The national average daily room rate in 1989 was \$76.41 for a full-service hotel (Exhibit II-C, page 39).

AKF forecasts that the average occupancy level in Texas will increase to 63.3 percent and the average room rate will increase 4.9, percent to \$69.96. The reason is that in 1990 fewer rooms were being added to the supply (Exhibit II-A).

The average price of a Metropolitan San Antonio room was \$80.52 in 1992. In 1994 the rate is expected to increase to \$84.46, or 4.9 percent above 1992 levels (Exhibit II-A).

The Metropolitan San Antonio market demand continued its growth at a healthy 10.3 percent level in 1992. In 1992 the San Antonio hotels captured 6,002,814 room nights of demand.

The addition of 1,876 rooms was outpaced by a 10.3 percent growth in demand in 1992, resulting in an increase in occupancy levels during 1992. This growth in occupancy levels, even though there was an increase in room supply during 1992, reflects the strength of lodging demand and the ability to absorb the large increase in rooms supply over the past few years (Exhibit II-A). In 1992 six hotels with 100 rooms or more were added to the Metropolitan San Antonio area. In 1993 also there were six hotels added. This is much less than in 1988, when twelve hotels were added in that one year alone (Exhibit II-B).

The decline in new hotel development during 1992 was caused by the lagging market performance in the San Antonio area or the inability to obtain sufficient financing. AKF forecasts 694 new rooms will enter the San Antonio market in 1994, a 2 percent increase in rooms over 1993 (Exhibit II-A).

A 5.9 percent increase in demand is expected in 1994 to outpace the 2.5 percent increase in room supply, resulting in a 61.8 percent occupancy level (up two points from 1989) (Exhibit II-A).

The average room rate was \$80.52 in 1992 for the Metropolitan San Antonio area. AKF forecasts the market will increase to \$84.46, a 4.9 percent increase over 1992 (Exhibit II-A).

Company Size and Growth Rate: The Alamo Park Hotel, West Hotel, will have 100 rooms and run at a 45 percent to 80 percent occupancy rate in the first year (depending on season). A steady growth rate of 2 percent to 5 percent in occupancy is expected after each year until the rate catches up with the industry average occupancy rate. Special promotions and a slightly lower room rate than the industry will give the hotel a higher occupancy level than the industry overall. The hotel room rates will be different according to season and will range from \$42 to \$65 in the first year.

Key Growth Factors: There are many significant factors that affect the industry's market size and level of demand.

1. *International affairs and peace:* Foreign travelers are less likely to visit the United States in times of war or when there are negative feelings toward the U.S. government, people, or lifestyles. When the United States does something favorable for other nations, foreigners are more likely to visit.
2. *Economic conditions:* When discretionary income is high, people travel more often. In times of recession, travel is down because it is not a necessity and people save their money to survive.
3. *Weather conditions:* Specifically, the San Antonio area attracts many tourists.
4. *Transportation factors:* The airline industry fares and service have a great impact on whether people visit the San Antonio area. Automobile transportation is affected by the price of gasoline.
5. *Tourist attractions:* San Antonio area expansion of tourist attractions and events results in more visitors to the area. There are many major downtown San Antonio projects being developed that are easily accessible from the hotel (Exhibit II-B, page 23).

Seasonality: The seasonality throughout the industry is different, according to the city each hotel is located in. The hotel will be located in the San Antonio area, so the industry figures will be specific to San Antonio. Occupancy rates are the best measure in the hotel industry to determine seasonality.

The warmer temperature months have the higher occupancy rates in San Antonio, while the cooler months have lower occupancy rates. People like to visit San Antonio when the weather is comfortable for them (usually to get away from snow and cold areas) and not too hot. According to *Trends* and Smith Travel Research, the two highest occupancy months were June (76 percent and 81.8 percent) and July (84 percent and 89.1 percent) in 1992. The winter months still have some occupancy with the lowest month being January (40.5 percent and 43 percent) (Exhibit II-C, page 10, and Exhibit II-B, page 8).

Industry Life Cycles: The hotel industry as a whole is between the growth and mature stages. There are new hotels being built and demand is still increasing, but there are a lot of already existing hotels that are in the mature stage. New hotels enter the market, while old or poorly managed and financed hotels leave the market. The hotel industry is an ongoing one that will not enter the aging cycle. The criteria for the industry life cycle are summarized in the table (Exhibit II-D).

Industry life cycle criteria:

1. *Growth rate:* Increasing steadily.
2. *Market share:* Hotels have large market.
3. *Product line:* Generally not changing, but new services and technology do have effect.
4. *Financial:* Cash rich, medium debt.
5. *Number of competitors:* Stable and shakeout.
6. *Market share stability:* Solid to entrenched.
7. *Purchasing patterns:* Moderate loyalty.
8. *Ease of entry:* Difficult (financing).
9. *Technology:* Performance very important.
10. *Typical volume growth rate:* Stable, but growing slowly (about 5 percent yearly).
11. *Managerial style:* Sophisticated manager.
12. *Overall stage:* Between growth and maturity.

Financial Operating Characteristics: The financial data for the hotel are based on percentage increases. Occupancy rates are increased 2 percent compounded annually and room rates are increased 4 percent annually. These percentages are done on a monthly basis because seasonality affects the rates. In a five-year period occupancy rates are expected to rise a total of 4 percent and room rates are expected to rise about \$9. Room income after expenses (based on a percentage of room revenue) is expected to be \$443,102 (before fixed) (Exhibits II-E and II-F).

III. Market Analysis

Market Scope: The market scope for the hotel will be international. West Hotel franchises are located throughout the world, and this hotel will be able to take advantage of the franchise name. The hotel will specifically advertise to the regional market scope, but West Hotel International advertises internationally for its member hotels.

Market Distribution: The franchise hotel industry advertises for its members by television commercials, promotions, airline magazines, travel magazines, travel agents, etc. This is provided to the members for an advertising fee, which must be paid under the franchise contract. The individual hotel will also place advertisements in other city's newspapers, telephone directories, and radio.

Market Segmentation: The characteristics of tourists visiting San Antonio are best described by the San Antonio & Texas Convention & Visitor Bureau for 1992.

Most visitors come to San Antonio for pleasure/vacation, being 38 percent of the market. Business visitors make up 21 percent of the market and convention travelers make up 18 percent of the market. Thirty-seven percent of the San Antonio visitors stay in hotel accommodations and stay an average of 10.7 days, over twice as long as in many other western cities; 82 percent of these people will return to San Antonio within the next 2 years.

The demographic characteristics of the tourist market are as follows: The median age of San Antonio visitors is 46 years, higher than that of Oklahoma visitors. Because the age is higher, so is the median income, \$59,507. Most people come to San Antonio to go sightseeing.

San Antonio visitors come from all over the country, but most live in the North Central region (27%). Next are the Northeast, South, and other Western regions, all at 16 percent (Exhibit II-B, visitor profile).

Metropolitan San Antonio Lodging Markets: According to Accorn Kerr Forester, there are eight specific hotel markets in Metropolitan San Antonio. This hotel will be located in the West San Antonio market area (map location 1 in Exhibit II-A). The surrounding markets are Bowie Grande (map location 2) and Downtown San Antonio (map location 3).

West San Antonio: Residential in nature, but has key transportation corridors. Key hotel demand generators include Interstate 10, San Antonio Air Force Base, Retirement City, and Retirement West.

Forecast: New properties have been developed, adding 338 rooms to the market. In 1993 one hotel opened, the Sunset Inn, and one closed, the Jacks Inn. Demand for hotel rooms in the West San Antonio market increased 10.5 percent from 1989 to 1992. In 1994 the forecast predicts a 3.6 percent increase over 1992 levels. The highest demand for rooms is by tourists at 46 percent, then commercial at 35 percent.

Occupancy Performance: Demand grew at an average rate of 10.5 percent during 1986 through 1989 and the supply of rooms increased 14.8 percent over the same period. Occupancy rates are expected to grow because of the moderate growth in demand.

Average Room Rate: Budget-oriented rooms are entering the West San Antonio market, causing a fluctuation of room rates. The forecast for 1994 is a \$53.06 average daily rate, a 4.3 percent increase over 1992 (Exhibit II-A). (See Exhibit II-A for West San Antonio market table for summary of market performance.)

Surrounding Markets: See tables for summary of market performance for the central market, downtown San Antonio market, and the total Metropolitan San Antonio market (Exhibit II-A).

Market Demand Changes and Trends: The total demand for hotel rooms in the Metropolitan San Antonio market has been steadily increasing, from 5.9 percent to 12.7 percent each year for the past four years. Room rates are continuing to increase each year. The average daily room rate was expected to reach \$84.46 in 1994. These figures show that demand for rooms increases each year, so the hotel industry is still in strong demand.

The hotel market surrounding Interstate 10 has been growing in demand and supply. Many new hotels have been built there recently to capture the market driving in from out of state. The site is also centrally located and easily accessible to downtown San Antonio without having to lodge in the heart of downtown San Antonio. It is more open and relaxing for visitors.

According to the San Antonio Department of Transportation, the traffic in the area of Interstate 10 and Katy Highway is as follows:

- Katy Highway westbound, 49,128 cars
- Katy Highway eastbound, 49,965 cars
- 3rd Avenue to 14th Avenue westbound, 50,985 cars
- 3rd Avenue to 19th Avenue eastbound, 51,985 cars
- Katy Highway & I-10 southbound, 25,953 cars

All of these travelers would see the hotel sign from the road and some may be looking for a hotel to stay at.

Another trend toward tourism and business travel is reduced spending. Economic conditions and recession have caused businesses to cut down on company spending and travel expenses. Fewer people are going on vacations, and when they do they are more careful about how they spend their money.

The (total trip) average spending per person per day is \$84, of which 44 percent is spent on lodging. People staying at a hotel/resort/motel spend, on average, \$99 per day. People visiting for a convention spend an average of \$106 per day per person, business spending averages \$112, and vacation, \$92 (Exhibit II-B, page 35).

There is a trend toward budget-oriented hotel lodging. Many people discover that some budget hotels provide the same quality of service as do higher priced hotels, so they tend to stay where the rates are cheaper. Many people are rate sensitive.

Some hotels change owners or go out of business. John Q. Jones, owner of Easy Lodge of Dallas, Texas, said: "Sixty percent of new hotels built change owners three times before they start making a healthy profit. The reason being that the original owner doesn't have enough capital to keep it going between the initial start up costs to when they start building a reputation for themselves and turning a profit."

Major Customers:

Vacationers / Pleasure: There are many types of customers who visit the hotel for vacations.

1. *Older age group:* Retired couples will stay at the hotel to get away from cold weather back home. They will be age 54 and up and have a fairly healthy income.
2. *Couples with children:* Ten percent of the visitors will have children. They will be married couples age 25–45 and generally have a budgeted income.
3. *Young couples without children:* They will either be married or not married and range in age from 25 to 50. They will spend a lot of money for a vacation and want to have a good time. They may or may not have a high income, but they will have sufficient funds for the trip.
4. *Single people:* They may be traveling alone or with a group of friends. Some single men prefer to have their own rooms when traveling with other men, while most women don't mind sharing the room with other women friends. This group will include all single people, any age. Most will have a medium to high income, because they probably live alone and have only themselves to support.

Business / Convention Travelers:

1. *Business/convention—traveling alone:* People traveling on business alone will usually have a travel expense account provided by the company they work for. They will usually have a rental car, and be away from their rooms a lot on business. They will be all ages and have a middle to high income.
2. *Business/convention—traveling in groups:* These people are either traveling for business conventions or social conventions. They may travel to the area alone (not knowing anyone when they arrive and meet the others), or they may travel in groups to get to the convention site. In both cases, the whole group will usually stay in the same hotel with

reservations organized by the host of the convention. These people will do a lot of things together. They can be any age group, depending on the purpose of the convention. Their incomes can range from low to high, also depending on the function.

Percentage of Sales:

<i>Major Customers</i>	<i>% of Total Sales</i>
Vacation/Pleasure	38
Business	21
Convention	18

Sales Tactics:

Advertising: The hotel rooms will be sold by international, regional, and local advertising methods provided by West Hotel.

International: West Hotel International has an advertising mix that includes radio, television, popular consumer magazines, and trade publications, as well as outdoor advertising and direct marketing. There is a discount travel trade advertising program which allows members to use the B-H in-house advertising agency and receive discounts on advertising in *Hotel and Travel Index*, *Official Airlines Guide and Travel Planner*, *AAA Tour Books*, and *AH&MA Redbook*.

Regional and local: A cooperative advertising program is also offered by B-H regional sales offices that targets potential guests through direct sales calls in all major market segments, attendance at all major trade shows, and special sales blitzes.

Individual advertising will also be implemented using San Antonio and outside of San Antonio city newspapers, yellow pages, and local magazines and shoppers.

Sales Force: The Sales and Marketing Department will sell rooms by targeting businesses and organizations that will be needing facilities for conventions and meetings and need hotel rooms for the attendees.

Sales Promotions: The hotel will offer sales promotions and special rate discounts.

Reservations System: West Hotel reservation system will refer and make reservations for the guests.

Travel Agencies: A 10 percent commission rate will be given to all travel agencies that make reservations for their clients at the hotel.

Repeat Customers: Guests who like the hotel property, services, and amenities will return to the hotel and refer the hotel to others.

Company Policies:

1. The hotel will not offer discounts above 25 percent of the room rates.
2. There will be an extra charge of \$6.00 per person for more than two people, except for children under 18.

The normal sales terms will include payment when the guest checks in. They can pay by cash, check, Visa card or Mastercard. They can pay for days ahead of time or on the day before they stay over. Extra charges such as telephone will require payment when guests check out. Other services such as the bar, room service, etc., will be paid at time of the sale; no tabs are allowed.

Distribution Channels: The middlemen of the hotel will be:

1. *Travel agents:* They will sell directly to their clients and will account for 20 percent of market sales.
2. *Sales force:* They will target markets and convince them to stay at the hotel. This market will account for 20 percent of sales.
3. *Word of mouth:* People who have already stayed at the hotel will refer us to others. This market will account for 10 percent of sales.
4. *West Hotel reservation system:* Guests will contact the reservation system on their own. They will account for 30 percent of the market sales.
5. *Advertising:* The only method of sales that doesn't have a middle link is direct advertising, which will capture the remaining 20 percent of market sales.

Seventy percent to 80 percent of the market sales will depend on middlemen. Travel agents will be compensated by 10 percent of the sale. The sales force will be paid a salary, because they will have other duties to perform in the organization. The reservation system is provided by West Hotel in the contract for the annual membership fees.

Pricing Trends: The average daily room rates increase 3.8 percent to 4.9 percent each year. This is below the inflation rate of 6 percent. The hotel plans to keep up with competition by providing an average room rate for the area. It will be higher than the budget hotels and comparable to the same grade hotels.

The rates will be different according to the season. The monthly competition report provided by Sherman Inn tells the average daily rates for competitive hotels (Exhibit III-A).

The hotel will increase its average daily rate an average of 4 percent per year. It will directly compete with other area hotels by offering sales and promotions and added services. It will also watch surrounding hotels' occupancy rates and average daily rates to make sure they are comparable.

Promotion and Advertising: The hotel plans to spend 4 percent to 5 percent of overall sales on advertising. This will be allocated to different sales media.

Advertising Strategy: The hotel will place ads locally in San Antonio and regionally in large cities like Dallas and other Texas and out-of-state cities. The advertising mix will consist of Yellow Pages, newspapers, local magazines, and shoppers.

Yellow Pages: Yellow Page ads capture 9 percent of the hotel market. It is a directional medium and points willing consumers in the direction where a purchase can be made. If someone is looking for a hotel and doesn't know the area they will look in the phone book for something close. Because the hotel has the West Hotel name, which is familiar to people, they will be more likely to choose that hotel. There are more than 17.4 billion references to the Yellow Pages annually. For consumer use, 63 percent of adults and 48 percent of business people refer to the Yellow Pages in a one-month period. Most of the people have incomes over \$30,000 per year. The hotel will budget 1 percent of sales per year for Yellow Pages ads in cities in Texas and other states.

Newspapers: The hotel will place ads and sales promotions in state newspapers like the *Texas Republic* and other major newspapers. Newspapers reach 11.2 percent of the market for the hotel industry. Along with the Yellow Pages, they reach 20.3 percent of the market. The hotel advertising can be targeted to people interested in travel by placing it in the Travel or Leisure sections of the paper. Newspapers attract all age groups and income levels and are read an average of 44 minutes a day. The strengths of the newspaper include:

1. Wide availability: Many cities to choose from.
2. Immediacy: Can place ad and see results quickly.
3. Flexibility: Can cancel or repeat ads.
4. Choice of advertising formats: Can change ads to suit different needs.
5. Reader loyalty: Will be seen by many people.

Their weaknesses are:

1. High cost: Can be controlled by placing coupons or promotions to see immediate reactions.
2. Short lifespan: Read once and thrown out.
3. Need for repetition: Raises costs.
4. Low recall of ads among consumers: If placed in the right sections will attract attention.

The budget for newspaper ads and newspaper promotions will be 1.5% of sales per year.

Shoppers and Local Magazines: Occasionally the hotel will place some advertisements in local papers like the *Dynamic News*, *MONEY Saver*, and *Texas* magazines. These will be to advertise special events at the hotel, the lounge, the meeting facilities for parties, etc. The hotel will budget 1 percent of sales per year for this ad media.

Gifts, Contributions, and Promotions: The hotel will give free lodging certificates and other giveaways to sponsor charity events, organizations, and clubs for added advertising and recognition. The budget will allocate 0.5 percent of sales to these events.

Total Advertising Budget:

Yellow Pages, 1 percent
Newspapers, 1.5 percent
Shoppers and local magazines, 1 percent
Gifts, contributions, and promotions, 0.5 percent
Total budget, 4 percent

Each advertising area will be boosted 0.2 percent whenever there is a need for special promotions.

West Hotel Advertisements: West Hotel International will also help the local, regional, and international advertising by its regional sales offices, reservations system, discount travel trade advertising, cooperative advertising, and advertising and promotional materials (see Sales Tactics, above).

Sales Force: The sales department will market mostly to businesses, organizations, and conventions. It will send out letters to repeat customers to let them know they have facilities available (remind them to use the hotel). It will also call local and regional large companies and organizations and try to sell the facilities and rooms. It will set up convention deals for groups, including rooms, meetings, charter buses, and meals.

Promotions: There are various sales promotions that will be implemented in the company:

Supersaver Weekend Program: Competitive weekend rate program: regionally determined for Friday, Saturday, and/or Sunday nights; available on a space-available basis.

Target Market: All leisure travelers, including extended business trips and amateur and professional athletes.

Guest Benefits: Low supersaver rate.

Corporate Rate Program: Provides corporate travelers with favorable fixed rates, guaranteed for the full calendar year.

Target market: Individual and corporate business travelers.

Consumer Benefits: Guaranteed room rate fixed for full calendar year, last room availability.

Promotional Program: A 10 percent discount off applicable rates (rack) to approved affiliated organizations.

Target market: Leisure travelers marketed through affiliated organizations via travel clubs, coupon books, and newsletters.

Senior Citizens Program: A 25 percent off applicable room rates (rack) available on a limited space basis; proof of age 60 or older or membership ID from seniors' association.

Target Market: Leisure travelers, 60 years of age or older. These promotions are based on Corona Inn's new sales promotions for 1993 (Exhibit III-A). All promotions have a commission policy of 10 percent to travel agents, and third party (airline) booking fees apply.

Market Share and Sales: There are 59 first-class full-service hotels and 12,264 rooms as of 1992 located in Metropolitan San Antonio. Five of these are located in the eastern area, totaling 608 rooms. The forecast for 1994 states that there will be an increase of 400 first-class/full-service rooms in the total San Antonio area (Exhibit II-B). The hotel will take up 1/60 of the hotel market and 1/127 of the room market (based on a 100-room hotel and an industry of 12,700 rooms).

The customer bases for sales will be as follows:

Commercial, 35 percent

Group, 12 percent

Tourist, 47 percent

Other, 6 percent

Total: 100 percent

These customer bases will not change too much over the years. They will generally stay the same or change very little.

The growth of sales will increase with the industry. This growth rate will include occupancy rate growth of 2 percent per year and room rate growth of 4 percent per year. The total increase in demand averages 10 percent. The hotel will base its growth rate on an average of 6 percent per year, about the same as the inflation rate. See the market analysis chart (Exhibit III-B) to show the growth rate of revenue.

IV. Management Analysis

Management Objectives: Responsibility of management is to:

1. Develop marketing programs that will increase room sales, particularly in periods of low occupancy.
2. Create favorable market awareness in the minds of the public by providing friendly service, personal attention, and clean, quality accommodations at a reasonable price.
3. Be aware of economic, business, and social changes that affect industry travel patterns and profits.

Management Team:

Administrative Positions: There will be three administrative positions in the startup of this company. They will include the owner, Jerry Knife, as the chief financial officer and purchasing agent; Carrie Snow as the sales and marketing manager and the human resource director; and June Knife as the guest service and conference service manager. Other managers will consist of a top person in each department to oversee the daily operations in the lounge, housekeeping, front desk, maintenance, and room service. Accounting and legal operations will be provided by outside services.

All the administrative officers and managers from each department will conduct weekly (or as needed) meetings. Each department will have its own weekly meeting conducted by the manager of the department, then each week all department and administrative heads will meet to discuss what is happening in each department. Everyone will listen to others' suggestions and have an influence on the final decisions.

Functions of Key Personnel: The job duties will be broken up according to departments.

Job Descriptions: The hotel will have 18 to 22 employees, depending on season. The departments and job duties are as follows:

Owner, Chief Financial Officer, and Purchasing Agent: Jerry Knife. Duties include making the final decisions for management and operations; in charge of paying debts and collecting accounts receivable; dealing with investors; purchasing hotel supplies, lounge swipes, and vending.

Sales and Marketing Manager, Human Resource Director: Carrie Snow (see resume). Duties include selling guestrooms to business travelers, conventions, vacationers, and setting promotions. Placing ads and promotions for the hotel rooms, lounge, meeting rooms, and special functions in the hotel. Hiring employees, managing employees, and overseeing the general day-to-day operations of the hotel. Department managers will come to her to discuss department operations, problems, and decisions.

Guest Service and Conference Service Manager: June Knife. Duties include attending to guests' needs, complaints, and requests when above the manager's responsibilities. Setting up conference meetings and the food and beverage for the meetings.

Legal and Accounting: All accounting duties will be performed by a Certified Public Accountant. Duties include monthly financial statements, cash flow analysis, profit-and-loss statements, and tax preparation. A lawyer will be contacted when the need arises.

Front Desk Manager: The front desk manager will also be a front desk clerk. The manager will work Monday through Friday, 7 a.m. to 3 p.m., and will tend to the front desk duties. (See job descriptions in Company Analysis.) He or she will also conduct department meetings, attend management meetings, attend to any employee problems or discussions.

Housekeeping Manager: The manager of the housekeeping department will schedule employees, order supplies, maintain equipment, inspect cleanings, attend meetings, and attend to employee matters.

Bar Manager: The bar manager will schedule employees, hire bar personnel, order liquor and bar supplies, attend meetings, attend to customer complaints, etc., and tend the bar during the day hours.

Room Service Manager: Because the room service manager's job is small, he or she will be an assistant to June Knife, the Conference service and Guest Service Manager. The room service manager is in charge only of the kitchen menu, ordering of food, preparation of food, and the scheduling of the small number of kitchen cooks. He or she will work directly with June to make and prepare the menus for the banquets. June will be in charge of the meeting facilities and their operations.

Manpower Milestones: There will be about 22 employees, depending on the season. All administrative positions will remain the same, but line positions may increase in the years to come. After one year, more sales, banquet, and housekeeping personnel may be needed to compensate for the added occupancy once the hotel has an established name and clientele.

V. Strategic Planning Analysis

Long-Term Goals:

The management of the Alamo Park Hotel plans to keep the hotel at 100 rooms. The size of the bar, meeting rooms, etc., will all be kept the same for at least 5 to 10 years after the opening. The only restructuring of the hotel will be remodeling on a frequent basis of every 7 to 9 years. The reason the hotel will not be expanded is that the owners are planning on this hotel as a first of many properties. They will be in the hotel business as an investment opportunity and this first hotel will be a starting block.

The owner, Jerry Knife, and his daughter, Carrie Snow, will start up the hotel and manage and operate for a period of 5 to 10 years. At that time Jerry will be approximately 57 years old and ready to retire by either selling the business to an outside party or selling his shares to Carrie. She will be around 33 years old at this time.

Carrie's long-term goals for the company are to expand into new hotel ventures. She plans to take over full ownership of the Alamo Park Hotel 10 years after its opening. She then wants to hire a reliable general manager who will manage and operate the hotel under her ownership. Her next plan is to start up a multimillion-dollar resort hotel either in El Paso or Houston (where new development is occurring in the 1990s). Jerry Knife will help with the financing and development of this venture, but the principal owner will be Carrie Snow. Owning these two hotels will be Carrie's long-term goal for the next 25 years. Thereafter, she may decide to

sell the Alamo Park Hotel to devote all of her time to the resort. The specific goals for the Alamo Park Hotel are as follows:

1. To raise room rates from startup rates by 10 percent within two years, not including the 4 percent increase due to inflation each year.
2. To have a good and reliable staff to give the guests excellent service. To have enough employees to fulfill the guests' needs in a timely and efficient manner.
3. To refurbish the hotel periodically to keep up with the changing trends in the industry.
4. To offer new services and new technology to the guests and the employees.
5. To increase the occupancy rates over the industry competition and industry growth rate of 2 percent per year.
6. To increase overall sales in all departments (rooms, lounge, meeting rooms) 10 percent per year.
7. To offer a complete benefits package to all full-time employees after the first year of operation.
8. To increase salaries 16 percent per year to existing employees: 10 percent raise and 6 percent to keep up with inflation.

Milestone Schedule: The month-by-month schedule shows when and how long it will take for the critical deadlines and essential activities to be completed (see Milestone Schedule, Exhibit V-A).

Plan Assumptions: Expected external conditions under which the hotel will execute its plan.

Economy: The economy is currently in a recessionary period. Inflation rates are increasing 5 percent to 6 percent per year and hotel rates only 4 percent per year. The service industry and wage rates are increasing, and minimum wage has increased to \$4.25 per hour.

Industry: Industry trends are discussed in detail in the industry analysis.

Market: Market trends are discussed in detail in the market analysis.

Outside Influences: There are no government regulations that will be a threat to the hotel. All government regulations will be adhered to, due to the outstanding service and quality of the hotel.

Red Flag: Problems that will need to be addressed or reexamined in the future:

1. Ability to raise the investment capital of the hotel.
2. Consideration of buying an existing hotel.
3. Market research on the specific location of existing Katy Highway and Interstate 10.
4. Market research on specific occupancy rates of this hotel and hotel location.
5. Consideration of what franchise will accept the Alamo Park Hotel and what franchise company the hotel wishes to operate under.
6. Reexamination of the tourist industry in San Antonio.
7. Economic conditions affecting the lodging industry.

Company Strengths to Exploit:

Franchise: Using the West Hotel franchisor offers many advantages to the Alamo Park Hotel. By taking advantage of all the membership benefits (company analysis), the hotel will receive:

1. A recognizable name with which to draw in more customers.
2. A national reservation system to receive more customers from all over the world.
3. Lower costs for insurance, supplies, membership fees, advertising and training programs.
4. Ability to independently own hotel while using the West Hotel name.

Marketing: The strong marketing program of the hotel will provide increased sales due to:

1. Advertising: Yellow Pages, newspapers, publicity, shoppers, and magazines.
2. An increased number of salespersons to sell the facilities to businesses, groups, and organizations.
3. Sales promotions offered to promote and maintain competitive sales of the hotel.

Finance: The hotel plans to incorporate to raise sufficient capital to finance the venture. The hotel plans to raise more than the projected amount of money to cover any un-planned or emergency expenses.

Purchasing: The land will be purchased during a recession of real estate property. The hotel will be designed and built by a business partner and associate of Jerry Knife. This will ensure fair building costs because he will be given shares in the company along with money for his services. Supplies for the hotel can be purchased at lower costs from the West Hotel franchisor.

Location: The hotel location will be in a high-traffic area, which can exploit awareness and hotel and sign visibility.

Management: The administration will be mostly family for at least the first year, so they can assist each other without fear of making mistakes.

Employee Expansion: The hotel will be adding administrative positions and line employees. This will provide customers with added service and a reason to return.

Exhibits

Author's Note

List all supporting documentation in the appendix/exhibit section as noted and referenced throughout your business plan.

Remember, this information should be clearly and neatly presented so the reader of your business plan can easily reference and understand the data being provided.