

Starting your own hotel business

The Case

A 40 year old couple, Jack Kelly and Jane Kelly have been running a small bed and breakfast with 20 rooms for 10 years. They have 3 employees working in their B&B which has a turnover of around EUR 200,000. They make a modest profit but have to work really hard to keep their bed and breakfast running. They have two children – a daughter aged 15 and a boy aged 13 who also help their parents doing odd tasks at the B&B. Jack's distant relative died this year and left them an inheritance of EUR 2 million.

So they have decided to buy a hospitality business in some warm country and settle down there. They have been looking at various alternatives in various warm countries and have shortlisted three options.

Option 1: *Waterfront Hotel*, Goa, India

Goa, a former Portuguese colony is a state in India within the coastal region known as the Konkan in western India. Located in the tropical zone and near the Arabian Sea, Goa has a hot and humid climate for most of the year with an average temperature of 30 degrees.

Goa is visited by large numbers of international and domestic tourists each year for its beaches, places of worship and world heritage architecture. It has rich flora and fauna, owing to its location on the Western Ghats range, a biodiversity hotspot.

Overlooking the Arabian Sea, the *Waterfront* has 30 rooms. The hotel provides the very best in modern amenities, all in a uniquely rustic setting that may well become your home away from home in Goa. Facilities offered include a seafood restaurant, spa with jacuzzi and a pool and a gym. The hotel is fully booked during the peak season and has an occupancy rate of 80% during the off season (June – September). The hotel has a turnover of EUR 400,000 and had a profit of EUR 115,000 the previous year. The owners of the property want a price of EUR 4 million.

Option 2: *Koruna Inn*, Maldives

The Republic of Maldives is a South Asian island country, located in the Indian Ocean. It lies southwest of India and Sri Lanka. Tourism is also the country's biggest foreign currency earner and the single largest contributor to the GDP. For most of the year the average temperature is around 30 degrees.

Located in the region of Kaafu Atoll, *Koruna Inn* features a spa and fitness centre. The inn has a barbecue and views of the sea, and guests can enjoy a meal at the restaurant. This inn has water sports facilities and bike rental is available. Guests can enjoy various activities in the area, including snorkelling and windsurfing. Guests can choose from 15 rooms. The rooms in the hotel, however, are very small and have to be refurbished and require an investment of EUR 60,000. The inn has a turnover of EUR 250,000 and had a profit of EUR 60,000 the previous year. The owners of the property want a price of EUR 3 million.

Option 3: *Raintree Hotel*, Colombo

The capital of Sri Lanka, Colombo is a busy and vibrant place with a mixture of modern life and colonial buildings and ruins. It is a popular tourist destination. Colombo's climate is fairly temperate all throughout the year with average temperatures around 31 °C. The monsoon seasons are from May to August and from October to January when heavy rains can be expected.

Situated in the heart of Colombo and just a few steps away from some of the City's best attractions the hotel's quiet residential neighbourhood provides business and leisure travellers a more serene atmosphere. Luxurious accommodation, complemented by the highest levels of service will cater to your discerning taste. The hotel has 55 guest rooms including 10 deluxe rooms & 5 super deluxe rooms designed to offer you the privacy and comforts of home, with a touch of class. All rooms are comfortable, spacious and sophisticated. Facilities offered include a restaurant, a swimming pool, a business centre and a fitness centre. All rooms and the hotel itself is fully air-conditioned and the hotel offers 24-hour room service. The hotel needs a minimum of 30 staff members. The inn has a turnover of EUR 500,000 and had a profit of EUR 130,000 the previous year. The owners of the property want a price of EUR 5 million.