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### ROAD MAP FOR LAUNCHING A SUCCESSFUL HOSPITALITY PROJECT

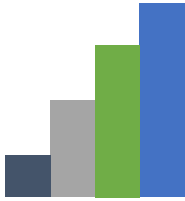
**Aum Consultants**, is a full-service Hotel & Resort Project & Operations Management Consulting Company. The company consults Business Hotels, Boutique Hotels, Budget Hotels, Theme Resorts, Camping Resorts, Clubs, Theme Restaurants, Conference & Banquet Halls & so on and deliver clients with the result driven Hospitality Management Services in all areas of Hotels. In a nutshell, from Concept to Commissioning. We provide a detailed Consultancy in Hotel Project Technical Planning and ensures the delivery of optimum returns on the investment. Our focused attitude ensures leverage of hotel assets, greater occupancy, and enhanced levels of service quality and operational performance.

#### Some hard-core facts about hospitality business:

1. It is always recommended to start new projects with bank loans
2. Year wise occupancies for Resorts- 1<sup>st</sup> Year (30%), 2<sup>nd</sup> Year (40%), 3<sup>rd</sup> Year (50%). Maximum one could reach is 65% at the end of five years and this is threshold limit
3. Year wise occupancies for City Hotels- 1<sup>st</sup> Year (50-60%), 2<sup>nd</sup> Year (60-70%), 3<sup>rd</sup> Year (80-90%). Maximum one could reach is 100% at the end of five years and this is threshold limit
4. **EBITDA** - Earnings before interest, taxes, depreciation, and amortization is an indicator of a company's financial performance which is calculated in the following manner:  
EBITDA = Revenue - Expenses (excluding tax, interest, depreciation, and amortization).  
EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

#### For Hotels & Resorts

Year wise G.O.P - 1<sup>st</sup> Year (+/- 10%), 2<sup>nd</sup> Year (15-20%), 3<sup>rd</sup> Year (20%-35%),  
4<sup>th</sup> Year Onwards 40% +++  
GOP means pure Cash Profit in hand.



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### INDUSTRY BENCHMARKS FOR F&B BUSINESS – RESTAURANTS, CLUBS, BANQUETS, QSR

In a normal hotel scenario (min 50-100 Keys), F&B Revenue is 70% & Room Revenue is 30%. Banquets contribute min 40% out of 70% revenue

- It is extensive labour-oriented business and personalized services or always “Yes Sir” attitude will help a co. grow
- In F&B business GOP (Gross Operational Profit) is about 25% in first year of operations
- In Hotel business GOP (Gross Operational Profit) is about 10% in first year of operations
- Food Cost in a la carte Restaurant is about 33% and in Banquets it is only 20%

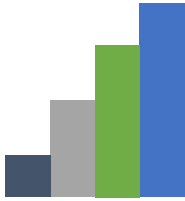
Following is the brief write up which is essential for any start- up company to study and then plan the properties accordingly

#### A. Growth of Hospitality in India

1. The hotel industry in India and especially near Metros like Mumbai & Pune continues to grow at an impressive rate, becoming more competitive as National & International hotel groups make inroads into a growing number of destinations. This has led to a pressing need for establishments to provide a quality service to patrons.
2. In line with this, the application of cutting-edge technologies and innovation has become a burning issue in the construction and refurbishment of hotels.
3. The importance of building the kind of establishments that respond to the needs of patrons; some of the latest technology being applied to modern hotels, including the importance of sustainability and connectivity; and the benefits for hotel design and construction of partnering with experienced engineers that have insight into new techniques for construction and conversions.

#### B. Proven Growth – In numbers

1. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. The third-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly US\$ 187.9 billion or 12.5 per cent to the Gross Domestic Product (GDP) in 2014-15, while growing the fastest at 11.7 per cent Compound Annual Growth Rate (CAGR) over the period 2011-12 to 2014-15. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.
2. The industry is expected to generate 13.45 million jobs! across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). The Ministry of Tourism plans to help the industry meet the



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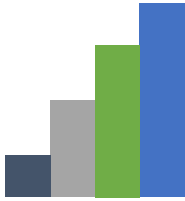


increasing demand of skilled and trained manpower by providing hospitality education to students as well as certifying and upgrading skills of existing service providers.

3. India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index.

### C. Demand and Supply - Getting The Balance Right

1. Hotel developers in India need to ensure, however, that they remain in sync with customer needs. Building 'iconic' hotels that are marketed at a very high level (such as five-star hotels and even six-star hotels aimed at wealthy travelers) may not be the best strategy to meet the needs of the country's hospitality industry, which is driven primarily by corporate and business hotel requirements and off course holiday makers from Mumbai & Pune
2. While the market for five-star hotels in India is saturated, the market for two- & three-star hotels is still largely untapped. For every person that can afford to stay in a five-star hotel, there are twenty more that will be able to book their stay in two or three-star hotel.
3. Other main drivers for these types of establishments are the tax exemptions that these hotels enjoy (delivered by MTDC.)
4. Medical Tourism has also gained a great deal of momentum in India and it's an important driver in the hospitality and tourism industry. Mumbai & Pune has become a medical tourism hub and specialists from all over the world are setting up shops there
5. Top hospitals and medical practices need to cater to this need by becoming places where patients want to stay and recover from an operation.
6. Economy 'hotels' promise everything you need and nothing you don't. It's now cool to travel cheap thanks to a new wave of budget and economy travel brands finding new ways to tailor products and appeal to the increasing numbers of cost-conscious travelers The convenience of this model fits the 'on-the-go' lifestyles of today's business traveler and growing millennial population.
7. There is also a growing trend of taking more frequent but shorter breaks instead of one long holiday. To minimize expenses, most travelers will look to stay in economy hotels so they can afford to travel to more places. Guests value a great location, good design, customer service and choice.
8. From a development perspective the budget product offers an investment rational that allows optimization of the revenue generating potential from smaller, more cost-effective plots of land in non-core CBD locations.
9. This is achieved by not having to include low yielding, non-essential guest facilities such as business centers, conference facilities and day spas, whilst allowing the flexibility to provide more tailored core offerings such as grab-and-go food and beverage outlets, and smaller room floor plates.



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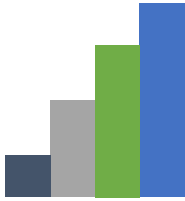
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10. The sector provides very strong return on investment, given its low cost operational model, and growing demand by the consumers, which is fueling strong revenue per available room (RevPAR) growth.

### **D. What Are Some of the Latest Technology and Innovative Trends in The Hotel Industry?**

1. In India, there is an increased awareness amongst the major hotel operators of the importance of minimizing the negative environmental and social impact of their operations. Guests are using social media apps and websites like Trip Advisor to check out the environmental performance of the hotels and resorts they are considering.
2. Hotel operators have also seen that improving the energy efficiency of their properties can quickly deliver bottom line profit improvement, as wastage of resources is reduced without compromising the customer experience.
3. The major hotel chains have developed their own branded sustainability programs, which they are using to drive change within their organizations and to engage their guests. Hotels are also using independent environmental certification programs like Earth Check to validate their carbon claims and guide their sustainability initiatives.
4. In addition, guests expect today's establishments to follow the very latest trends in technology. New technologies are being used to provide guests with a more interactive, customized experience during their stay. Internationally, hotels are working on how remote check-ins (via guests' Smart Phones) can provide guests with instant access to their rooms; how to enable guests to easily play their own content from media players within their hotel rooms and on their hotel televisions; and how to benefit from Smart Apps that give clients a concierge' in their pockets.
5. Technology extends to sustainable practices within the hotels as well, such as smart thermostats that can determine when to cut back on heating and cooling automatically when a room is unoccupied. Hotel designers are using LED lighting to save energy whilst having the ability to change color and intensity to create different moods.
6. Sustainability and energy efficiency are the buzzwords for hotel developments in India. While energy efficiency isn't regulated, the rising costs of electricity on the continent make this a basic requirement for most clients. The developer of the hotel may have to accept marginally increased capital expenditure costs to implement sustainability designs and technology, but they will share in the savings on the bottom line. Thus a strong sustainability impetus exists.
7. Increasingly tight construction programs have also made modular designs an important consideration. This trend offers a number of benefits, including cost savings due to several components of the construction being created off-site. While



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the common areas of the hotel are often built on-site, modular design means that many smaller sections can be created elsewhere and installed relatively quickly.

### **E. Enabling Success - The Importance of Building an Experienced Project Team**

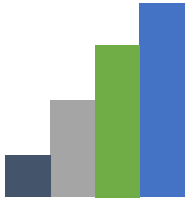
1. An experienced engineering company offers clients the ability to tap into many different experts, specialists and experienced engineers and consultants within the company.
2. Besides MEP, a host of specialist services relating to acoustics, waste management and Environmentally Sustainable Development (ESD) are crucial in ensuring the success of hotel projects.
3. In certain parts of Maharashtra, in particular, is a seismic region and local authorities tend to be conservative in their approach to design due to the frequency and size of earthquakes that the area has experienced in the past.
4. If you are planning to expand your current hotel business, then you should know that though hotel business is a profitable venture with a lot of opportunity for expansion, it involves a lot of technicalities and is not so easy to start. The procedure for starting a hotel business is quite technical and involves a lot of planning and strategizing.
5. Also, I want to point out that a hotel business goes beyond just erecting a building; it involves intensive management and requires constant innovation. So in this article, I will be highlighting everything you need to know about starting a hotel business.

### **F. Create an Innovative Concept**

1. The hospitality industry is very competitive with various hotels springing up yearly. It is not enough to just start a hotel. You should come up with a concept that would make your hotel outstanding and remarkable such that when guests visit, they can't wait to relate the experience to their friends and jump at an opportunity to visit again.
2. You should create exceptional services to pamper your clients. You can offer them complimentary breakfast, swimming pool, Jacuzzi, gymnasium, massage services, valet parking, and internet services. You can even offer them options of changing their rooms after one night to enjoy the different rooms you have. Your hotel building should also be constructed with warmth and serenity in mind.

### **G. Conduct A Feasibility Study**

1. A hotel business is not something you can just rush into without being armed with the right amount of information. It is important to conduct a feasibility study of the area where you want to site your hotel. A feasibility study would help you to determine if it is a worthwhile business and how profitable the business would be. It would also help you find the most suitable location for your hotel.
2. You may conduct the feasibility study by visiting the location, hotels around, handing out questionnaires and asking questions. If you cannot conduct the feasibility study yourself, you can employ an expert or consultant to do it for you.



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### H. Determine your Ownership Structure

Hotel business requires a huge capital outlay hence you may need to bring in one or two investors. It is important that you decide on the ownership structure of your business before you start. *Do you want to be the sole proprietor of your business? Or would you rather prefer to run it as a partnership with others?*

### I. Prepare a Professional Business Plan

1. At this stage, you should have your professionally prepared business plan ready because this is what you would show to the bank or potential investors. Your business plan should be professionally prepared and include all the necessary information that would show your investors how viable the business is.
2. A poorly prepared business may discourage investors, so it is important that you put enough effort into preparing your business plan or get someone to prepare it for you. Here is a sample hotel business plan template to help you get started.

This study note is prepared by

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