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College of Management

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Master Thesis

在曼谷設計規劃一間成功的青年旅館

Opening up a Successful Hostel in Bangkok Thailand

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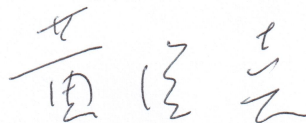
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Opening up a Successful Hostel in Bangkok Thailand

本論文係崔培然君 (R04749048) 在國立臺灣大學企業管理碩士專班完成之碩士學位論文，於民國106年06月01日承下列考試委員審查通過及口試及格，特此證明

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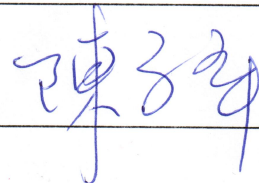


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## Abstract



The business plan, “Opening up a Successful Hostel in Bangkok Thailand” will study on the opportunity and feasibility for establishing a total of 200 square meters hostel in Bangkok Thailand.

Our strategy is to build an impressive hostel that is not just only a place to stay but also the place where people meet new friends and experience the local Thai atmosphere. The marketing of the Cloud Nine Bangkok hostel will be built around the core value that we will offer to customers. Although there is more and more hostel in Bangkok, we will use our competitive advantage to build and expand our customer base.

Our business model is based on the booking over the website. As those sites are also intended to increase brand awareness, we require giving all the services information including what we offer more than competitors’ to make them feel that they’re getting some added value.

Moreover, our mainstream of income will come from online sales. Thus, we aim to be best review hostel in Bangkok, and that will become key to future sales. However, the quality of services in this industry have always been better, with our strategies of advancement, we are ready to grow with the market.

Finally, from the operations and financial plan, we could estimate the profit made in running the hostel and possibility of future business opportunities.

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# 1.Introduction



## 1.1 Executive Summary

Thailand is well known for its tourism industry. Even though, there are on going expansion in other sectors but tourism still remains as a major industry. Thailand's tourism has been drawing tourists from around the world. In addition, the government and private sector have been pro-active in marketing tourism sector as well. As a result, the travel and tourism sector has become one of the country's most productive and sustainable industries.

Along with the increased number of the tourists, demand of unique and stylish accommodation in the center of Bangkok gradually increases as well. Our hostel's services and facilities will be well fit with the target customer, which are youth and student. The operation and construction of our hostel will be done following the details from industry, customer, competitors, and SWOT analysis.

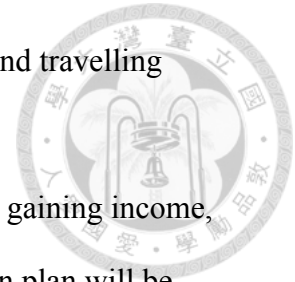
Our strength to compete with existing and incoming competitors is the location. Our hostel will be locates in Ratchatewee area which offers customer alternative transportation to avoid wasting time on Bangkok congested traffic which include BTS sky train, airport rail link and city boat. Moreover, we will provide more free value added services such as breakfast and travelling leaflet. The high quality of facilities that design to response to customer's need is critical for customer satisfaction as well. Lastly, our hostel will have great indoor and outdoor common area that could motivate customer to spend more time outside the room, which will create friendly atmosphere and enable customers to socialize.

For the marketing strategy, as we have limited budget, we will leverage the power of social media to share customer experience and aiming for high customer rating on our



partner online travel agent website. Moreover, we will work with Thailand travelling blogger to get them to promote our business.

Our hostel will be a sustainable family business with continually gaining income, which has pay back period of 3.94 years. Moreover, our future expansion plan will be developed to capture future opportunities and maintain our sustainable competitive advantages.



## 1.2 Background

Hotel industry is one of the parts of tourism industry. During last 5 years, tourism industry has been taken the significant part for Thailand's economic growth. In 2015, Thailand was ranked at fifth place for revenue generated by inbound tourists. Moreover, the number of foreign tourists in Thailand has doubled from 15.9 million in 2010 to 29.9 million in 2015<sup>1</sup>.

According to Thailand Tourism Council, the number of foreign tourists in Thailand are expected to increased by 13.55% to 33.93 million and earn 1.74 billion baht. The first 3 ranks of foreign tourists that came to visit Thailand are China, Malaysia and Japan<sup>2</sup>. Moreover, the survey conducted by Thailand Tourism Council<sup>3</sup> shows that 77% of them travel to foreign country more than once a year, 64% of them are repeated visitor.

Most of the foreign visitors visited Thailand for pleasure (42%) and new experience (23%). Majority activities they did in Thailand were sightseeing (43%) and visiting cultural places (43%). Source of travelling information they used were internet (27%) and guidebook (24%). The policies that they thought could help Thailand tourism industry are safety (38%) quality control of services (36%) and improvement of tourism database (32%)

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<sup>1</sup><http://tourism2.tourism.go.th/home/details/11/221/25516>

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<sup>3</sup>[http://www.thailandtourismcouncil.org/imgadmins/confidence\\_file/TCT\\_confidence\\_file\\_th\\_2016-09-27\\_08-10-17.pdf](http://www.thailandtourismcouncil.org/imgadmins/confidence_file/TCT_confidence_file_th_2016-09-27_08-10-17.pdf)

## Figure 1 Foreign Tourist Satisfaction

Source: Thailand Tourism Council Sep. 2016



### Foreign Tourist Satisfaction

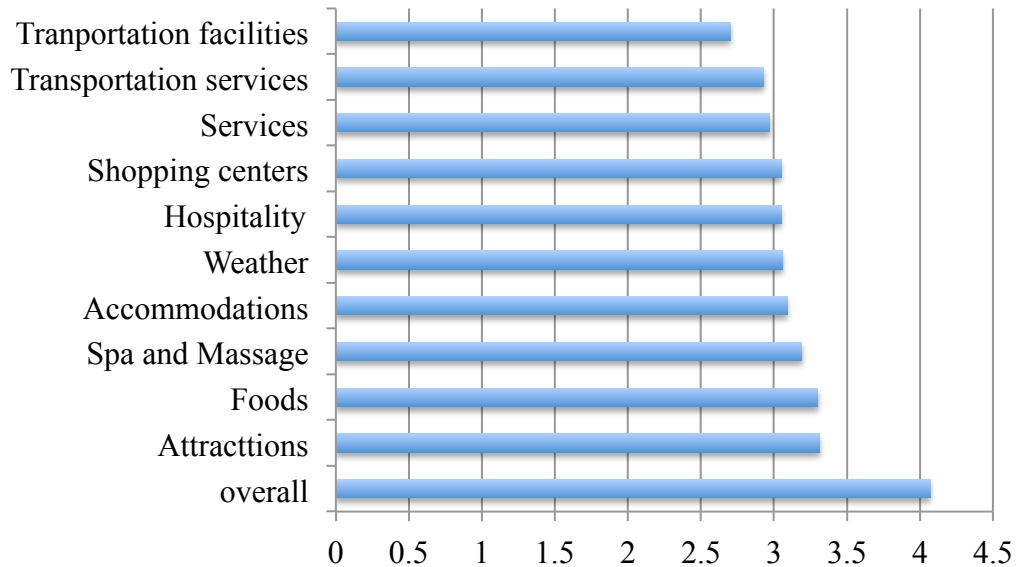


Figure 1 shows foreign tourist satisfaction on each aspect. 74% of foreign tourists highly satisfied with the trip to Thailand, which is 4.07 out of 5 from survey<sup>4</sup>. The aspects they unsatisfied with were quality of transportation services and facilities.

While the number of tourist in Thailand has been increasing from time to time, accommodation business also has been expanding. Thailand national statistical office ministry of information and communication technology biannually has been conducting survey for hotel and guesthouse industry in Thailand. The summaries of survey's statistical data<sup>5</sup> are below;

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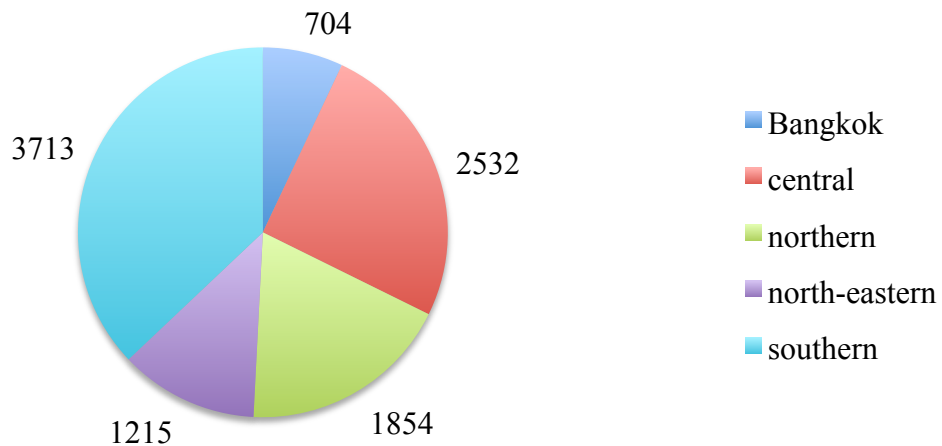
<sup>5</sup><http://service.nso.go.th/nso/nsopublish/themes/files/questFullReport57.pdf>

**Figure 2 Number of Hotel and Guesthouse**

Source: Thailand National Statistical Office Ministry of Information and Communication Technology Jul. 2015



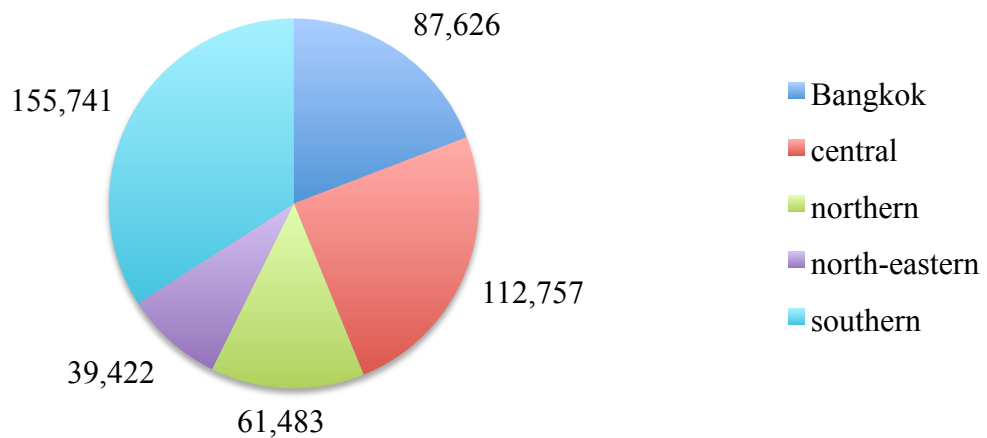
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**Figure 3 Number of Hotel and Guesthouse's room**

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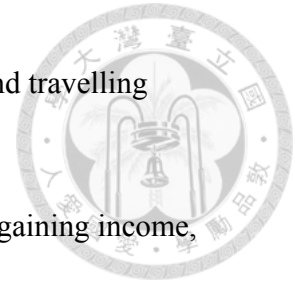
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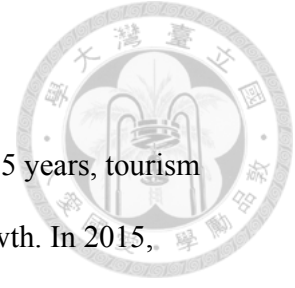
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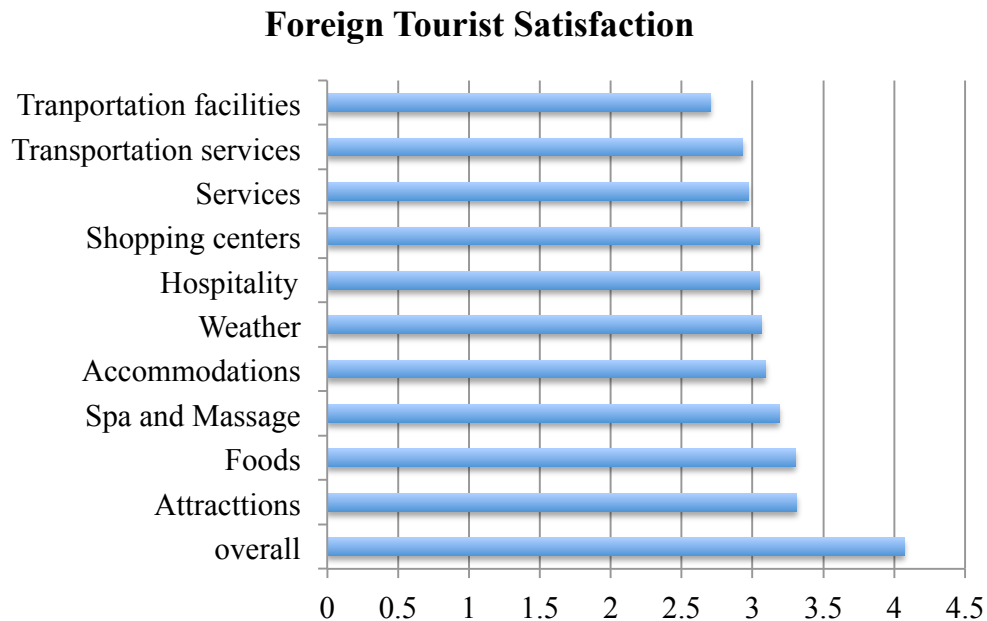


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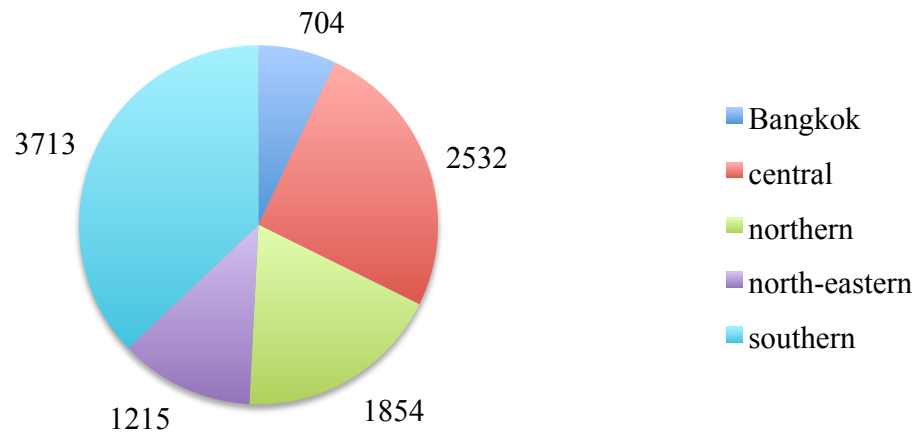
<sup>5</sup><http://service.nso.go.th/nso/nsopublish/themes/files/questFullReport57.pdf>



**Figure 2 Number of Hotel and Guesthouse**

Source: Thailand National Statistical Office Ministry of Information and Communication Technology Jul. 2015

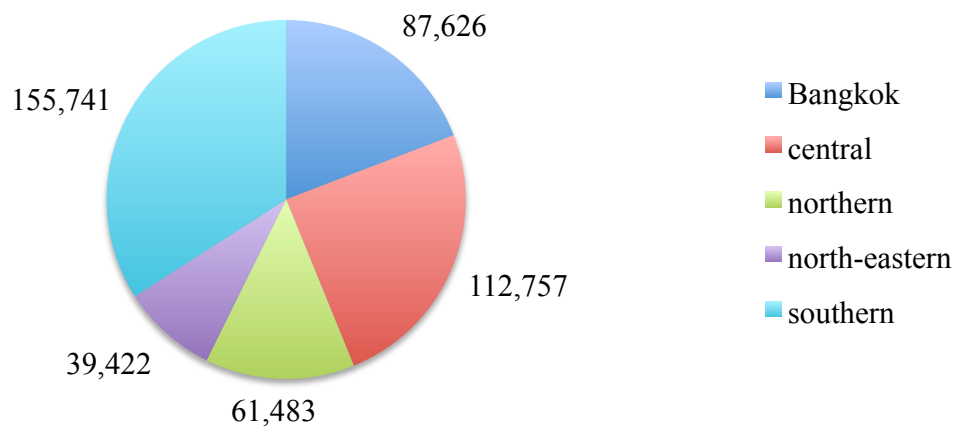
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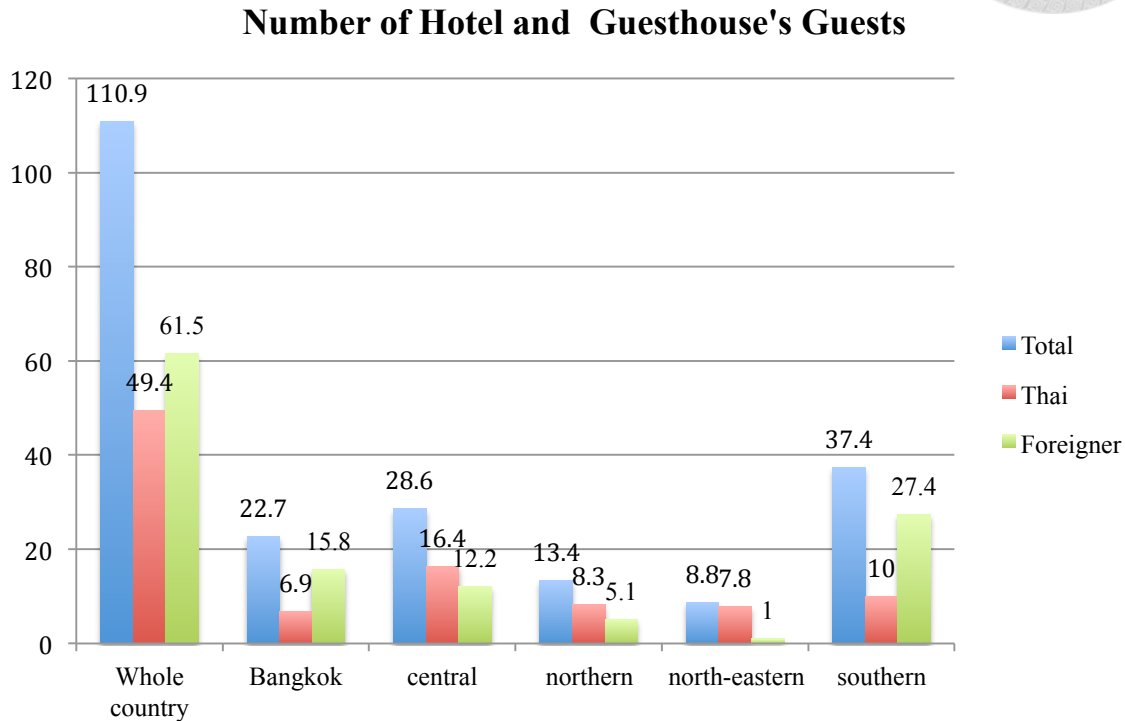
**Number of Hotel and Guesthouse's room in Thailand**





**Figure 4 Number of Hotel and Guesthouse's Guests**

Source: Thailand National Statistical Office Ministry of Information and Communication Technology  
Unit: Million people



Accommodations fall into many categories and vary widely in size, style, services, and characteristics such as Transit Hotel, Hotel, Inn, Lodges, Motel, Resort, Service Apartment and Hostel.

From the above information, I saw the opportunities for hostel business, as demand has been increasing by rising number of tourists. Moreover, the tourism authority of Thailand has been regularly promoting and establishing activities to support the investment in tourism industry.

## 2. Market Analysis



### 2.1 PESTLE Analysis

#### Political

In the past five years, Thailand had been facing problems in political and poor management of government, which result in lower confidence from investors. Unstable politic condition also affected Thailand tourism image and confidence of tourists, which resulted in shifting of tourism destination to other countries. This situation not only had direct effect tourism industry but also affected other relevant businesses and country's GDP.

To reform the economic, Thailand government has developed Tourism strategic plan with the target of 6% increasing in average spending per tourist per year from 4,900 Baht (2016). According to Thailand tourism strategic plan (2021 growth roadmap), Thai government has built 3 strategies for tourism development<sup>6</sup>, which are;

1. Advancing the quality of tourism attractions, products and services to support the rising number of tourists.
2. Advancing fundamental facilities to support the rising number of tourists.
3. Human resource development to increase involvement for Thai people

The Tourism Authority of Thailand (TAT) introduced customized marketing campaigns to target particular groups. TAT paid particular attention to rapidly growing inbound countries such as China, Russia and India. TAT tailor-made marketing to match

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<sup>6</sup><http://www.thansettakij.com/2016/08/08/79408>

the character of each target market; for instance, celebrity marketing to target Chinese tourists, luxury and medical tourism to capture Russian tourists, and honeymoon and scuba diving packages to target Indian travellers.



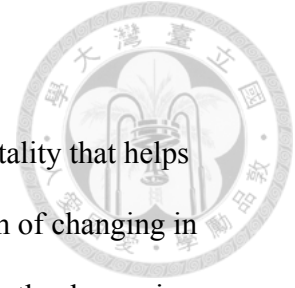
### **Economic**

Average growth of Thailand economic was 3.5% during 2005-2015. Comparing with 10 years ago, Thai citizen are having greater welfare such as health insurance and more years of education. Poverty rate has decreased from 67% in 1986 to 11% in 2014

Thailand GDP grew by 2 percent a year in 2014 and 2015. According to the forecast of World Bank, GDP will grow at 2.9 to 3.3% for 2016-2018.

The capital Bangkok has become the center of economic activity and the most prosperous part of the country, accounts for about 60% of national GDP. Thanks to Bangkok's competitive infrastructure, the city is competing with Singapore to become a regional hub for air travel within Southeast Asia.

Thailand government's recent 20-year strategic plan addresses economic stability, human capital, equal economic opportunities, environmental sustainability, competitiveness, and effective government bureaucracies. These include the implementation of large public infrastructure projects, setting up of a state enterprise policy committee to improve state-owned enterprise governance. Thailand also continues to reform in additional areas such as education, public infrastructure management. The World Bank is supportive of the reform agenda.



## **Social**

Thailand has strong cultural tourism image, especially Thai hospitality that helps create great experience for tourists. However, Thailand is facing problem of changing in population structure, which makes the country become aging society with the decreasing size of young people and workforce. Moreover, Thai society has confronted a crisis of greater cultural diversity in society and declining ethical and moral values, as well as a widespread use of drugs and gambling, particularly by young and adolescent groups. At the same time, Thai people are increasingly active in politics and pay more attention to social responsibility and governance.

The rapid spread of AIDS in Thailand has had impact on the tourism industry as the country's reputation for having a high incidence of AIDs discourages tourists from visiting.

## **Technology**

Thailand's capital is known for being congested cities in Southeast Asia. According to a study by INRIX, Bangkok drivers spent an average 64.1 hours stuck in congested traffic in 2016<sup>7</sup>.

Bangkok is currently served by three rapid transit systems: the elevated BTS Sky train, the underground MRT and the Airport Rail Link. The BTS and MRT have had several route extensions since their openings. As of 2016, several additional transit lines and extensions are also under construction. The entire Mass Rapid Transit Master Plan in Bangkok Metropolitan Region consists of eight main lines totaling 508 kilometers. It was planed to complete by 2029.

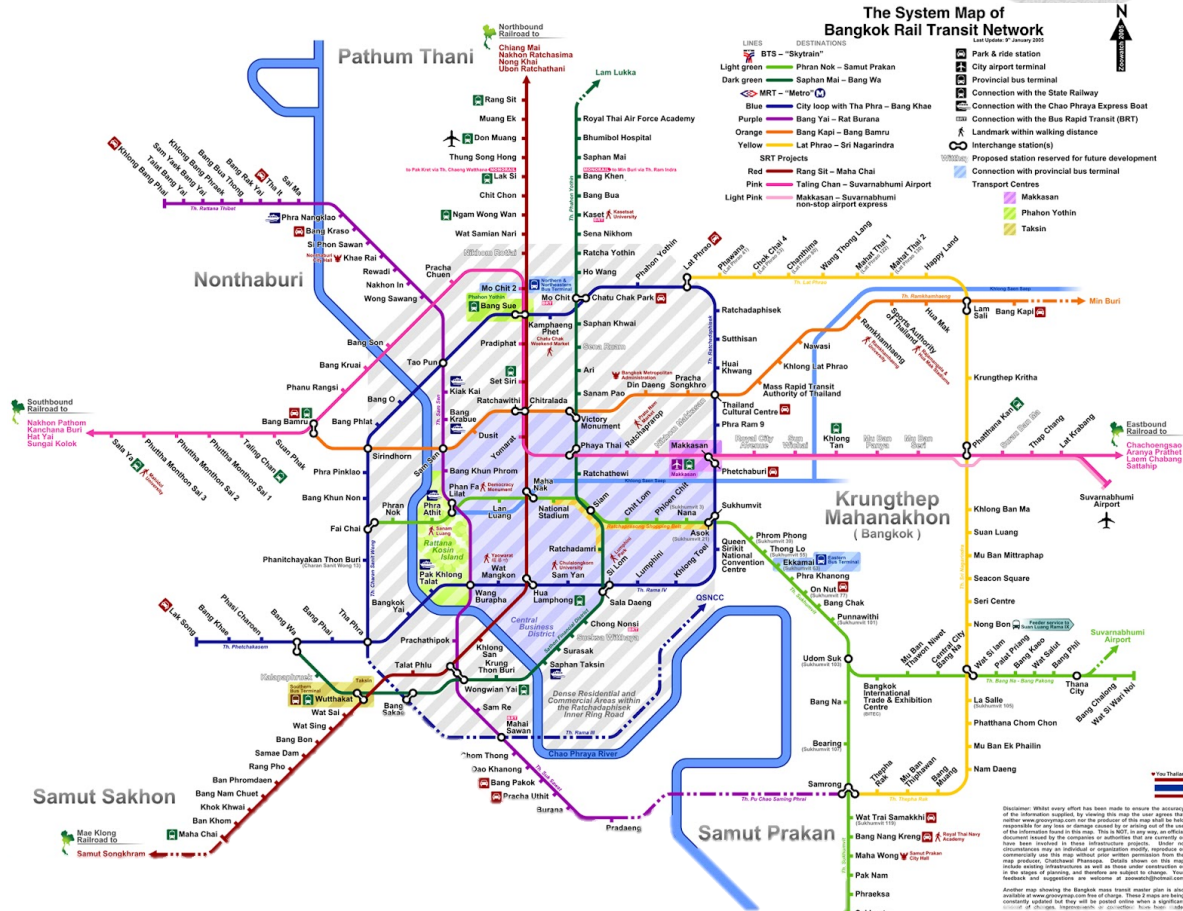
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<sup>7</sup><http://inrix.com/resources/inrix-2016-global-traffic-scorecard/>



**Figure 5 Mass Rapid Transit Master Plan in Bangkok Metropolitan Region**

Source: Bangkok Mass Transit System Public Company Limited



Thailand has about 53 JCI-accredited hospitals in Bangkok, Pattaya, Phuket and Chiang Mai. The accreditation, given by the Joint Commission International of the United States, is a standardization marker for healthcare service providers around the world.

According to the data from TAT, 53 percent of tourists in 2015, or about 16 million, came for medical and wellness treatments. Tourists who specifically sought medical treatments came in at 857,086, a 25 percent increase over the previous year. The rest are



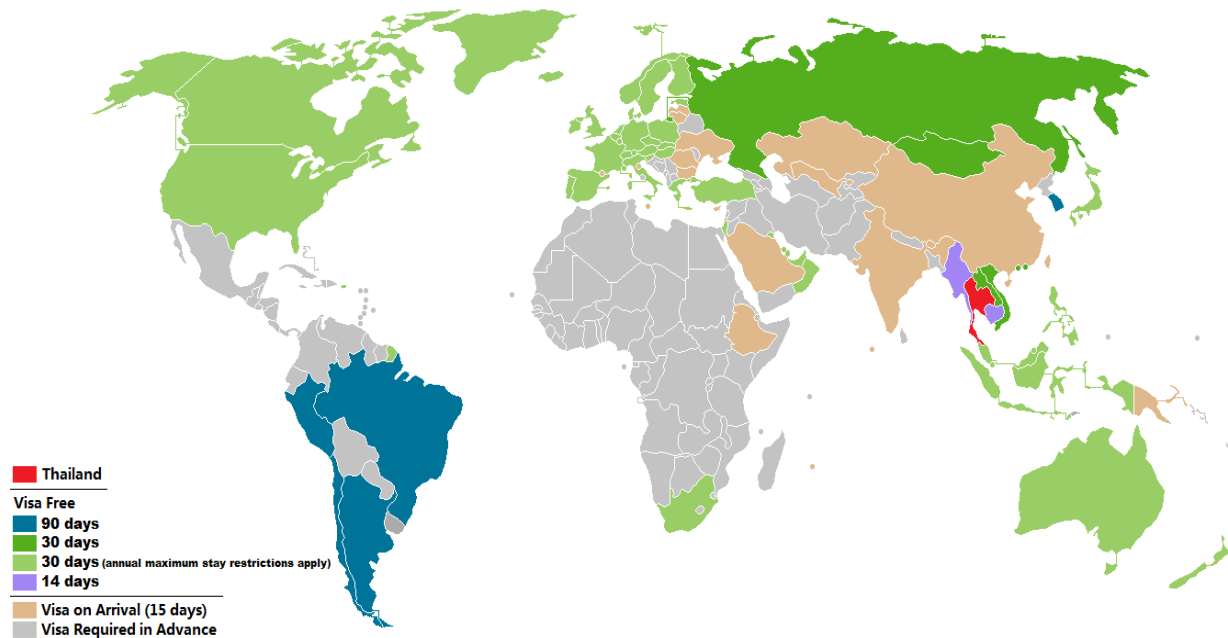
those who came for wellness tourism, which is 38 percent increase over 2014. By the end of 2018, Thailand expects to receive about 1 million medical tourists<sup>8</sup>.

### Legal

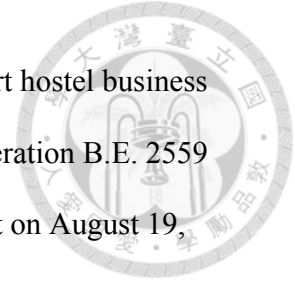
Thailand currently offers visa-free travel to nationals of 57 countries. Nationals of 21 countries can obtain a visa on arrival.

**Figure 6 Thailand Visa Policy Map**

Source: [https://en.wikipedia.org/wiki/Visa\\_policy\\_of\\_Thailand](https://en.wikipedia.org/wiki/Visa_policy_of_Thailand)



<sup>8</sup><http://www.thenational.ae/business/travel-tourism/healthy-outlook-for-thai-medical-tourism-demand>



Thai government has issued new Ministerial Regulation to support hostel business in Thailand. The Other Types of Building Used for a Hotel Business Operation B.E. 2559 (2016) under the Building Control Act B.E. 2522 (1979) came into effect on August 19, 2016<sup>9</sup>. This Ministerial Regulation allows for certain types of building to be used as a hotel after they comply with specific safety requirements or measurements.

The Ministerial Regulation states that the use of other types of building which existed before August 19 can be changed to be as follows: (1) hotels providing only accommodation; and (2) hotels providing accommodation and a restaurant, or a place for serving food or cooking food. The application to change the use of a building must be filed within five years from the effective date of the Ministerial Regulation.

Based on new Ministerial Regulation, temporary accommodation businesses, which are using other non-qualifying types of buildings for their hotel businesses could avoid heavy penalties by altering their buildings to comply with the new rules and regulations.

### **Environment**

Thailand offers a great variety of attractions. These include diving sites, beaches, hundreds of tropical islands, archaeological sites, museums, hill tribes, flora and bird life, palaces, night-life, Buddhist temples and several World Heritage sites.

Although there were serious natural disasters in Thailand and other countries, we continued to see the strong growth of number of arrivals. Other than Thailand's culture and attractive historic sites, it is value for money destination for shopping, dining and accommodation as well.

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<sup>9</sup>[www.bangkokpost.com/print/1110257](http://www.bangkokpost.com/print/1110257)



## **2.2 Porter's five forces**

### **Competitive Rivalry- Moderate**

According to Hostels.com, there are currently 325 hostels located in varied part of Bangkok. Prices depend on room type, location and facilities, which range from 125 Baht to 2,560 Baht. The average rating for Hostels in Bangkok is 83%. Only 10 Hostels got rating more than 90%. We would like to compete in this high rating market, which based on atmosphere, security, location, facilities, staff, cleanliness and value for money. Also, the switching cost for hostel business is low due to customers' affordability of hostels price.

### **Treat of new entrants – Moderate**

Hostel business is the smaller scale of hotel, so it has lower capital cost and proportion of fixed cost to total costs. Thus, it's easier to gain the optimum revenue. These facts make the business being attractive among investors.

However, the growth of hostels is limited by the availability of suitable locations, as it is one of the competitive advantages in this market.

### **Treat of new substitutes – Moderate**

Hostel business competes on a low cost market, which could potentially be replaced by Airbnb as homeowners can offer their house with low price and more private environment. However, there is a group of customers that looking for new friends from hostel when traveling abroad. This also could be replaced by Couchsurfing service, where members can stay at other members' home for free.



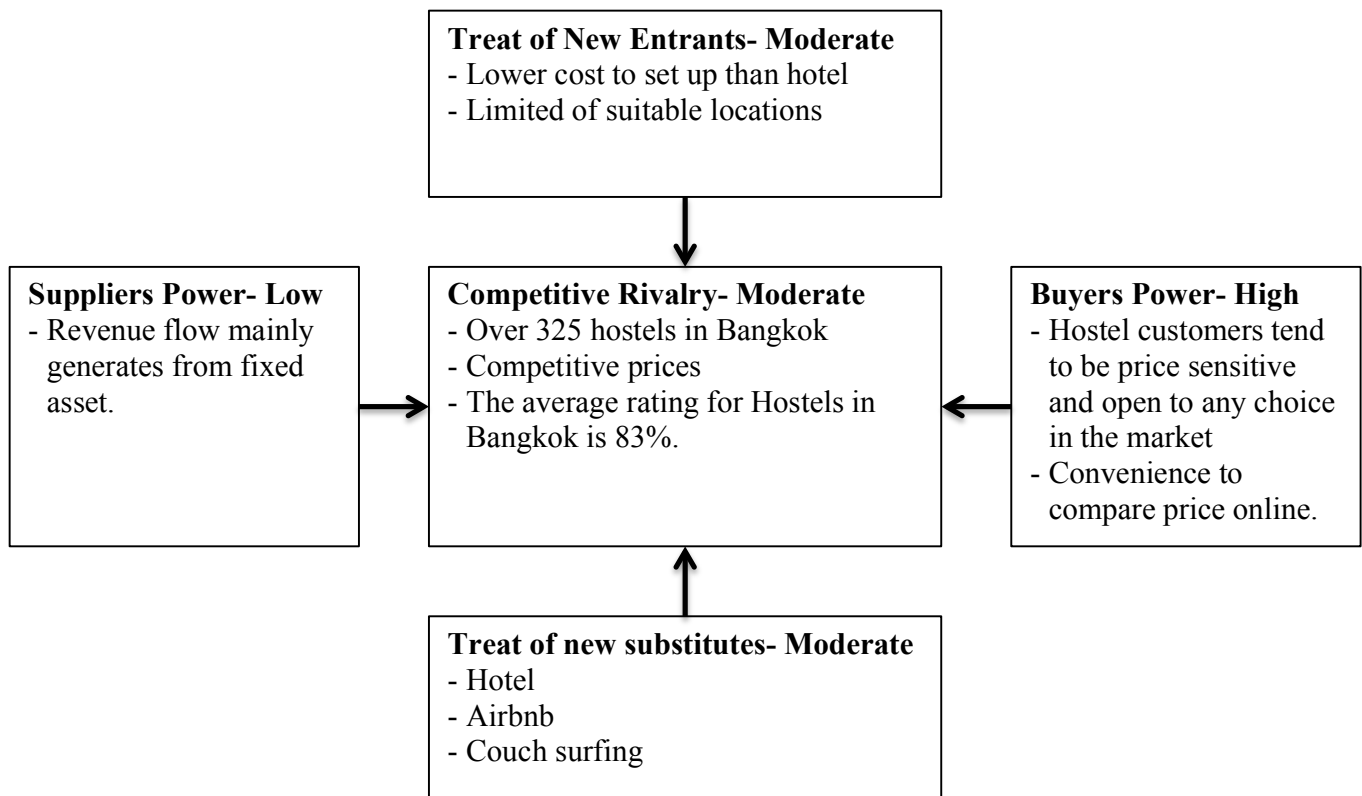
### **Bargaining power of suppliers - Low**

Hostels are not significantly subjected to bargaining power of their suppliers due to they generate revenue from their fix asset.

### **Bargaining power of buyer - High**

Hostels' customers tend to be price sensitive and they are open to any choices of any hostels in the market. High bargaining power of buyer makes stronger competition on excellence customer services and satisfaction.

**Figure 7 Porter's Five Forces**



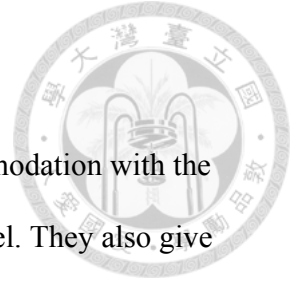


## 2.3 Customer Analysis

### Target market

In 2016, the survey by staywysse showed that 23% of international arrival is youth and student travel group. Thus, in order to capture this opportunity, we would like to target this foreigner youth and student group as they like to travel and open to new experience. Moreover, they expect social experience and better service at the same time. We would encourage people to spend more time outside the room to where they could get some drink to spend more money on site and meet new people from all over the world for cultural exchange.

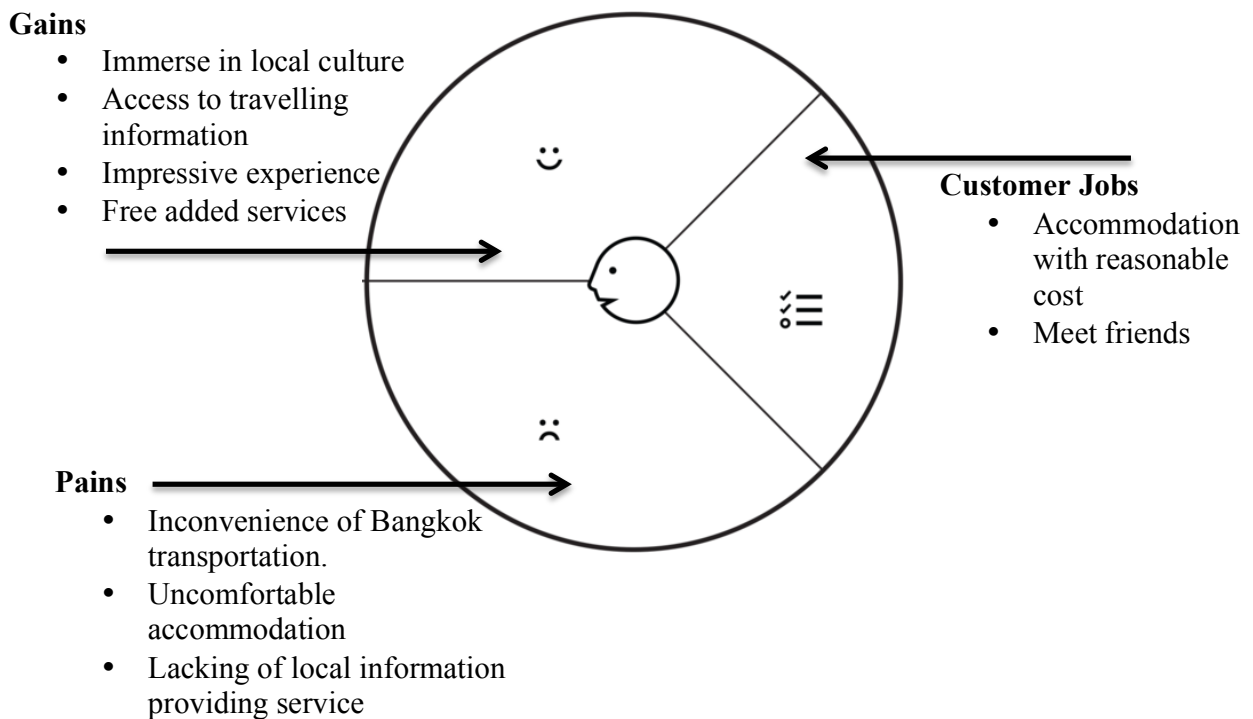
Moreover, it is common for them to travel with devices that connect them with their social life. We will implement strategy to create peers for advice and recommendations by creating talking points and experiences to stimulate guest's social media.



## Customer segment

Our customers base would like to get comfortable accommodation with the reasonable cost and making new friends while staying in the hostel. They also give more value to some free added services such as food and information providing. Moreover, this customer group would like to immerse in local culture by exploring local lifestyle. However, the current situation is that there are few hostels in Bangkok that offer these integrated services. Poor location of existing hostels make tourists spend more time on Bangkok congested traffic.

**Figure 8 Customer Segment**

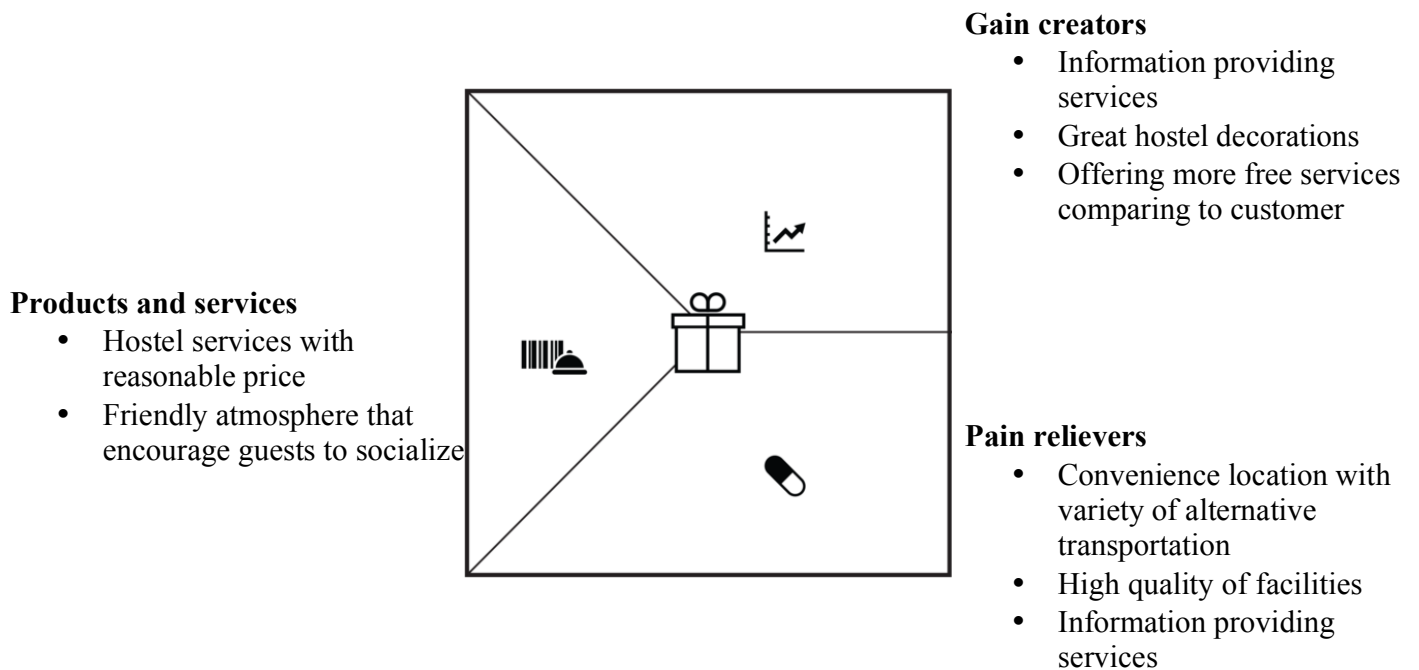




## Value proposition

The value proposition for our hostel is our great location that offer customers alternative transportation including BTS sky train, airport rail link and city boat. Moreover, we will provide more services and better quality of facilities to customers with reasonable price. Lastly, our hostel will have great common area that could motivate customers to spend more time outside the room which will create friendly atmosphere that enable customers to socialize.

Figure 9 Value Proposition





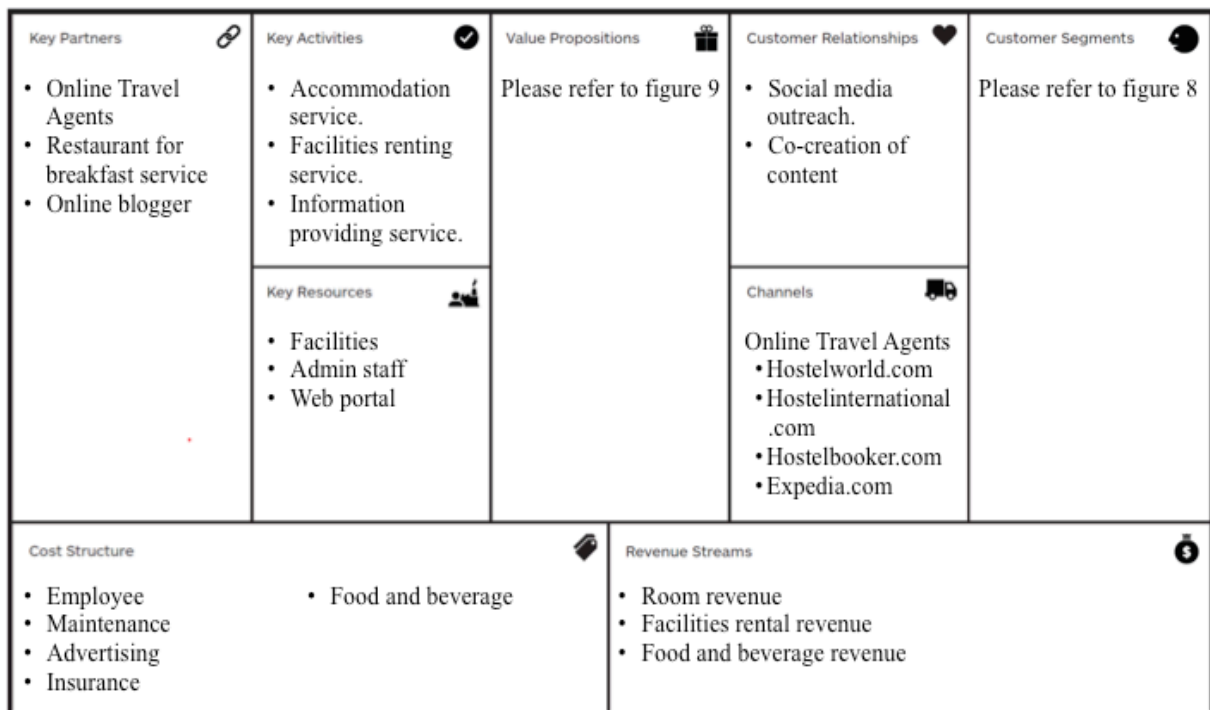


## Business model canvas

Our key partners would include existing online travel company, blogger for marketing and restaurant for breakfast service. The key resources we need is human resources, such as front staff and housekeeping. Our cost structure will include HR cost, facilities and equipment maintenance, advertising, insurance and cost of food and beverage.

Our revenue streams will mainly come from room revenue which come through online travel agents and some other revenues such as facilities rental, food and snack revenue.

**Figure 10 Business Model Canvas**





## **2.4 Competitors Analysis**

### **The Yard**

We consider The Yard as a competitor because they have the similar atmosphere to our hostel as they also provide outdoor garden where all the guests can enjoy their own time or meet with new people. The strengths of The Yard are that they have great atmosphere, staff and cleanliness.

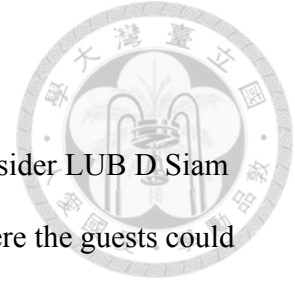
The weaknesses of The Yard are that they are a bit far from the city center and main tourist attractions. As well as the sound proofing problem, The Yard use 2 containers stacked together to make the rooms, so the sound proofing quality is not good.

### **BED Station Hostel**

BED Station Hostel is our direct competitor as it locates near our hostel and has lively and comfortable common area, which could encourage guests to socialize. The strengths of BED Station Hostel are that they have great location, staff and cleanliness. Moreover, they are large size hostel, so it is easier for them to create the social atmosphere from higher amount of guests.

According to reviews from their guests, we found some weakness of BED Station Hostel, which is soundproofing problem, as some guests want to take some rest while other guests were still socializing in common area.

As BED Station offers 24 hours check-in, there are some guests complained about no one at reception when they arrived at late night and they were charged for late check in.

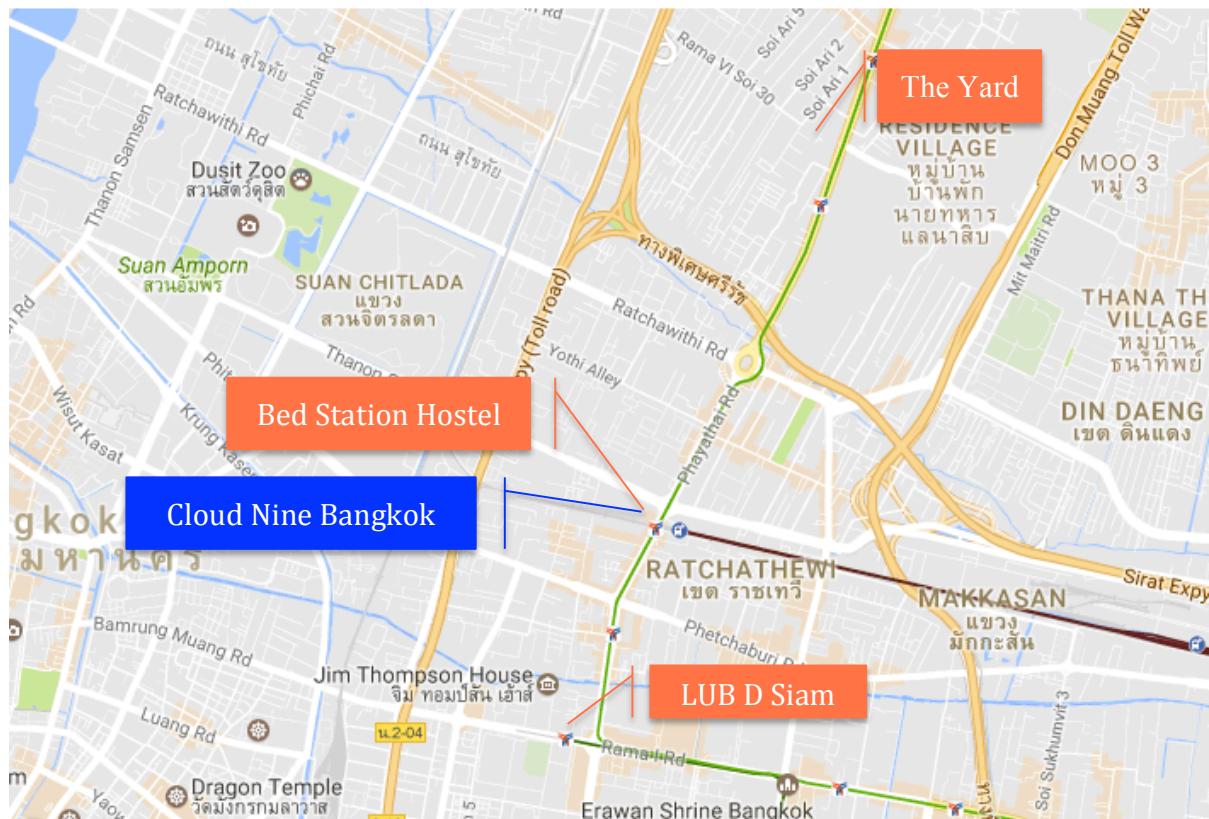


## LUB D Siam Bangkok

LUB D is a big hostel chain, which operates in Thailand. We consider LUB D Siam as our competitor due to the location. They locate in perfect location where the guests could walk to many shopping centers in Bangkok. Moreover, as they are big hostel chain, they have experience in training their staff and they know well on how hostel facilities should be.

For the weaknesses, LUB D takes core part of hostel for granted which is creating socializing atmosphere. Many guests complained in customer review that the hotel lack of atmosphere as they were expecting a hostel vibe, which encourage people to socialize

**Figure 11 Location of Cloud Nine Bangkok and competitors**





**Table 1 Competitors' Room Price**

Source: www.hostelworld.com

Unit: THB

Room Type	The Yard Hostel Bangkok	BED STATION Hostel	Lub d Bangkok Siam
	Price		
Standard Twin Private	n/a	n/a	933
Standard Double Bed Private	1,500	n/a	1,266
Basic 4 Bed Private	2,500	n/a	2,640
Basic 6 Bed Private	n/a	n/a	2,640
Basic 8 Bed Private	n/a	n/a	2,640
Basic 4 Bed Female Dorm	650	n/a	n/a
Basic 4 Bed Mixed Dorm	650	600	n/a
Basic 6 Bed Female Dorm	n/a	550	n/a
Basic 6 Bed Mixed Dorm	550	550	n/a
Basic 8 Bed Female Dorm	n/a	n/a	366
Basic 8 Bed Mixed Dorm	450	450	366

**Table 2 Competitors' Facilities**

Source: www.hostelworld.com

	The Yard Hostel Bangkok	BED STATION Hostel	Lub d Bangkok Siam
<b>Facilities</b>			
24 Hour Reception	✗	✓	✓
24 Hour Security	✗	✓	✓
Air Conditioning	✗	✓	✓
Bar	✓	✓	✓
Free Breakfast	✓	✓	✗
Free Internet Access	✗	✓	✓
Free Parking	✓	✗	✗
Free WiFi	✓	✓	✓
Self-Catering Facilities	✗	✗	✗
Luggage Storage	✓	✓	✓
Parking	✗	✗	✗
Swimming Pool	✗	✗	✗
Airport Transfers	✗	✗	✗
Bicycle Parking	✓	✗	✓



	<b>The Yard Hostel Bangkok</b>	<b>BED STATION Hostel</b>	<b>Lub d Bangkok Siam</b>
<b>Facilities</b>			
Cable TV	×	✓	✓
Ceiling Fan	×	✓	×
Child Friendly	×	×	×
Common Room	×	✓	✓
Cooker	×	×	×
Fridge/Freezer	×	×	×
Fitness Centre	×	×	×
Housekeeping	×	✓	✓
Internet Access	×	✓	✓
Key Card Access	✓	✓	✓
Laundry Facilities	×	✓	✓
Linen Included	×	✓	✓
Security Lockers	×	✓	✓
Meals Available	×	×	×
Minibar	×	×	×
Nightclub	×	×	×
No Curfew	×	✓	✓
Non Smoking	×	×	×
Pet Friendly	×	×	×
Restaurant	×	×	×
Safe Deposit Box	×	✓	×
Shuttle Bus	×	×	×
Towels for hire	✓	✓	✓
Towels Included	×	×	×
Washing Machine	✓	✓	✓
Wheelchair Friendly	×	×	×



## 2.5 SWOT Analysis

### Strengths

#### Hostel type

- Unique rooftop garden with small outdoor cinema for guests.

#### Location

- Closed to Ratchatewee BTS station, which is close to Siam station (center area of Bangkok).
- Close to tourist attractions <sup>10</sup>
  - Siam Square (8-minute walk)
  - Jim Thompson House (9-minute walk)
  - MBK Center (9-minute walk)
  - Suan Pakkard Palace (9-minute walk)
  - Pratunam Market (12-minute walk)

#### Personnel

- Great Interacting skills to provide information in response to customers' inquiries, concerns and requests about our services
- Basic multiple languages skill to response customers from different countries.

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<sup>10</sup>Based on <https://maps.google.com/>



### **Weakness**

As we are newcomer in the market, we might need to work hard on penetrating the existing competitors through online media such as social network, and join with the existing big player in travel business such as TripAdvisor, Agoda and well-known guidebook.

### **Opportunity**

- The growing of traveling market in Thailand.
- Opportunities to expand to relating business such as coffee shop, restaurant and city tour services.

### **Treats**

- Treats of new entrants.
- World unstable economic situation.
- Political unrest in Thailand



## 2.6 Market Opportunities

The rising of foreign tourists in Thailand makes the accommodations business expands as well. As we can see that there are many new accommodation services around popular tourist attractions. The new entries need to compete with the existing one by creating competitive advantages.

Number of tourists in Bangkok has increased from 13.8 million in 2011 to 19.6 million in 2015<sup>11</sup>. While the top activities tourists suggested by tripadvisor.com are Temple visiting, gift and specialty shop, sight seeing tour and cooking classes.

**Table 3 Top 10 tourists in Thailand during 2014-2015 and their average expenditure of accommodations**

Source: The Tourism Authority of Thailand The Tourism Authority of Thailand

Nationality	2014		2015	
	Number of Tourists	Accommodation Amount (THB)	Number of Tourists	Accommodation Amount (THB)
China	4,636,298	2,843.51	7,934,791	2,761.92
Malaysia	2,613,418	1,602.85	3,423,397	2,144.76
Japan	1,267,886	777.61	1,381,690	865.63
Korea	1,122,566	688.49	1,372,995	860.18
Laos	1,053,983	646.42	1,233,138	772.56
India	932,603	571.98	1,069,149	669.82
United Kingdom	907,877	556.81	946,919	593.24
Singapore	844,133	517.72	937,311	587.22
Russia	1,606,430	985.25	884,085	553.88
USA	763,520	468.28	867,520	543.50

<sup>11</sup><http://newdot2.samartmultimedia.com/home/listcontent/11/221/276>





**Table 4 Information of tourists in Bangkok during 2014-2015**

Source: The Tourism Authority of Thailand The Tourism Authority of Thailand

	<b>2014</b>	<b>2015</b>
Number of tourists	17,031,723	19,586,811
Average length of stay (Days)	4.86	4.46
Average expenditure (Baht/Person/Day)	4,578.93	4,830.25

**Table 5 Average expenditure of tourists in Bangkok during 2014-2015**

Source: The Tourism Authority of Thailand The Tourism Authority of Thailand

Unit: THB

<b>Average Expenditure</b>	<b>Amount</b>	
	<b>2014</b>	<b>2015</b>
<b>Jan-Dec</b>		
1. Accommodation	1,169.62	1,169.62
2. Food and beverage	893.40	955.77
3. Shopping	1,015.77	1,102.22
4. Entertainment	642.10	683.24
5. Sight seeing	307.89	331.72
6. Local transport	445.05	464.21
7. Miscellaneous	105.10	123.47
<b>Total (Baht/person/day)</b>	<b>4,578.93</b>	<b>4,830.25</b>

## 2.7 Tows Matrix



**Table 6 Tows Matrix**

<p style="text-align: center;"><b>Internal Factor</b></p> <p style="text-align: center;"><b>External Factor</b></p>	<p><b>Strength</b></p> <ol style="list-style-type: none"> <li>1. High quality facilities</li> <li>2. Fair and reasonable price</li> <li>3. Our hostel locates in the convenient location.</li> </ol>	<p><b>Weakness</b></p> <ol style="list-style-type: none"> <li>1. New entrants in the market</li> <li>2. Limited advertisements due to cost controlling</li> </ol>
<p><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>1. Bangkok, the center of Thailand with various types of tourists.</li> <li>2. The growing of traveling market in Thailand.</li> <li>3. Opportunities to expand to relating business such as coffee shop, restaurant and city tour services.</li> </ol>	<p><b>SO strategies for advancement</b></p> <ol style="list-style-type: none"> <li>1. Using the advantages of Reasonable price, new, clean and closed to BTS station to promote the business.</li> <li>2. Intermittently asking feedback from guests to improve the services and expand customer base.</li> <li>3. Adding new services in the future such as dinner, airport transportation service.</li> </ol>	<p><b>WO strategies for overcome weakness</b></p> <ol style="list-style-type: none"> <li>1. Encouraging guests to enjoy all of our facilities and services and share their experiences on their social medias.</li> <li>2. Joining existing accommodation booking website in order to expand revenue through these channels.</li> </ol>
<p><b>Treats</b></p> <ol style="list-style-type: none"> <li>1. New entries</li> </ol>	<p><b>ST strategies to avoid treats</b></p> <ol style="list-style-type: none"> <li>1. Creating competitive differentiations and seeking for improvement and advancement.</li> </ol>	<p><b>WT strategies to avoid and overcome</b></p> <ol style="list-style-type: none"> <li>1. Launching marketing promotion to promote the business.</li> <li>2. Using peer advice and recommendation to gain more customers.</li> </ol>



We use TOWS Matrix to define the strategies for business as followings;

### **2.7.1 Strategies for advancement (SO Strategies)**

1. Using the advantages of Reasonable price, new, clean and closed to BTS station to promote the business.

We also would like to keep our copy for advertisement short, as it performs better on our business model, which is low perceived risk, low cost, and low commitment.

2. Exploring the need of target customer to improve and add more services, which will result in higher revenue.

### **2.7.2 Strategies to avoid treats (ST Strategies)**

In order to response to our target customer's needs and create competitive differentiations, we would maintain quality services and seek for improvement and advancement.

### **2.7.3 Strategies for overcome weakness (WO Strategies)**

1. Accelerating the awareness and getting to aimed business position by promoting our competitive differentiations through our selling channels and social medias. Moreover, we would like to leverage the power of social media by encouraging guest to share their experience on their social media.

2. Join accommodation booking website to expand revenue through these channels.



#### **2.7.4 Strategies to avoid overcome (WT Strategies)**

1. Launching bundle sales marketing to increase revenue and reach the break-even point as fast as possible.
2. The study shows that 72% of consumers say positive reviews make them trust a local business more<sup>12</sup>. Thus, we would asking permission from the individual reviewer and use those customer reviews as part of our own publicity material.

In the first year of business, we plan to use strategies for overcome weakness, as we want to become well known player in the business as fast as possible. Moreover, we would join existing accommodation booking website in order to rapidly expand our business. Furthermore, we will implement strategies to avoid treats since we would like to maintain quality services and seek for improvement and advancement.

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<sup>12</sup><https://www.brightlocal.com/learn/local-consumer-review-survey-2014/>

## 3. Management and Operation Plan



### 3.1 Company description

Name: Cloud Nine Bangkok

Business: Hostel Accommodation

Location: Petchburi Road Ratchatewee Bangkok Thailand

Size: 3.5-Storey Shop house with total area of 200 square meters, where each floor is 52 square meters and a mezzanine is 19 square meters.

### 3.2 Company Vision

To be one of the best hostel in Thailand and being trusted by target customers.

### 3.3 Company Target

#### Short-term target

1. Create brand awareness to expand target customer's recognition and acceptance for our quality service and high value for money.
2. Average occupancy rate of 70%-80%.

#### Long-term target

1. Being the travellers' first choice when coming to visit Bangkok.
2. High loyalty from customers.
3. Expand the customer base to difference categories with the increasing selling rate of 10%-20% per year



### **3.4 Company Mission**

We aim to be one of the best hostel in Thailand which gives experience and satisfaction to customers by providing better service everyday.

### **3.5 Business strategy**

From the market analysis, we would like to use differentiation strategy, which combine the business and Thai hospitality to make our customer experience modern facilities in Thai atmosphere. Moreover, we will emphasize on security, convenient and our common area, which can be used for movies and other activities. These will differentiate us from the nearby hostels as they focus on pricing strategy.

To make our hostel operates under our planned strategies, we need to build up following competitive advantages;

#### **Quality Facilities**

Learning from the big chain hostel in Thailand, in-room facilities are an important factor to build customer satisfaction as well. Thus, other than fundamental facilities, we will provides below in-room facilities

1. Full backpack size locker
2. Small in-bed locker to store guest's wallet, phone and passport
3. Individual bed-side towel rack

Moreover, on interior design stage, we will focus on soundproofing and air ventilation system.



Furthermore, we want to create the unique selling point on common area.

We will provide 2 mains common areas, which are

1. Indoor area for public desktop computers and books.
2. Outdoor area for foods and drinks, movies.

### **Quality services**

Our hostel focuses on quality services. We will recruit and train our employees to be able to give the best services to customers, and having problem solving skill in order to increase customer satisfaction. Besides, our front staff will be available for 24hours.

Most of hostels hire housekeeper to do daily cleaning and changing bed sheet as a part-time employee to maintain lower cost. However, we consider cleanliness as one of core value of our hostel, so we will hire full-time housekeeper to monitor and maintain high conditions for both in-room and common area especially during peak hours.

To offer better services than competitors, we will also provide free Thai breakfast for all guests and give away Bangkok shopping guidebook which updated monthly by our hostel team.

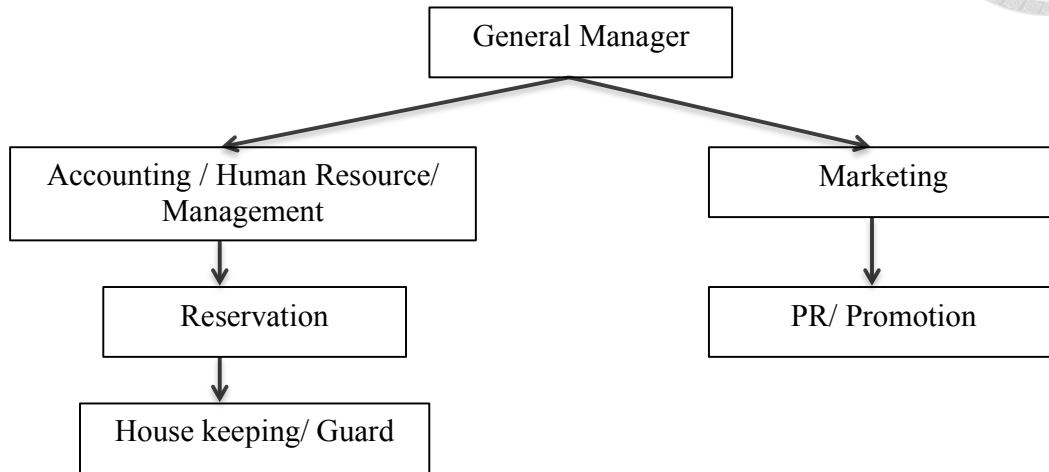
### **Location**

Location of our hostel has competitive advantages on transportation and closed to many tourist attractions.



### 3.6 Organization Structure

Figure 12 Cloud nine Bangkok's organization structure



### 3.7 Human Resource Plan

Human resource is crucial part for hostel business as it involves in every processes of hotel operation. Hence, we need to focus on human resource process since the beginning of the business

However, in the first stage of business, we will start with small amount of employees and will recruit more in the future to support with the expansion plan. The followings are our plan for recruitment;

1. Recruitment announcement
2. Interview
3. Background checking
4. Health checking
5. Signing employee contract





In the employee contract, we will indicate probation period of 3 months before becoming regular employee.

### 3.8 Employee compensation

**Table 7 Employee compensation**

Unit: THB

Position	Type	Number of employees	Monthly wage/person	Total
Manager	Full-time	2	32,000	64,000
Receptionist	Full-time	2	21,000	42,000
Housekeeper	Full-time	2	15,000	30,000
Security guard	Full-time	3	15,000	45,000
Total		9		181,000
Total expenses / year		181,000 x 12		2,172,000

### 3.9 Room pricing

Each room in our hostel has locker, which is placed next to each bed for convenience. Each bed has a mini lamp and attached Curtains for guest's privacy. Lockers are in each room next to the beds for convenience. We would like to price higher than the market price as our hostel has higher quality services and facilities.

The price of each room will start from 550 Baht (depends on size and day of stay).



**Table 8 Room pricing**

<b>Bed Type</b>	<b>Amount (room)</b>	<b>Price (THB/night)</b>
2 person private room	2	1,300
Basic 6 Bed Mixed Dorm	7	550 per person
Basic 4 Bed Female Dorm	1	650 per person
Basic 4 Bed Mixed Dorm	3	650 per person
<b>Total</b>	<b>12</b>	

### **3.10 Hotel Hygienic Standard.**

For hygienic condition of our business we will consider below factors;

#### **1. Employees' personal hygiene**

All of our employees need to have good personal hygiene habits, as they are highly required in services business.

#### **2. Cleanliness of facilities**

To maintain the high standard of our facilities, we need to keep all of the facilities to be clean, ready to use and easy access.

#### **3. Snack and beverage station**

All of the tools and supply in this area need to be managed, stored by category and make sure that it doesn't get infested with any kind of pest.

#### **4. Waste management**

Our hostel needs proper waste management and drainage of still water in order to eliminate the breeding ground of many pests. Moreover, garbage could provide food and shelter for many pests, as well as an area where still water might be used as a breeding ground by mosquitoes.

## 4. Marketing Plan



### 4.1 Overview

Marketing plan is the crucial part of business plan. It is the starting point and reflection of possibility of the business. Thus, we need to make detail plan of services, target customer, strength, weakness, upcoming treats, strategies and how to maximize the resources we have.

### 4.2 Hostel marketing plan

#### Hostel market

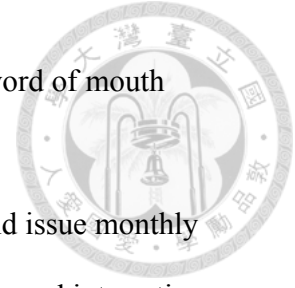
We would like to present our hostel as temporary accommodation, which is value for money, friendly atmosphere and has high quality facilities and services. The inside decoration will be modern Thai style which is not in the main stream among same level of competitor.

For marketing, we would focus more on services as the customer satisfaction directly affects the number of customers and income.

High customer satisfaction is the goal of our hostel because it will affect the revisit rate and build indirect marketing by customer online review.

#### Product strategy

We differentiate ourselves by unique decoration and quality services. Our common area for guests will be one of our unique selling points. We provide rooftop cinema for guest with various kinds of movie. We focus on giving our



customers the unique and relax experience as we wish to create word of mouth among tourists.

For value added services, we will set the team to create and issue monthly Bangkok shopping guidebook, which provides information of new and interesting places and specific shops for value shopping to every guests.

### **Price strategy**

As we provides more services with better quality of atmosphere, we would like to set the room price a little bit higher than average of other hostel in Thailand which is starting from 550 Bath per person.

However, we need to create the customer awareness of our quality services and products by distribution strategy.

### **Distribution strategy**

As 72% of customers say positive reviews make them trust a local business more<sup>13</sup>. We believe that our quality services and unique experience will create positive online reviews, which is in-direct marketing by customer to customer. Moreover, to magnify the impact of online review, our marketing team will ask permission from the individual reviewer and share those customer reviews including other positive statistics on our own social media channel and third party sites.

Our own social media channel includes website, Facebook page and instagram. The contents will focus on previous customer experience and recommend activities in Bangkok. In addition, we are not planning to have

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<sup>13</sup> <https://www.brightlocal.com/learn/local-consumer-review-survey-2014/>



reservation system on our website as we want our customers to book from third-party site and do the customer review after their trips.

After all, we will work with Thailand travelling bloggers and online content creators to get them to promote the value for money aspects of our hostel.

### **Promotion strategy**

We plan to have 10% discount on every room types to stimulate sales amount during low season (May – October). Furthermore, for revisiting guests, we will provide them small souvenir or complimentary drink.

Moreover, we would provide small souvenir for any guest who post photo of our hostel or check-in on their social media, as we would like to leverage the power of social media.

## 5. Operations



### 5.1 Operation plan

#### Constructing period

We estimate that the construction and renovation of old 3.5-Storey Shop house will take 3 months. However, we need to be aware of the Building Control Act, which consists of<sup>14</sup>;

- The width of the walkway in the building must not be less than the width prescribed in the Ministerial Regulation, depending on the type of building;
  - The width and length of the ladder must be in accordance with the number prescribed by the Ministerial Regulation;
  - The loading weight in any part of the building must be in accordance with the Ministerial Regulation;
  - At least one standard fire extinguisher must be installed on each floor;
  - For a building which has three floors or more, the building's pole, beam, joist, floor, ladder, roof, or wall must be made of fireproof material;
  - For a building which has four floors or more, the description of the fire escape or ladder must be in accordance with the Ministerial Regulation;
- and

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<sup>14</sup> <http://www.bangkokpost.com/print/1110257>

• The building boundary, vertical distance of the building, space between the building and other buildings, set back of the building, and car parking lots must comply with the building control regulations, which are effective at the time of construction or alteration.



## **Operating period**

### 1. Products

Our modern Thai style hostel, which renovated from old 3.5-Storey Shop house will have total of 12 rooms. Each room will be named after Thai flower names and have different unique decoration.

Moreover, on the first floor will have reception area with public desktop computer, self-Catering facilities and bookshelves. On rooftop will be small outdoor cinema in a sky garden.

### 2. Room plan

Our hostel accommodates up to 58 guests in 12 rooms. 3.5-Storey Shop house with total area of 200 square meters, where each floor is 52 square meters and a mezzanine is 19 square meters.

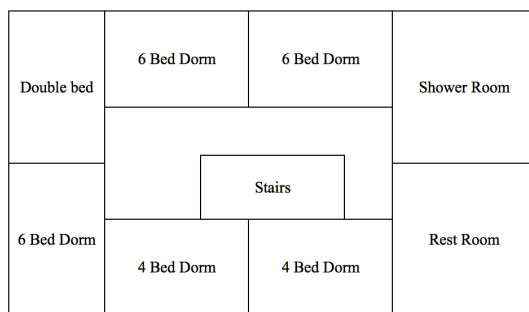


**Table 9 Room plan**

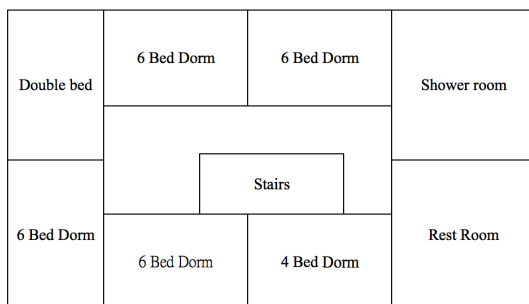
Unit: room

Bed Type	Amount (room)
2 person private room	2
6 person dorm room	7
4 person dorm room	3
<b>Total</b>	<b>12</b>

**Figure 13 Cloud nine Bangkok's 2<sup>nd</sup> Floor Layout**



**Figure 14 Cloud nine Bangkok's 3<sup>rd</sup> Floor Layout**








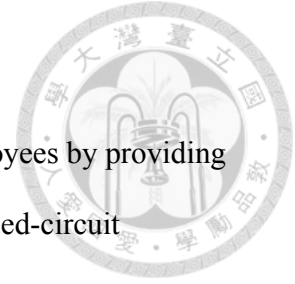




On the first floor will be receptionist and small coffee shop with small common area for guests, which includes rest area, kitchen laundry room and activity room. The 2<sup>nd</sup> and 3<sup>rd</sup> floor will be the room, shower room and rest room. On the roof top will be small garden outdoor cinema.

**Figure 15 Cloud nine Bangkok’s decoration references**

<p><b>Lobby and Reception Area</b></p>	<p><b>Dining Area</b></p>
	
<p>Source: Happynest hostel, Chiangrai Thailand</p>	<p>Source: Stockhome hostel, Ayutthaya Thailand</p>
<p><b>Shower Room and Rest Room</b></p>	<p><b>Rooftop cinema</b></p>
	
<p>Source: Pak-up hostel, Krabi Thailand</p>	<p>Source: <a href="http://thesweetescape.ca/2013/09/events-outdoor-rooftop-movie-night.html">http://thesweetescape.ca/2013/09/events-outdoor-rooftop-movie-night.html</a></p>
<p><b>Rooms</b></p>	
	
<p>Source: Once hostel, Bangkok Thailand</p>	



### 3. Excellent services

1. Put the priority on security for guests and employees by providing 24/7 security services, which includes security guard, closed-circuit television and key card entry system for main entrance.

2. Fast services to both online and offline requests.

3. Building positive moment of truth since before service to after service. Moreover, we will do customer relationship management to create awareness among market target.

## **5.2 Plan for excellence service**

As our strategy is excellence service and create customer satisfaction in every step of services. Thus we will provide quality services in these aspects;

1. Security
2. Cleanliness for both common area and room
3. Convenient of location and transportation
4. Hospitality and friendly services

To provide all of these aspects we need to define the service quality assurance and service quality control as follows

### **Service Quality Assurance**

On account of taking high quality service as our strength, we will put our focus on human resource management. Effective quality management starts with the hiring process, which includes strict policies to closely check references and put new hires on probation for a period of time. After all, employees working in our



hostel must be subjected to continuing training and mentoring. All employees are rated and promoted based on their performance.

To delivering a competitive customer experience, we would encourage our customers to talk to us more freely and provide feedback such that it helps us serve them better. Encouraging complaints from customers is not only help firms get better services, it will also help customers feel better and move past it. In doing so, we will provides physical mailbox on our reception desk and train all of our employees to greet customers and ask them for feedback.

### **Service Quality Control**

For security service, we will provides day-and-night security guards which where set into 2 shifts. In order to ensure that they make his or her appointed rounds at the correct intervals and offer record for legal or insurance reasons, we will install the Guard tour patrol system, which record the time when the security guards reach certain points on their tour. Moreover, we will set up closed-ci.rcuit television camera at the hallway and common area on every floor

For cleanliness, we will provide cleaning checklists for maids to follow and record their daily tasks, which includes both indoor and outdoor points.

Considering convenient of location and transportation, we will keep monitoring the conditions of transportation to places in Bangkok, so our employees can provide information of the fastest and most convenience alternatives to reach there.

Lastly, in order to ensure the high satisfaction of customers and to create appropriate conditions for constant training and development, the manager will regularly control and monitor the use of guidelines and check lists we provide.



## 6. Financial Plan



### 6.1 Important Assumption

1. The occupancy rate is 60% in the first year, 70% in the second year, and 80% so on.
2. The room price will be increased by 6% every two years.
3. The depreciation is 20% per year.
4. We will subsidize the employees' social security by 5% of their salary, which will be applied to all of our permanent employees.
5. The employees' salary will be increased by 3% every two year.
5. Property tax is calculated from 12.5% of the income from property renting, room rental.
6. As an Ordinary Partnership, Income Tax is calculated from the revenue after deducting 70% of expense. Tax rule is shown in Table 10<sup>15</sup>.

**Table 10 Tax rule**

Unit: THB

Revenue after deducting 30% expense (Yearly Net Income)	Amount of net income in each range	Tax rate (%)	Maximum tax in each range	Maximum cumulative tax of each range
1-150,000	150,000	Exempt	-	-
150,001-500,000	350,000	10	35,000	35,000
500,001-1,000,000	500,000	20	100,000	135,000
1,000,001-4,000,000	3,000,000	30	900,000	1,035,000
More than 4,000,000	-	37	-	-

<sup>15</sup>[http://www.rd.go.th/publish/fileadmin/user\\_upload/morkor/km/guidebook/hotel.pdf](http://www.rd.go.th/publish/fileadmin/user_upload/morkor/km/guidebook/hotel.pdf)



7. Fire insurance and disaster insurance will be applied to Cloud Nine Bangkok. The fire and disaster insurance premium is 3,600 THB per year and the bail is 3,000,000 THB<sup>16</sup>.

8. Fixed utilities expense of 30,600 Baht which includes

- Water expense	4,000 Baht
- Electricity expense	25,000 Baht
- Internet service	1,200 Baht
- Cable TV	1,400 Baht

9. Estimated renovation cost is 5,000,000 Baht<sup>17</sup>.

10. The discount rate is interest rate of TOT Company Savings Co-Operative Limited, Thailand<sup>18</sup>

11. To calculate the opportunity cost, I assume that the hostel could be operated under my supervisor without affecting my regular job.

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<sup>16</sup>[http://www.bangkokinsurance.com/insurance/fire\\_rakbaan2-insurance-seller\\_th.html](http://www.bangkokinsurance.com/insurance/fire_rakbaan2-insurance-seller_th.html)

<sup>17</sup>Pricing based on 25,000 per square meters which recommended by owner of Oxetel Chiang Mai, Thailand (<https://pantip.com/topic/34543273>)

<sup>18</sup><http://www.tot-coop.com/show/No/235>

## 6.2 Sales Forecast

**Table 11 Room Revenue per Year**



Unit: THB

Sales	Price	Units/day	Revenue/year
2 persons private room	1,300	2	949,000
6 persons dorm room	550	42	8,431,500
4 persons dorm room	650	12	2,847,000
Room Rental Revenue per day			12,227,500

\*Private room prices are price per room. Shared room prices are prices per person

**Table 12 Sales Forecast for Year 1 to Year 10**

Unit: THB/year

Year 1	Revenue	Occupancy rate	Total revenue
Sales forecast for room	12,227,500	60%	7,336,500
Sales forecast for other services (5%)			366,825.00
Total revenue per year			7,703,325
Year 2	Revenue	Occupancy rate	Total revenue
Sales forecast for room	12,227,500	70%	8,559,250
Sales forecast for other services (5%)			427,962.50
Total revenue per year			8,987,213
Year 3	Revenue	Occupancy rate	Total revenue
Sales forecast for room	12,961,150	80%	10,368,920
Sales forecast for other services (5%)			518,446.00
Total revenue per year			10,887,366
Year 4	Revenue	Occupancy rate	Total revenue
Sales forecast for room	12,961,150	80%	10,368,920
Sales forecast for other services (5%)			518,446.00
Total revenue per year			10,887,366
Year 5	Revenue	Occupancy rate	Total revenue
Sales forecast for room	13,738,819	80%	10,991,055
Sales forecast for other services (5%)			549,552.76
Total revenue per year			11,540,608
Year 6	Revenue	Occupancy rate	Total revenue
Sales forecast for room	13,738,819	80%	10,991,055
Sales forecast for other services (5%)			549,552.76
Total revenue per year			11,540,608

<b>Year 7</b>	<b>Revenue</b>	<b>Occupancy rate</b>	<b>Total revenue</b>
Sales forecast for room	14,563,148	80%	11,650,519
Sales forecast for other services (5%)			582,525.93
Total revenue per year			12,233,044
<b>Year 8</b>	<b>Revenue</b>	<b>Occupancy rate</b>	<b>Total revenue</b>
Sales forecast for room	14,563,148	80%	11,650,519
Sales forecast for other services (5%)			582,525.93
Total revenue per year			12,233,044
<b>Year 9</b>	<b>Revenue</b>	<b>Occupancy rate</b>	<b>Total revenue</b>
Sales forecast for room	15,436,937	80%	12,349,550
Sales forecast for other services (5%)			617,477.48
Total revenue per year			12,967,027
<b>Year 10</b>	<b>Revenue</b>	<b>Occupancy rate</b>	<b>Total revenue</b>
Sales forecast for room	15,436,937	80%	12,349,550
Sales forecast for other services (5%)			617,477.48
Total revenue per year			12,967,027

\*The room price will be increased by 6% in year 3,5,7,9





### 6.3 Pro Forma Income Statement

Table 13 Pro Forma Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue</b>										
Room Revenue	7,336,500	8,559,250	10,368,920	10,368,920	10,991,055	10,991,055	11,650,519	11,650,519	12,349,550	12,349,550
Other Revenue	366,825	427,963	518,446	518,446	549,553	549,553	582,526	582,526	617,477	617,477
	7,703,325	8,987,213	10,887,366	10,887,366	11,540,608	11,540,608	11,650,519	11,650,519	12,349,550	12,349,550
<b>Expenses</b>										
Food	613,200	715,400	817,600	817,600	817,600	817,600	715,400	715,400	715,400	715,400
Employee	2,172,000	2,172,000	2,237,160	2,237,160	2,304,275	2,304,275	2,373,403	2,373,403	2,444,605	2,444,605
Maintenance	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Utilities	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200
Advertising	770,333	898,721	1,088,737	1,088,737	1,154,061	1,154,061	1,165,052	1,165,052	1,234,955	1,234,955
Commission	733,650	855,925	1,036,892	1,036,892	1,099,106	1,099,106	1,165,052	1,165,052	1,234,955	1,234,955
Building Insurance	3,600	3,600	3,600	3,600	3,600	3,600	3,601	3,602	3,603	3,604
Employee Insurance	108,600	108,600	111,858	111,858	115,214	115,214	118,670	118,670	122,230	122,230
Total Operating Expenses	5,104,583	5,457,446	5,999,047	5,999,047	6,197,055	6,197,055	6,244,378	6,244,379	6,458,948	6,458,949
EBITDA	2,598,743	3,529,766	4,888,319	4,888,319	5,343,553	5,343,553	5,406,141	5,406,140	5,890,601	5,890,600
Depreciation	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
EBIT	2,098,743	3,029,766	4,388,319	4,388,319	4,843,553	4,843,553	4,906,141	4,906,140	5,390,601	5,390,600

Unit: THB

Property Tax 12.5% Provision	880,380	1,027,110	1,244,270	1,244,270	1,318,927	1,318,927	1,398,062	1,398,062	1,481,946	1,481,946
Taxes	528,299	643,849	814,863	814,863	873,655	873,655	883,547	883,547	946,459	946,459
Net Profit	690,063	1,358,807	2,329,186	2,329,186	2,650,972	2,650,972	2,624,532	2,624,531	2,962,196	2,962,195
Net Profit/Sales	9%	15%	21%	21%	23%	23%	23%	23%	24%	24%

\*Food (breakfast) = 50 Baht per guests

Employees' salary will be increased by 3% in year 3,5,7,9

Maintenance = 6,000 Baht/bed/year

Advertising cost = 10% of sales

Commission = 10% of sales

Employee Insurance = 5% of employee salary

Depreciation = 5,000,000 Baht/10 years = 500,000 Baht/year



**Table 14 Tax Calculations**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Revenue after deducting 70% expense (Yearly Net Income) in THB</i>	2,310,998	2,696,164	3,266,210	3,266,210	3,462,182	3,462,182	3,495,156	3,495,156	3,704,865	3,704,865
1- 150,000 (Exempt)	-	-	-	-	-	-	-	-	-	-
150,001-500,000 (10%)	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
500,001-1,000,000 (20%)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
1,000,001-4,000,000 (30%)	393,299	508,849	679,863	679,863	738,655	738,655	748,547	748,547	811,459	811,459
More than 4,000,000 (37%)	-	-	-	-	-	-	-	-	-	-
	528,299	643,849	814,863	814,863	873,655	873,655	883,547	883,547	946,459	946,459

Unit : THB

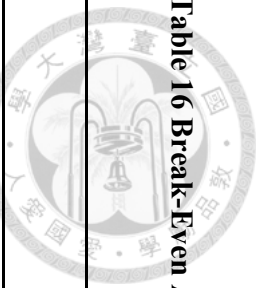


### 6.4 Break-even Analysis

Table 15 Fixed costs and Variable costs

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Fixed Costs</i>										
Employee	2,508,000	2,583,240	2,660,737	2,740,559	2,822,776	2,907,459	2,994,683	3,084,524	3,177,059	3,272,371
Maintenance	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000
Utilities	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200	367,200
Building Insurance	3,600	3,600	3,600	3,600	3,600	3,600	3,601	3,602	3,603	3,604
Employee Insurance	125,400	129,162	133,037	137,028	141,139	145,373	149,734	154,226	158,853	163,619
<b>Total Fixed Costs</b>	<b>3,340,200</b>	<b>3,419,202</b>	<b>3,500,574</b>	<b>3,584,387</b>	<b>3,670,715</b>	<b>3,759,632</b>	<b>3,851,218</b>	<b>3,945,552</b>	<b>4,042,715</b>	<b>4,142,794</b>
<i>Variable Costs</i>										
Food	613,200	715,400	817,600	817,600	817,600	817,600	715,400	715,400	715,400	715,400
Advertising	770,333	898,721	1,088,737	1,088,737	1,154,061	1,154,061	1,165,052	1,165,052	1,234,955	1,234,955
Commission	733,650	855,925	1,036,892	1,036,892	1,099,106	1,099,106	1,165,052	1,165,052	1,234,955	1,234,955
Property Tax 12.5% Provision	880,380	1,027,110	1,244,270	1,244,270	1,318,927	1,318,927	1,398,062	1,398,062	1,481,946	1,481,946
<b>Total Variable Costs</b>	<b>2,997,563</b>	<b>3,497,156</b>	<b>4,187,499</b>	<b>4,187,499</b>	<b>4,389,693</b>	<b>4,389,693</b>	<b>4,443,566</b>	<b>4,443,566</b>	<b>4,667,256</b>	<b>4,667,256</b>

Unit : THB



**Table 16 Break-Even Analysis**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sales price per unit	598	598	599	599	673	673	673	673	673	673
Variable price per unit	147	171	205	205	215	215	217	217	228	228
Contribution margin	452	427	394	394	459	459	456	456	445	445
Fixed cost per day	9,151	9,368	9,591	9,820	10,057	10,300	10,551	10,810	11,076	11,350
Break-even unit	20	22	24	25	22	22	23	24	25	26
Break-even THB	12,123	13,120	14,572	14,921	14,766	15,124	15,582	15,964	16,759	17,174
Avg. occupancy rate per day	36%	39%	43%	44%	39%	40%	41%	42%	44%	46%

Unit: THB

\*Break-even units = Fixed costs/Contribution margin

Break-even THB = Break-even units x Sales price per unit

Average occupancy rate per day= Break-even units/Maximum capacity per day



## 6.5 Financial Decision

As we own the 3.5-storey shop house, there are two revenue streams that could be generate from it, which are operating a hostel or renting out the building.

The shop hose we own can rent out at 80,000 Baht per month. So the cash flow for both alternatives will be as follows;

**Table 17 Financial Decision Analysis**

Unit: THB

Year	Cash flow from hostel revenue	Cumulative cash flow	Opportunity cost from rental revenue	NPV	
				Hostel revenue	Rental revenue
0	(5,000,000)	(5,000,000)	720,000	(5,000,000)	720,000
1	690,063	(4,309,937)	960,000	(4,169,690)	1,579,882
2	1,358,807	(2,951,130)	960,000	(2,961,715)	2,433,318
3	2,329,186	(621,944)	960,000	(970,717)	3,253,930
4	2,329,186	1,707,242	960,000	943,704	4,042,980
5	2,650,972	4,358,214	960,000	3,038,805	4,801,682
6	2,650,972	7,009,186	960,000	5,053,326	5,531,203
7	2,624,532	9,633,718	960,000	6,971,045	6,232,666
8	2,624,531	12,258,248	960,000	8,815,006	6,907,149
9	2,962,196	15,220,444	960,000	10,816,159	7,555,691
10	2,962,195	18,182,639	960,000	12,740,345	8,179,288

\*Payback period =  $3 + (1,363,397 / 1,446,241) = 3.94$  years

The construction will take 6 months in year 0

Average occupancy rate per day = Break-even units/Maximum capacity per day

Above table shows that the payback period for hostel project, which is 3.94 years.

As the hostel project provides higher NPV from year 7 onward as well, we should invest in hostel project.



## 6.6 Future Plans

Considered that everything goes as planned, I may consider further expansion plan to response to upcoming opportunities, which are

1. Expand the service to response to customer needs such as Small Thai restaurant and Thai massage.
2. Do further market research and find opportunities to expand the hostel business in other parts of Bangkok.
3. Expand the hostel into other tourist cities such as Chiang Mai and Phuket.

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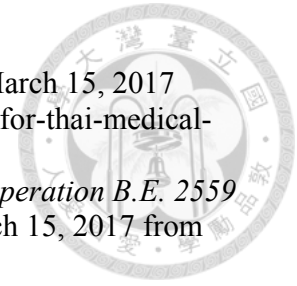
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