

A tropical beach scene with palm trees, a net, and turquoise water under a blue sky.

Hotel Beach Resort & Spa in Panama

Business Plan



Entrepreneurship

M5X01926

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Mission

- The Palms Resort & SPA will be dedicated to provide its guests with the highest quality of service in a luxury still modest environment. It will value the place in the community within it will operate and will work to develop those relationships and to respect and protect the environment.
- The Palms Resort & SPA will continuously strive to create value for both owners and investors while honouring the brand values and encouraging it staff to develop themselves in an environment of trust, loyalty, caring, and team work.



Description of business:

- Low scale hotel & resort (15-20 rooms), convenient located to have direct access to the beach nearby the Panama Canal operation facilities.
- It will offer a luxury but modest relaxing environment for not only international tourist but also for the local people looking for a nice place to spend the weekends or short vacations (e.g. summer school vacations, carnival, etc.)
- Also, it is expected that we will offer to our customer excellent facilities to host special events as seminars, weddings, private parties, etc. Also, it will include a SPA
- Package for those tourists looking for a place to relax and invest some money in their body treatment (e.g. facials, massage therapy, and others.)
- Differentiating the type of business service offered, from that of the competition, will assist not only in building the Hotel & Resort brand as a whole, but will attract frequent business travellers, who requires a higher level of personal service and recognition.

Macro environment (industry changes):

- The external, environmental issues that affect the Hotel are:

Political: a stable environment where little affects the ability of the hotel to generate revenue. From The Wall Street Journal, 2003 Index Of Economic Freedom Report, “ Most sectors of Panama's economy are open to foreign investment, although there are a few restrictions on "national interest" industries, retail trade, and some services, and some professions require Panamanian technical licenses.

The International Monetary Fund reports that residents and non-residents are permitted to hold foreign exchange accounts; there are no restrictions or controls on payments, transactions, transfers, or repatriation of profits; and non-residents may purchase real estate except within 10 kilometers of a national border or an island. Foreign nationals may comprise no more than 10 percent of the blue-collar work force for any business, and specialized and technical workers may comprise no more than 15 percent of the total number of employees in any business.”

Macro environment

Economic: Economic grew 2.6% in 2000 but it was down to 0.4% in 2001. Preliminary results for 2002 indicate that it grew 0.4%. Public sector investment kept the economy from slipping into recession in 2002. Economic is expecting to improve this year to 1.5% as a result of the presidential election process.

From The Wall Street Journal, 2003 Index of Economic Freedom Report, "Panama's top income tax rate is 30 percent; the marginal rate for the average taxpayer is 4 percent. The top corporate tax rate is 30 percent. Preliminary numbers from the Ministry of the Economy indicate that government expenditures equaled 35.38 percent of GDP in 2000, up from the 26.9 percent reported in the 2002 Index.

The U.S. Department of State reports that investors in the mining sector, for example, complain that "mining sector growth has been limited...by excessive

bureaucracy in authorizing exploration, opposition by indigenous groups, and slow implementation of a mining master plan."



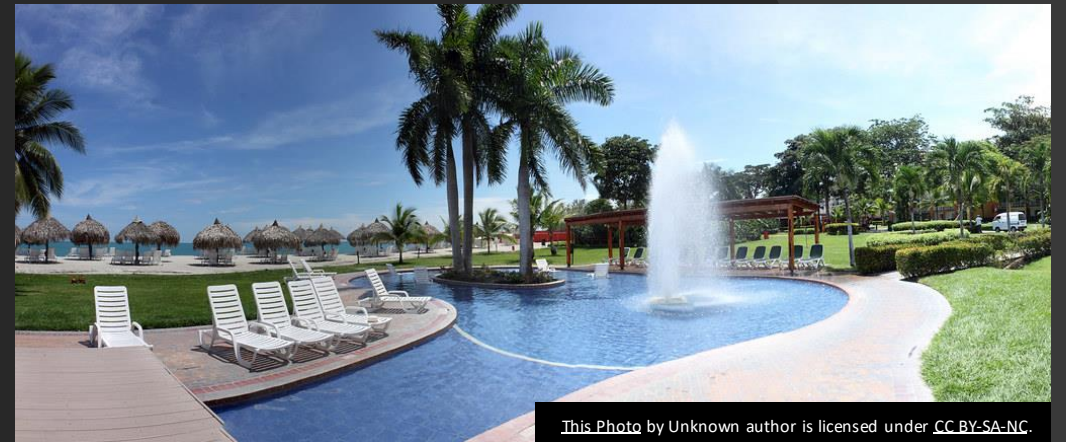
Macro environment

Social: the trend towards cost effective business travel leads hotel guests to seek more value for money, which is where our added value differentiation strategy comes into play.

Technological: the installation of 'on-line' room reservations system will require the integration of the hotel IT system with hotel web sites (e.g. Expedia.com) to manage a central reservation system. This may require a high level of investment.

SWOT Analysis

- The following analysis highlights the internal strengths and weaknesses of the organization and the opportunities and threats facing the company in the external environment. The work must to improve the areas of weakness.
- Organizational strengths must be leveraged in order to capitalize on external opportunities as they arise, and contingency plans formulated in order to deal with threats presented by the environment.



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Strengths

- The Hotel's strengths can be identified as follows:

Strategy: established differentiation strategy.

Structure: flat, decentralized structure.

Skills: diverse range of service skills within management and staff.

Style: strong, participative culture.

Staff: specialized and experienced staff well motivated and highly skilled.
A well trained team who are proud of their hotel and respect and promote the brand values.

Shared Values: clear and well communicated.

Brand Strength: brand values well represented engendering brand loyalty amongst existing and new guests.

Reputation: promote a strong reputation within the local market and corporate and travel trade markets for reliability, exemplary service and quality.

Weaknesses

- The Hotel's weaknesses can be identified as:

Capital Investment: require approval of credit lines from local banking to properly fund the initial capital investment to build the facilities.

Seasonal revenues: the flow of tourist cycle that occurs during spring-summer seasons versus winter should be considered and manage.

Staff: seasonal turnover requires ongoing training and orientation of new staff.

Opportunities

The Hotel's opportunities can be seen as:

Market: returning growth after a period of slump (2003 versus 2001)

Competitors: no direct competition exists at present, in terms of the SPA

Package and the convenient location nearby to the Panama Canal. (business property' niche)

Suppliers & Staff: Supplies (materials) and Staff (Personnel) required to run the facilities could be obtained from the local market

Guest Dependency: repeat corporate business based on personal service and quality, in a small but luxurious environment.

Threats

Threats to the Hotel have been identified as:

Market Entry: potential for a competitive, global brand to enter the market with a similar product.

Substitutes: fully furnished and serviced business apartments offering lower daily rates.

Economy: recovery from slight recession may take time.

Competition analysis

Although no direct competition exists, in terms of the five stars plus SPA Package facilities, other five star hotels and serviced apartments do compete for the same corporate business sectors. Key competitors have been identified as:

- Hilton: 5 star city hotel, room rates on par with Hotel's rate.
- Marriott: 5 star city hotel, room rates approximately 10% higher Hotel's facility and it only four years old.
- Intercontinental: 5 star city hotel, daily rates 15% higher than Hotel's double deluxe rates.
- Country Inn Apartments: 4 star furnished apartments, daily rates vary between Hotel's double deluxe and suite rates. They are two current facilities: one is located within the city perimeter and the other is closer to the Panama Canal area.

Target Market Analysis

- The Hotel is a beach & resort 5*+hotel comprising 15-20 luxury guest rooms and specializing in servicing tourists and corporate clients. It serves the business community, and visiting business travellers, in the city of Panama, Panama.
- Key to the business success is the level of customer loyalty and repeat business they will receive on an annual basis. The resort offer the guests the most up-to-date technical business facilities, both inside the rooms and within the hotel's conference facilities.
- Also, the resort offer excellent SPA facilities for relaxation and body treatments. The guests feel that they can conduct their business from within a less austere atmosphere than can be experienced in the competitive properties, where there is less personal recognition. They will appreciate being called by name when they arrive, and having the staff remembers their specific requirements, time and again. This is key in developing the relationship beyond an initial stay and evidences our added value in relation to competitive properties in the vicinity.

Market Demographics

Market Geographic

- Panama City is the capital of the Republic of Panama, with a population of 800,000. Located in the center of the Western Hemisphere, Panama has borders with the Caribbean Sea in the north, the Pacific Ocean in the south, and Colombia in the east and Costa Rica in the west.
 - The Panama Canal allows vessels and cruises to transit from one ocean to the other. Panama's topography varies from mountains towards the Caribbean coast to small hills and vast savannas towards the Pacific side.
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Market Demographics: Total population is estimated around 3.0 millions and it has a density of 31 persons per square kilometer. Nearly 50% of the people live in the urban areas. The country's capital community is made up predominantly of households having two to four children, either at home or away from home, with at least one parent/guardian having attended college.

Market Psychographics: Panama is a free port for tourist goods coming from all over the world. People from Panama are used to treat and do business with people from any continent. There is a strong 'small business' ethic in the community, and many families run. Enterprises have been prospering for generations. There is also a strong sense of community and a high level of awareness as regards to caring for the environment.

Market Behaviours: Businesses in the area choose to support one another wherever possible, be remaining loyal to long standing relationships with customers and suppliers. Credit cards are accepted in most hotels, restaurants and department stores. Most stores open from 9 a.m. to 6 p.m., Monday through Saturday. Some of them open on Sunday. Special Sales are frequent throughout the year

Objectives



The marketing strategy's objective is to communicate the unique set of products and services that we will offer to the hotel's guests. Attempt to direct the focus of the customers to the issues of quality and value for the money as opposed to simply the bottom line costs associated with their staying time in the hotel.



The marketing strategy will allow to communicate the brand values, develop close working relationships with the creditors, customers and suppliers and to manage the needs of the guests in an effective manner. Continued differentiation and growth are two goals they have set for themselves. Growth will take place by targeting new areas of business within both local and international communities

Sales Forecast



This is based on the number of pre-contracted corporate rooms, and an anticipated return to business levels projected (conference room activities, SPA package, restaurant and other room services). Revenues for subsequent years will be based on an average growth rate of 4%.



Marketing expenses are projected to be approximately 5.3% (average) of overall annual revenue. The marketing expense is structured to reflect the hotel strategy differentiation. Quarterly travel trade publications and interim monthly press ads will communicate the message to key corporate clients in one of the most significant target markets.



Monthly Internet advertising expenses include banner ads, and strategic links with car rental, airline and destination management companies' websites to drive business to the hotel. Direct mail activity will support to build the targeted customer database, not only in terms of improving the quality of the data but also on increasing the size of the database with prospective customer information.



Public relations expenses cover PR events, participation at local functions and sponsorship funds. Overall, the percentage of total revenue required to support the marketing expense could be considered a moderate amount.

Proposed Action Plan and Timeline

- The marketing director will lead the hotel Public Relations and Marketing team of all advertising, promotional and public relations related activities. He/She will work closely with the members of the team, specially the Sales and Finance Directors to implement and monitor the effectiveness of the marketing plan and evaluate the quarter results.
- The Palms Resort & SPA will adopt a cross –functional team work approach to manage not only the day to day hotel activities but also current and new product-service package developments. Having representatives from various departments clearly has its advantages; but most important, effective teams must have the nurture and support of the management team.

Proposed Business Ratios

Profitability Ratios: Gross Margin and Net Profit Margin indicate that the hotel will generate profit from year #1. Percentages of gross and net margin (related to gross revenue) are in line with the local industry. Return on assets (ROI) and Return on Equity (ROE) indicate that significant earnings will be generated from the investments in assets and as a result an efficient usage of the owners' equity is expected.

Activity Ratios: AR and AP Turnover suggest a good management of the balance sheet plus the Inventory Turnover that also indicates an excellent rotation of the inventory. Collection days (only 8) represent a business risk in the balance sheet since most of the credit card service providers will require more than 30 days to pay back. Potential increase in the AR could generate some pressure in the cash flow.

Debt and Liquidity Ratios: Debt and Liquidity Ratios are very low. It is an indication of the required initial capital funding required from the owners' equity. A negative working capital represents an area of concern. The large amounts in the total current liabilities versus the total current assets suggest that the hotel will be under pressure to cover its debts during the first years of operation. This situation should become under control by significantly reducing the amount of the debt after the 5th year of operation.

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Thank You