

University of Economics, Prague

Bachelor's Thesis

University of Economics, Prague
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Title of the Bachelor's Thesis:

Business plan of rental apartments

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D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Bachelor's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 15, 2018

Valeriia Pashkina

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Abstract:

The aim of this bachelor thesis is to create a business growth plan for a property management company 'Vista Riverside' on how to develop a profitable rent strategy for its existing and new apartment. Theoretical part gives an insight into business planning, with emphasis of marketing strategy and financial plan. It also explains purpose of investment in real estate. Practical part is about implementing theory in practice. It provides information about the company, analysis of the market, marketing strategy and financial forecast.

Key words:

Business plan, Investment, Real Estate, Short-term rent

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1. INTRODUCTION

The aim of this thesis is to present a business plan for already existing family company 'Vista Riverside' that operates in fields of property management and hospitality business in Prague, Czech Republic. Activities of the company cover four steps of work with real estate - real estate market research, investment, preparation of apartments and finally their short term rent.

In 2018 it became clear that short-term rent doesn't work out for all apartments all year round. So we came up with a middle-term rent strategy that can be mixed with the short term one. Potential of new strategy is very high and it should be properly studied and implemented.

1.1 MOTIVATION AND BACKGROUND

Currently company owns 5 apartment that are bringing fare return to the investor. In 2018 6 more flats were purchased. Because all apartments have different properties and tourism in Prague is seasonal, we cannot have same short-term strategy all year round in all units. It is important to develop a customized strategy that would allow us to keep a high return rate throughout the year for the whole portfolio, future growth for the company and ensure customer satisfaction.

I chose this topic because even the process of writing, putting all knowledge of the business and data together is already very beneficial for the company. Also the research done for that thesis allowed to discover new possibilities and new goals for the business. Vista Suites was lacking a properly established business strategy, there was no coordinated marketing and financial plan, only ideas that could be perceived in a different way by each team member.

Current team was only executing operational work and did not have opportunity to properly determine the strategy and think of company's growth. With extension of portfolio there were a lot of changes in the company – new team members, more complicated operations management, more projects. A properly written business plan would serve as a strategic guideline for employees at all levels.

1.2 OBJECTIVES AND GOALS

The main goal of this thesis is to develop a business strategy, marketing and financial plans for new apartments, as well as existing ones. Key goal can be broken down in following objectives:

- ◆ To analyze different rent options
- ◆ To set up financial and performance goals
- ◆ To develop a marketing and sales plan to increase revenues
- ◆ To make a cost optimization plan to increase profit

2. THEORETICAL PART

2.1. INVESTMENT IN REAL ESTATE AND ROI

For most of private investors investing money in square meters is more understandable and less risky compared to securities, bank deposits and precious metals. The most understandable and affordable option is the market of residential housing. The cost per square meter is not so high, as in the segment of commercial real estate and at the same time there is always a demand for that type of property. Real estate can bring a stable rental profit and allows to save money from currency fluctuations and inflation changes. (Lombardi, 2011)

Calculation of return on investment

ROI (return on investment) allows to calculate the effectiveness of investments of the company. For any business, the main goal is to obtain economic benefits and strengthen their own positions in the market. If a company does not invest in development, maintenance and expansion, then it may not be competitive, which will lead to a drop in profits. Investments are the main resource for achieving business goals. But every investment decision must be subjected to qualitative analysis in order to be successful and lead to a predictable result. (Zamfir, 2016)

The issue of evaluating alternative proposals becomes particularly important in the face of limited financial resources. And before investing money, investors determine the appropriateness of their investments, determine the expected efficiency and return on investment.

Return of investment can be calculated by using this universal formula that applies for all type of investment.

$$ROI = \frac{\text{Revenues after investment} - \text{Amount invested}}{\text{Amount invested}} \times 100$$

Figure 1: Return on investment formula

(Zamfir, 2016)

To calculate average annual ROI – profit for the year should be used in the formula.

There are many implications of how to calculate ROI for real estate, depending on type of financing, capital gain and depreciations. For the purpose of this thesis I am going to use just the simple formula and initial price of property and internal fitting.

2.2. BUSINESS PLAN STRUCTURE

Business plan is an effective tool for all kind of business activities and all kind of entities, whether it is used by big corporation or a sole entrepreneur. Properly written business plan is a proven pathway for profit for any new or existing company. (Pinson, 2008)

A study of business planning-performance relationship (Brinckmann, 2010) conducted on 11,046 organizations found that business planning has positive impacts both on newly established companies and already existing businesses, however the latter experience stronger positive effect. That happens because new companies base their plan on guesses and assumptions, while already founded companies can rely on their long experience and accurate historical data.

Business plan is a small copy of the business itself that describes in details all activities of the company, its products or services and gives a financial overview. Business plan is a strategic tool that sets objectives for the company, shows how to achieve them and where to go. Depending on the purpose, it can be external or internal. Mostly, external ones are used to get a financing from the bank or attract investors. Internal business plans are used for planning actions that are necessary for the development of enterprise and to set performance objectives for company and its employees.

The structure of business plan can vary, depending on the aim of the plan. For purposes of this thesis following structure would be used:

- Cover sheet
- Executive summary
- Company overview
- Market and competition analysis
- Business and marketing strategy
- Financial plan
- Implementation plan
- Appendix (Pinson, 2008)

2.1.1. Cover sheet

Cover sheet is a packaging of the business plan - the business card of the entity. It should look presentable and should contain all necessary information about the company and the business plan: company name, logo, address, contact details, author of the business plan and date of issue.

Executive summary

Executive summary is a smaller version of business plan. It summarized all main aspects of business together. It is prepared at the very end and shows all highlights of the plan, although placed at the beginning of the document. Presenting key findings at the beginning of the business plan helps to tune in the reader, allowing him to assess the main information faster. Depending on the purpose of business plan, executive summary would be different. For new companies that seek for funds it would explain the purpose of funding and company's financial feasibility for investor. For already existing companies it would focus more on information about the company and its goals and objectives. (Pinson, 2008)

2.2.2 Business overview

2.2.2.1. Company structure

This section is describing business as a whole. It has to provide reader or investor with all relevant information about the company and about scope of its work.

- History of the company

- Mission, vision, goals and objectives

- Organizational structure and Management

- Service description

- Source of financing in the past and current (Bangs, 2002)

History of the company

When it was founded, by whom; initial goals and scope of the company, that may be completely different from current state. What the company is doing now.

2.2.2.2. Mission, Vision, Objectives

When running a business it is crucial to understand the purpose of work and what the organization wants to achieve. All successful companies, from small enterprises to large corporation are defining their mission and vision statements, core values, goals and objectives that help to identify the corporate strategy for all stakeholders.

There are many ways how to define a corporate and business strategy and other terms related to it. In order not to confuse the reader of the thesis and end users of business plan I would define terminology of strategy in this sector.

Corporate level strategy is defining the overall strategy of the company.

Business strategy, also referred as competitive one, defines direction for separate strategic business units of entity.

- ◆ Mission statement is about what company is; the overall purpose of enterprise that is coordinated with values and expectations of stakeholders.
- ◆ Vision statement is about where company wants to be in long run. It drives decisions and goals.
- ◆ Goals are general aims that want to be achieved.
- ◆ Objectives are S.M.A.R.T. quantitative statements of goal. S.M.A.R.T. is acronym for specific, measurable, achievable, realistic, time-bound. (Johnson, 2009)

Together these statements help employees to follow strategic direction of the company. It is helpful to set specific objectives and values for each level of hierarchy, so they would be clear to managers and employees at each level of organization and they would be motivated to work for a higher level goals.

To define a strategic direction of a company, It is crucial to understand all above mentioned and not to confuse the terminology.

2.2.2.3. Organizational structure and Managements

People are no less important assets of the company than the property. How many employees are currently in the company, how many are supposed to be hired, what is their role and salary. What is the organizational structure of the company?

This section could also include information about motivation of current and future employees – a key direction of HR policy. Motivated people bring better results to

the company. It is important to correctly identify motivators for employees at each level that would not heavily burden company's budget. (Coulter, 2016)

In essence, all methods of motivating staff can be classified into two large groups: material and non-material incentives. Financial incentives are the main reward for the employee for his work in the organization. This type of compensation includes any types of income of employees get in organization. Another type of incentive - intangible - is aimed at increasing the level of loyalty of employees to the company and their passion to work. (Maciariello, 2014)

An example of a universal and intangible motivator is the feedback from customers. The experience of the companies shows that if employees are aware of what consumers are saying about the company, product and service, their effectiveness, loyalty and discipline are increasing. Good feedback inspires employees and forces them to move forward, become better; Bad ones – to think about the causes of errors and reveal the correct algorithm to prevent a repetition of the situation. (HR-Director, 2017))

2.2.2.4. Service description

Brief description of services and products of the company and its target market.

2.2.2.5. Source of financing

The exact amount that is required to realize the project and source of funding. In case of external business plan that section would include the history of previous financing and borrowings.

2.2.3 Market & Competition analysis

There are many ways to analyze the competition, in this business plan 5 Porter forces analyses is used.

2.2.3. Porter 5 forces

The strategic model of analysis of forces of competition was described by Michael Porter in 1979. Using five structural units, specific to each industry, he described ways of forming a competitive advantage and long-term profitability of business, as well as the ways in which the company can maintain its profitability and remain competitive in the long run. (Porter, 2008)

Five forces analysis is used for adaptation to competitive environment. Companies must search for industries in which they are protected from competitive forces, or create a unique business model where profit will be higher than the industry average. +competitive advantage

Porter analysis included 5 forces:

1. Threat of entry.
How fast new competitors can enter the industry and if they can easily become competitive, what are the barriers for entering.
2. Threat of substitute.
How easy is it to replace a product or service at a lower price and with greater functionality?
3. The power of buyers.
How strong is the position of buyers, can they demand a price reduction, can they unite and carry out joint purchases?
4. The power of suppliers
How strong position of suppliers, how many potential suppliers are there, are they able to dictate prices, raise prices?
5. Competitive rivalry.
Is there a strong competition between players, is there a leader player, is there a dominant group or are all equal in strength and size? (Pinson, 2008)

2.2.4 Business and Marketing strategy

Before developing a marketing strategy and finding tactical tools for its implementations, it is necessary to define a strategy of the business itself and its positioning. It is important to analyse both external and internal environment – competition, consumer behaviour, trends in the industry, internal changes in organization structure. (Nykiel, 2003)

Marketing plan is a very important component of the strategic plan of the enterprise, it establishes the company's market goals and suggests methods for achieving them. *Marketing is the activity, set of institutions, and process for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.* (American marketing association, 2018)

Marketing as a whole can be divided in two parts – strategic and tactic. Strategic marketing is about what the company wants to achieve, and tactic marketing is about how to achieve that.

The algorithm for developing a marketing plan consists of five steps:

1. Defining the mission and vision of the enterprise;
2. Conducting market analyses;
3. Defining the strategy and objectives of the enterprise;
4. Defining tactical marketing goals and the program of action to achieve them
5. Drawing up a marketing plan and monitoring its implementation. (Gerson, 1991)

In this thesis mission, vision and business strategy are described in business overview section and micro environment is analysed in competition and market analyses sector.

2.2.4. Strategic Marketing

All players operating in the market realize that their goods or services cannot fully satisfy needs and desires of all consumers. Ideally, a firm will try to occupy all market niches (segments), to maximize profits. But it is quite obvious that different consumers want to buy different goods and get different services, so, companies conduct marketing research and as a result accentuates its "attention" in certain segments of the market, where its product will bring the maximum profit (Nykiel, 2003). Strategic marketing is divided in three parts – segmentation, targeting and positioning. STP Marketing helps to segment and approach the market by answering on following questions:

- Who is our (ideal) customer?
- What is the value we are offering?
- How we ensure satisfaction of our customers?
- How we retain the competitive position? (Karlíček, 2018)

Segmentation is dividing a broad target market into subsets of consumers, businesses, or countries who have common needs and priorities, and then designing and implementing strategies to target them. Segmentation is a highly effective tool to overcome rivalry, as it focuses on identifying and satisfying the specific needs of consumers. (Kotler, 1996)

Segments have to be heterogeneous, homogeneous inside, big enough and accessible.

Segmentation can be based on different criteria:

- Geographical – country, region, cities;
- Demographical – age, gender, family status, nationality, religion;
- Socio-economic – level of income, occupation, level of education;
- Psychographic - the social class, lifestyle or personal characteristics;
- Behavioural - the level of knowledge about the product, attitude towards product, reaction on it; (Karlíček, 2018)

Targeting – selection of target segments of the market among the selected ones, on which company would focus its marketing activities.

Marketers believe that correct choice of the market segments is a half of commercial success, and they constantly recall the modification of the well-known law of Pareto. In marketing segmentation the Pareto law works in this way - within the same market not all buyers are equal. In fact, 20% of buyers in any market provide 80% of sales of certain brand goods because of some determined reasons (which need to be clarified) and those 20% represent a generalized target group of consumers. The remaining 80% of consumers buy 20% of the goods of this brand spontaneously. (Machoková, 2010)

Positioning is about implementing the idea into consumer's mind and determination of a company's goods or services among analogues. Through positioning companies can influence the way consumer perceives its product.

Father of marketing, Philip Kotler defines positioning as set of actions that help a company to develop its products and its image, aimed at taking a stand-alone favorable position in the minds of the target group of consumers. The final result of product positioning is a successful creation of a market-oriented value proposition - a simple and clear statement explaining why the target audience should purchase and use the supplier's product. Positioning is the development of the proposal itself and its image in order to win a special place in the minds of consumers (Kotler, 1996).

To sum up, the correctly positioned product or brand implies:

- presence of a product special feature (expressed in the benefits that customers receive);

- meeting needs and expectations of the target market segment;
- ability of consumer to distinguish the brand from its competitors; (Nykiel, 2003)

Positioning consists of several sub-tasks:

1. Research of the market and definition of positions of the competitive services;
2. Determining a place of a new service between existing ones;
3. Reporting to the buyer, forming in the minds of consumers the image of the company and (or) a product that is different from competitors.

In order to position a brand successfully, it is important to understand:

- ✓ what is important for representatives of the target segment and the target audience in the process of consumption- ways of buying the product and its perception on example of similar products of competitors
- ✓ what are the competitive advantages are unique on the market;
- ✓ which competitive advantages are most important for the consumer;
- ✓ which of them are difficult to copy;
- ✓ what are the ways of error-free and easy delivery of competitive advantages to the consumer in the form of an advertising message; (Russel, 2010)

Positioning of goods or services should be carried out in several directions: special properties of the product, price and emotional approach.

Positioning strategies:

- ✓ specialization, expertise;
- ✓ special benefits of goods, offers and services accompanying goods;
- ✓ Lifestyle
- ✓ innovation;
- ✓ ecology, safety;
- ✓ cheap price and accessibility;
- ✓ High Price (usually connected with high quality in minds of customers)
- ✓ mass production that is always available; (Karlíček, 2018)

2.2.5. Tactic Marketing – Marketing Mix

Tactic marketing, often referred as Marketing Mix originally included four elements - price, product, place and promotion. Tactic marketing answers on following questions:

- What is the concrete product we are going to offer?
- At what price?
- Where, when and how it will be available?
- Where, when and how it will be promoted? (Karlíček, 2018)

PRODUCT

The product is what the company offers to the target market and the consumer. The product can be either a physical product or a service. A successful product is always built on understanding and meeting the important needs of the target market.

Solutions that should be reflected in the marketing strategy at the "product" level:

- Symbolism of the brand: name, logo, corporate identity
- Product functionality - necessary and unique properties of a product or service.
- The necessary level of product quality from the point of view of the target market. The quality of the product must be built on the perception of consumers. (For example, For some consumers, the quality of bread is manifested through taste and smell, and for others, through the sort of wheat used to make bread.)
- Appearance of the product - style, design, packaging.
- Variability or product range of the product
- Support and service level

PRICE

Price is an important element of the marketing mix, it is responsible for the final profit from the sale of the goods. The price is determined on the basis of the perceived value of the goods by the consumer, the cost of the product, prices of competitors and desired rate of return.

Solutions that can be reflected in the marketing strategy at the "price" level:

- Price entry strategy (Going rate, skimming, etc.)
- Retail price (the final price for the customer including VAT)
- Pricing for various sales channels. Provides different price levels for different links of the sales chain, for different suppliers (for example discounts for volume, bonuses for large wholesalers, etc.)

- Batch pricing provides for the simultaneous sale of several products of the company at a special price level
- Availability of seasonal discounts or promotions
- The policy regarding promo-events (conditions for granting discounts, maximum and minimum levels of discounts, the frequency of promotional events, etc.)

PLACE

The place of sale ensures the availability of the product for the target market and means that the goods of the company must be present in the market in the right place (where the target consumer can see and buy it) at the right time (when the target consumer needs to buy it). In other words, the place of sale is the company's distribution model.

Solutions that can be reflected in the marketing strategy at the "place of sale" level:

- Markets on which it is planned to sell goods (including the strategy of geographical expansion)
- Distribution channels through which the goods are planned to be sold
- Type of distribution (exclusive, limited list of dealers or unlimited distribution)
- Terms of distribution of goods

PROMOTION

In the context of marketing mix, promotion is understood as all marketing communications, which allow to attract the consumer's attention to the product, to form knowledge about the product and its key characteristics and finally to create a need to purchase goods and repeat purchases.

Promotion includes such marketing communications as: advertising, promotion in points of sales, search engine optimization, PR, direct marketing and others.

Solutions that can be reflected in the marketing strategy at the "promotion" level:

- Promotion strategy: pull or push
- The required marketing budget
- Target values of knowledge, consumption and brand loyalty among the target audience
- Participation in specialized events and shows
- Communication channels with the consumer
- Geography of communication
- PR strategy and event-marketing
- Media Strategy

2.2.5 Financial Plan

A good business plan is a plan in which there is a sustainable revenue growth, cost efficiency and increased operation profit and of course the financials aligned with overall strategy of the business. All that is presented in financial plan sector.

It consists of sales forecast, expenses budget, income projection and cash-flow plan. This thesis does not include the last part, as cash flow of Vista Riverside is very complex and includes lots of operations from other sectors of business, not included in current business plan.

2.2.5.2. Sales forecast

Sales forecast in existing companies is normally based on previous performance. Also it is necessary to count with factors like demand fluctuations, market changes and growing competition. Despite numerous techniques used for future financial projections, it is hard to predict future and take into consideration all factors that may influence the business. Thus, it is suggested to analyze three versions of sales forecast - pessimistic, base and optimistic. (Wasserman, 2018)

2.2.5.3. Planning and controlling

Financial plan is not only a crucial part of any business plan; it is also used as an effective planning and controlling tool for business as usual in many companies. Usually, at the end of the year, between September and December big companies do the budget for next year and a following long term business plan for next three years. After that, during the budgeted year a performance evaluation is done – financial business review. It can be done each month, quarterly or once a year. Based on that review of actual performance against budget a new forecast is done for the rest of the year. It also allows to set performance objectives for company and its employees. (Wasserman, 2018)

Review of performance helps to see how close are actual numbers to the budgeted once. Forecast is for reviewing budget during year of operations. Financial plan and budget should be in line with strategic objectives – where you want to go and how you want to achieve them.

2.2.6 Implementation plan

Implementation plan is a project management activity. It is a structured and timed plan of all activities that need to be taken in order to achieve objectives stated in the business plan.

Implementation plan is a planning and controlling tool, same as financial plan it helps to set performance objectives and rewards to the team.

Very effective strategy for implementation plan is to use a special software for project management.

2.2.7 Appendix

All additional documents that are supporting business plan should be included in appendix, as business plan itself should contain only key findings and main information about business. All tables and graphs with supplement information about finance, marketing research and additional information should be located in last part of the document.

3. PRACTICAL PART



BUSINESS PLAN

Vista Riverside s.r.o.

Identification number: 05432189

Company address: Rohanské nábř. 657/7, 186 00 Praha 8-Karlín

Office Mozartova 844/14, 150 00, Praha 5 - Smichov

www.vistariverside.com

info@vistariverside.com

+420 720 072 123

2.3. EXECUTIVE SUMMARY

This business plan is for internal use. It helps to come up with solutions for specific goals and problems of the company Vista Riverside and will provide detailed information on company's past activities and provide a step-by-step guide for business extension.

The goal of this thesis is to create a business plan for 6 new apartments and promote a growth strategy for existing ones. To understand whether they property should be rented long-term, short-term or both. The initial idea is to create a "middle-term" luxury rental apartments that would be used by frequent foreign or Czech visitors of Prague who need to stay in the city for more than 2 weeks. In this work I will analyze different options and come up with the most profitable and efficient rent strategy.

Vista Riverside s.r.o. is a family company, established in 2014, that operates in real estate and the tourism in Prague, Czech Republic. Family reinvested their funds from Russia to Czech Republic, EU country with stable economy and growing market.

Vista Riverside core business is a short-term rent of luxury apartments with services of apart hotel. Main clients are tourists from all over the world, coming to Prague for vacation and people coming for business trips and other purposes. Apartments "Vista Riverside" are located in residential buildings in a broad center of Prague. 4 apartments are located in Karlin district and 2 in Andel district . Those two areas were chosen for family investment as they are neighboring with historical center of Prague and are business districts at the same time.

Since December, 2014 the company was operating only in Karlin. There was one Standard apartment in operation in residence "River Diamond". Another 3 Deluxe Suites in "Residence Vltava" were finished in 2016. In 2017 owner of the company invested in 8 more apartments in Andel area. 2 units are located in reconstructed building of 19th century relatively close to main tourist attraction. One apartment is rented and another one is used as a temporary office. 6 others apartments are located in a new developer project "Bertramka" further from the center. Construction works were finished in 2017. Currently, management team is working on rent strategy and interior design projects for new apartments.

Business plan provided information about Business and Marketing Strategy and Financial plan for FY 2018 and 2019. Budgeted EBITDA from all apartments in 2019 is estimated to reach 3. 265 million CZK, which is 5,48% ROI on all investment portfolio.

2.4. BUSINESS OVERVIEW

2.4.2. Company History

In 2014 Ivan Pashkin decided to purchase one apartment in Prague in order to rent it on a long term basis. After we studied the market – a River Diamond residence was chosen for future investment. We like the area of Karlin and especially the luxurious residence, where expected return from long term rent was 4% , especially because apartment was sold for a good price. When we were buying apartment it was in a quite good state, we had to invest just 30 000 in some additional furniture and décor. Finally, when apartment 84 was bought, and we stepped in as owners, we realized that it was not in such a good condition. It was rented long term previously and one man was living there alone for 3 years. Wooden floors were destroyed in many places, most of electrical devices were worn out and to be thrown away, curtains were burned with cigarettes, there was a persistent smell of old dirty house. Finally we spent a lot of time and more than 100 000 CZK to bring apartment back to live. After few conversations with acutance's in real estate agencies, I realized that situation we had to deal with is absolutely normal for long term rent apartment. So I proposed to try short term - returns are higher, apartment is under control and payments are received immediately. After 1 year of successful short term rent in Karlin, Ivan decided to invest more and we chose a neighboring building for that – Residence Vltava. In 2016 I opened a company Vista Riverside and 2017 we decided to extend the investment to another business area of Prague – Andel.

2.4.3. Vision, Mission, Goals

Mission

Vista Riverside provides high-quality design homes for Prague visitors, while constantly improving its products and services.

Vision

To be the most desired rental apartments in Prague.

Value Proposition

We provide high quality and well located accommodation together with tailor made package of services for tourist and other visitors, who want to be comfortable and feel themselves like at home, despite being in another country.

Goals and Objectives

1. To increase return on investment twice in comparison with long term rent.
2. To have the best grades based on customer reviews on rental web-sites.
3. To keep the occupancy rate at 90% in high season and minimum at 50% in low season.
4. To increase profit of each apartment by minimum 5% each year. To increase number of AirBnb and Direct bookings compared with Booking.com

2.4.4. Company Structure & management

Company is divided in 3 business units : Investment, Interior design and property management.

There are 4 operating divisions – Ready apartments, business support, preparation of apartments and business development.

- Business support is about managing the company, accounting and finance, HR and office management.
- Preparation of apartments covers all processes from the moment when apartment is transferred to Vista Riverside management until the moment it is ready to be rented by first client. Interior design project and its realization; providing internet, TV and other services; procurement of all household supplies; and final photoshoot for distribution channels and interior design portfolio.
- Ready apartment sector includes everything that is related to rent of apartments. Marketing and sales; managing reservations, payments, guest relations, housekeeping and maintenance of property. After apartment is finished in 'Preparation of apartments' it moves down to 'Ready apartment' where the listing for distribution channels is prepared – apartments description and tariff plan.
- Business development includes investment and development plans and activities related to different sectors. For example business plan for extension of apartments for rent, search of new investments possibilities, interior design and property management of external investors, import of furniture in Czech Republic.

For the purpose of this business plan only first two sectors would be used.

TEAM

Ivan Pashkin: Investor

Russian businessman, runs supermarket retail chain in the north of the country with administration in Saint Petersburg. His role in the business is taking final investment decisions.

Valeria Pashkina : CEO & Interior designer

- Responsible for setting up all operations in the company and their execution, Finance and HR management.
- 50% of time is dedicated to preparation of apartments – interior design projects.

Viktor Malyuk : E-commerce & strategy

- Controls team performance; decision making in daily processes
- Business strategy
- Marketing and sales

Elena Rasyuk : office manager & interior design realization

- Responsible for maintaining office, procurement of supplies for office and apartments.
- Realization of interior design projects – managing construction process and furnishing of apartments.

Igor Vaneev : guest relations & housekeeping manager

- Reservations and payments; Check-in and check-out.
- Maintaining tariff policy
- Control of housekeeping and maintenance of apartments

Alexander Sizov : system administrator, maintenance of property

Figure2. Company structure provides better understanding of how functional company structure and role of each team member.

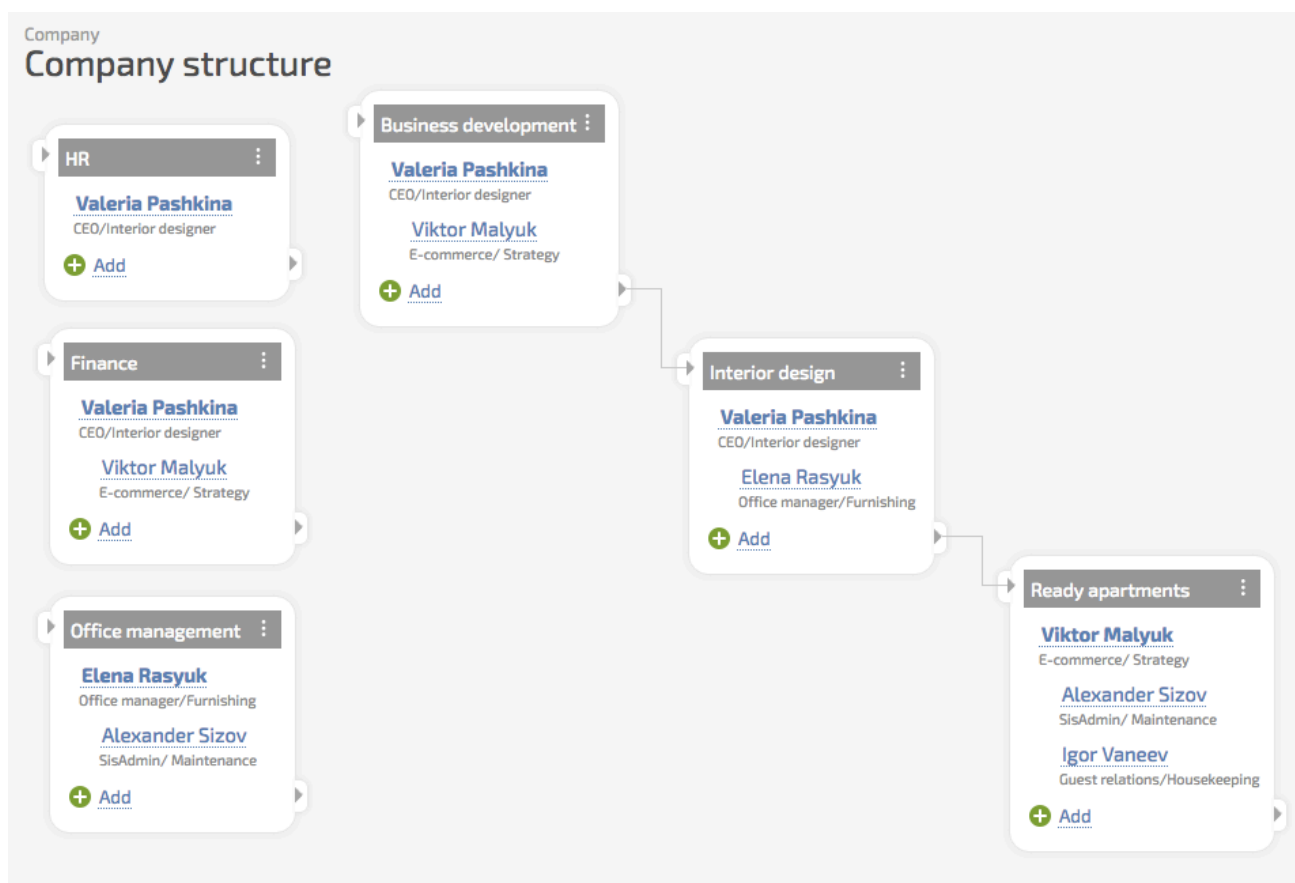


Figure 2: Vista Riverside company structure

HR plan Stuff cost

Following table shows how much time and effort team members are dedicating to each business sector according to their position and hours allocation derived from Planfix – project management program used by company. Based on that data it is possible to allocate total salaries expenditure in the company. Salaries are Net.

At Vista Riverside each team member participates in every sector of the company thanks to a cross functional agile structure.

Salaries budgeted (starting from Q2 2018)							
	Ready apartments	Preparation of apartments	Business support	Salary	Ready apartments	Preparation of apartments	Business support
Igor	90%	0%	10%	30000	27 000	–	3 000
Viktor	30%	20%	50%	32000	9 600	6 400	16 000
Valeria	10%	50%	40%	37000	3 700	18 500	14 800
Elena	5%	75%	20%	27000	1 350	20 250	5 400
Alexander	50%	5%	45%	12000	6 000	600	5 400
TOTAL				138000	47 650	45 750	44 600

Table 1: Salaries budgeteted

2.4.5. Service description

Currently there are 5 properties in operation. 4 apartments in Karlin and 1 in Andel.

84 – River Diamond 	River Diamond Residence	4 guests 84m2 Studio + 1 Bedroom	No balcony View on noisy street Rohanske nabrezi	+Spacious apartment -Hot in summer, No air conditioning
211 – Vista Suites 	Residence Vltava	5 guests 70m2 Studio + 2 bedrooms	Terrace View from bedrooms on the river	+Luxury Interior design, view -Bathroom is inside in master bedroom
411 – Vista Suites 	Residence Vltava	6 guests 70m2 Studio + 2 bedrooms	Terrace View from bedrooms on the river	+ view, Interior design, Outline of apartment -Living room area too small for 6 people
213 – Romantic Suite 	Residence Vltava	4 guests 65m2 Studio + 1 bedroom	Terrace View from the living room on the river	+View, Interior design -Noisy construction on the side
609 – Antique 	Historical building in Prague 5 Zborovska street	2 guests 22 m2 Studio	Balcony View of Prague	+view, interior, location -Too small for long term stay

Figure 3: Existing apartments description

703

6th apartment is located in same historical building street as apartment 609.

703 – 2 floor loft, 1 bedroom, terrace. Apartment has living room with kitchen and bathroom on the first floor and bedroom with terrace on the second floor. It can fit up to 4 people, however because of the outline, 2 people sleeping in the living room would feel less comfortable.


703 – LOFT 	Historical building in Prague 5 Zborovska street	4 guests 60 m2 Studio + 1 bedroom	Terrace View of Prague	+terrace, Location -outline of apartment
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Figure 4: New apartment 703 description

Apartment 703 was used as office of the company until March 2018 when we moved to new office on Mozartova.

Other 6 apartment are located in a new residential project Bertramka by Central Group on Mozartova street, 10 minutes by walk from Novy Smichov shopping center. The area is extremely noisy, there are lots of business centers and road junction, however Mozartova street is completely quite, there are just two buildings – residence Bertramka and Villa of Mozart, both surrounded by trees. Turning to Mozartova from busy Plzenska street seems like arriving in the countryside in 30 seconds.

Tourists would find it difficult and unpleasant – going up from Andel metro station to Mozartova street, passing under the road in the tunnel. So, The residence is not suitable for tourists, however it is perfect for business visitors or a longer stay in Prague. It is very convenient to reach the residence both by public transport and by car. Each apartment has a balcony with a view of Mrazovka park and villa of Mozart and a private parking space in the underground parking with cellars. 1 apartment is used as an office of Vista Riverside. Other 5 apartments will be finished in 4th quarter of 2018 and would be in operation from beginning of 2019. Currently part of the team is working on rent strategy and interior design. Apartments would have luxury minimalistic interior.

Apartments 16, 24 – Studios of 30 m2.

Apartments 21, 28, 29 – Living room with kitchen and 1 bedroom; 55 m2.

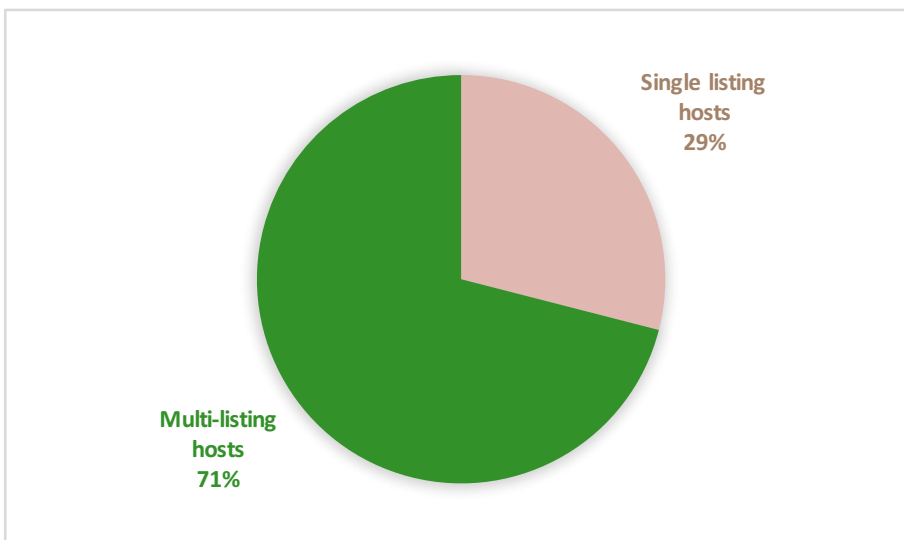


Figure 5: Photo of new apartments on Mozartova

2.5. MARKET AND COMPETITION ANALYSIS

2.5.2. 5 Porter Forces

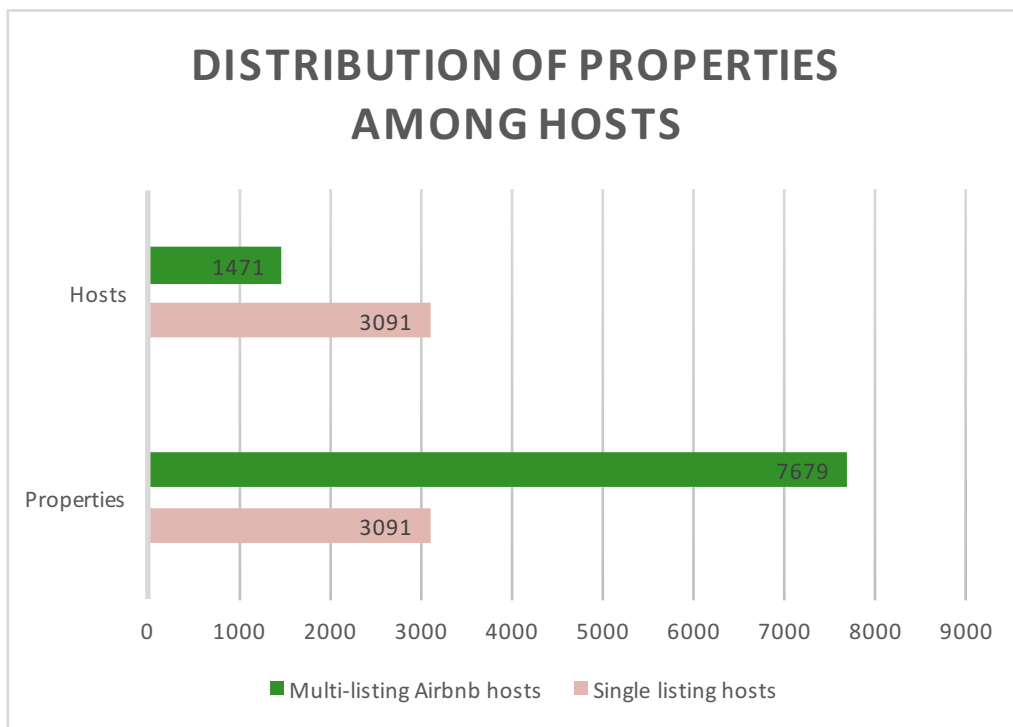
1. Rivalry within industry



Graph 1: AirBnb distribution of properties between professionals and non-professionals

There is a strong competition between short term rentals in Prague. There are 10770 active properties on the market. Out of them 21% are rented by single listing hosts and 71% by multi listing hosts. (AirDna, 2018) Single listing hosts are mainly sole persons who rent their own apartment in Prague while travelling abroad. The rest 71% are

properties managed by professional agents, real estate agencies or investors, who list more than 5 properties on average.



Graph 2: Distribution of properties among hosts on AirBnb

Big luxury real estate agencies like Svoboda&Williams and Lexxus Norton have their own short-term rent department and they are leaders on the market of upscale rentals (Svoboda&Williams, 2018). Based on my work experience in S&W, I can say that they are owning the most popular luxury property in Prague, apartments are always sold out, even if the price per night varies from 300 to 1000 euro. (Booking.com, 2018)

Smaller agencies like Lekvi Group (Lekhman, 2017) provide their clients who buy property with after sale services – long or short term rent. A lot of new property management companies emerged in past years who specialize only on short term rent, for example Apartment.cz. Often these companies are able to provide cheaper accommodation, due to lower quality of service and lower variable costs thanks to economies of scale. The rest of the market is taken by sole agents.

2. Threat of entry.

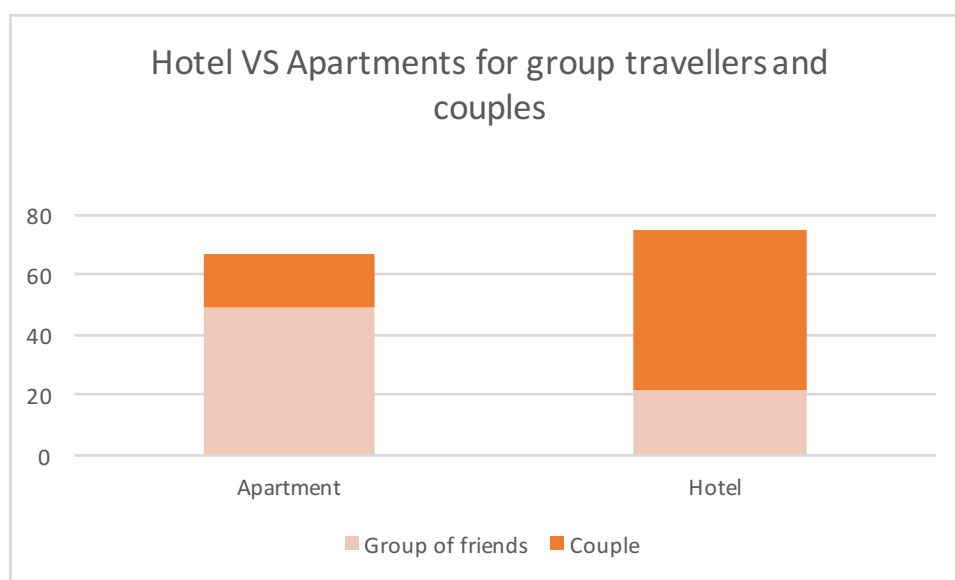
Very high. Prices on real estate in Prague are relatively cheaper than in other European capitals. Lots of people are investing in real estate and renting properties short term. According to Booking.com number of rented apartments in wide center of Prague increased from 413 apartments in 2015 (Booking.com, 2014) to 3100 in 2018 (Booking.com, 2018)

4 years ago when Vista was founded it was harder to enter the industry of short-term rent, as initial investment is very high and managing requires more time than long term rent. Investors were opting for second option, leaving their real estate to agents and expecting stable return. With rise of services like Airbnb it became easier to rent homes on daily bases both for travelers and for hosts. Returns doubled, and most of real estate agents added short term option to their services. Lots of professional and amateur investors were attracted in Prague. Some real estate agencies promise extremely high returns for short term rent in order to attract private investors – more than 9% (Binio real estate agency, 2018).

3. Threat of substitute.

In past decade hotels were partially substituted with rental apartments for a reason. Main factors at which travelers look when choosing accommodation are: price, space – how many square meters they get, availability of home facilities –kitchen and laundry, 24 hour reception/services, breakfast and room comfortability. Rental apartments win in price, space and availability of home facilities.

According to marketing survey conducted for this business plan, 68% out of 71 respondents prefer to stay in apartment, when they travel as a group of friends. And when they travel as a couple – 73% of respondents prefer to stay in a hotel.



Graph 3 Hotel VS apartments for group travellers and couples

Which means that bigger apartments that fit 3 or more people appear to be a substitute to hotel rooms. And small studios for 2 people are rather differentiated competitor.

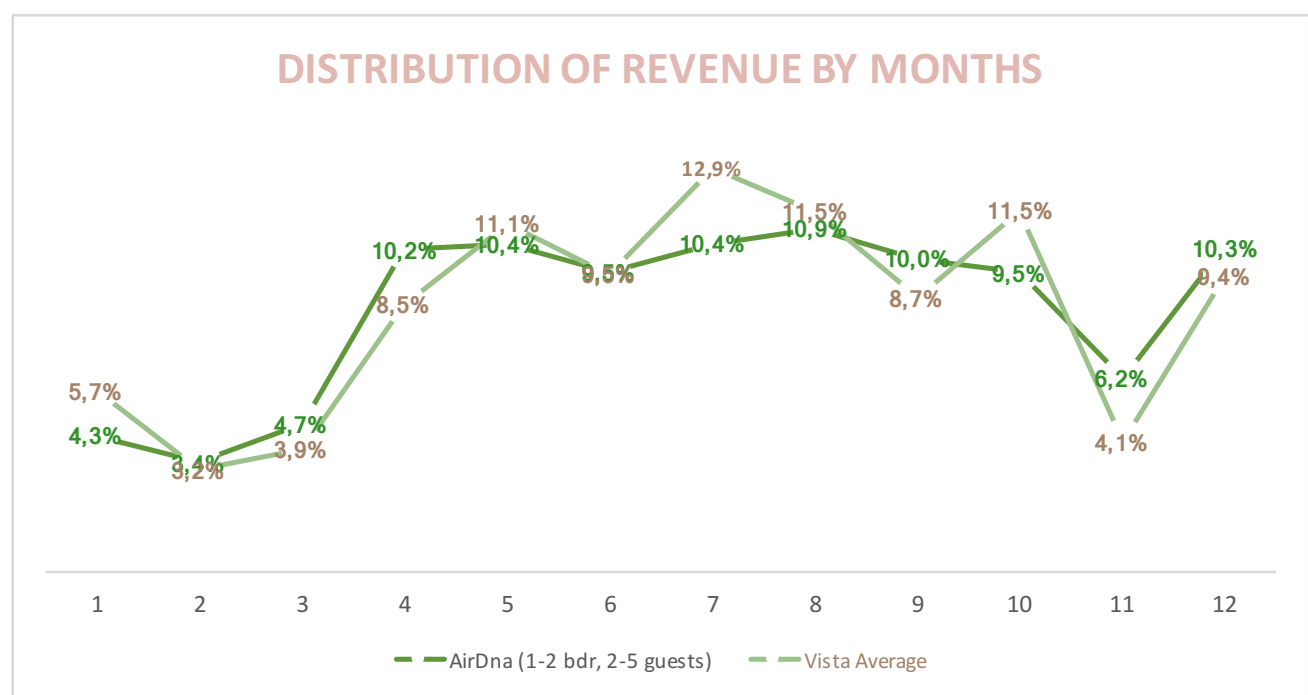
Average price for 2 in a hotel is 84 POUNDS in 2016 (Hotels.com, 2016) while in studio-apartment in the same year it was 51\$ (AirDna, 2018). The difference is not so big and couples motiv to stay in a hotel is availability of breakfast. While group motivation for staying in AirBnb is much higher. Travelling in groups of 3 and more and staying in apartments is very beneficial from price perspective. For example 3 adult travelers would need to pay 168 POUNDS for 2 hotel room. Alternatively they could rent apartment with 1 or 2 bedrooms for only for 84\$ (AirDna, 2018).

Next potential substitute is professional apart hotels, that would keep price relatively low due to economy of scale and will provide tourists with all services and facilities of both hotels and apartments listed above.

4. The power of buyers.

Bargaining power of buyer is high. Hospitality business in Prague is seasonal and during low-season months most of hotels and apartments have to significantly decrease prices.

According to Airbnb statistics and Vista Riverside sales for year 2017 November, January, February and March are low seasons, demand in this month falls more than twice compared with high season, so do the revenues. (AirBnb, 2018)



Graph 4: Distribution of revenue by month in short-term sector

5. The power of suppliers

Suppliers have very small influence on Vista Riverside, as we supply only cleaning services, products and other amenities for guests and cost of changing these suppliers is low. However there is a potential risk that would come from a distribution channel.

Booking.com is the most popular and convenient platform for tourists both for booking hotels and apartments, so the company has a right to dictate its own conditions. Currently 80% of Vista bookings are done through that platform. Commission for each reservation can vary from 15% to 35% depending on the marketing plan chosen by a hotel. According to terms and conditions of Booking.com, price of accommodation should be the same on all platforms, including AirBnb (with 3% commission) and the website of the accommodation provider. So far that rule is not so strict and applies only for big hotel chains rather than small hotels, but there is always a risk that in nearest future Booking.com would take serious measures to track equal pricing strategy in all properties.

2.6. BUSINESS AND MARKETING STRATEGY

2.6.2. Strategic Marketing

3.4.1.1. *Segmentation*

Customers of hospitality sector who chose to stay in apartments can be divided in segments by a lot of crossing criteria.

Purpose of the trip: Leisure / Business / Family visit.

Type of trip: Weekend travellers / Vacation travellers (vacation and prolonged weekends) / Event travellers (concerts, birthday/marriage)

Geographical: EU travellers / Post-soviet / Asia / North America

Method of arriving: by airplane / by car / by train

Level of expenditure: How much people are willing to spend. If they are using public transport or taxi; If cooking at home or Eating out;

Type of traveller/s: Sole travellers / Couple / Friends/Family with new-borns / Family with junior kids

Vista Riverside customers can be divided in 7 segments. Percentage represents the ratio of bookings by that segment against total number of bookings for the analysed period – year 2017 and first quarter of 2018.

1. Business travellers 14%

staying during a week from Monday to Friday or for longer periods, expenditures covered by the company. Normally booking is done 1 or 2 weeks before the trip. Current share of business travellers is 14%.

2. Car travellers 30%

Couples, Student, groups of friends, Families who are coming to Prague by car from Europe and need a parking.

3. Couples 39%

24% of them are coming with by car. We need to study the motivation of the rest 76% - are they coming to apartment because it is cheaper than hotel + possibility to cook at home
-comfort of apartment

4. Groups of 3-4 ppl 40%

Normally these groups are composed of family members or friends.

5. Bigger groups of 5-6 ppl 6%

These groups have two motives 1st - stay all together and 2nd -save money.

6. Family visit – Czech who live abroad or outside of Prague or foreigners who have family and friends in Prague.

7. Health tourists – people from European countries who are undertaking medical treatments in Prague for a period of 2 weeks and longer.

Our ideal customer from communicative point of view :

Millennials from EU or US & Canada*, who speak English, they are frequent travellers and often AirBnb users, so they understand that the property is not an apart-hotel, but a privately owned apartment. They can estimate the value of the apartment and internal fitting and they enjoy the interior design . They studied the listing before arrival and they know what to expect (size of apartment, facilities).

They can easily travel using taxi and Uber, can easily orient with public transport, so they don't feel any discomfort for the non-centre location of apartment.

Our ideal customer from profit point of view:

Groups of 3 or more people with high disposable income,
Even if some of their expectations were not met (e.g. location) they would not spend time on leaving negative reviews on the internet.

Survey Findings:

Based on marketing research conducted for this business plan, same 50% of respondents who prefer to stay in a hotel as a couple, chose Airbnb when they travel as a group. 20% of respondents prefer to stay only in apartment, both as a couple and as a group, and their motivation is not the low price, but comfort and design, availability of kitchen and bigger space.

Another important finding is that 68% of respondents would prefer to stay in a accommodation that is located 20 min by walk from the center, if property is beautifully designed and comfortable.

In order to target the most profitable segment, who is bringing 80% of profit to the company, starting from 2nd quarter of 2018 Vista started a data collection and in-depth analyses of our guests and their needs. In September 2018 we will analyse all data for Q2 and Q3 and would be able to make new segmentation and targeting.

Criteria that would we are using for future segmentation:

CRITERIA FOR DATA COLLECTION AND SEGMENTATION

Geographical	Country	TARGET SEGMENT				
Demographical	Nationality					
	Group/ traveller characteristics	Family with kids	Group of friends	Sole traveler	Couple	
	Age	25-30	35-40	40-55	55+	18+
Socio-economic	Level of income	Middle	Rich	Poor	Not determined	
	Occupation	Businessman	Employed	Student	Other	
Psychographic	Lifestyle	Restaurants and bars	Taxi travellers	Public transport	Home cooking	
	Personal characteristics	Open for conversation	Very communicative	Closed		
Behavioural	Level of knowledge	Knows information about apartments	Knows its apartment	Thinks it's a hotel		
	Reaction on service	Wow effect	OK effect	No reaction	Unsatisfied	
	Purpose of trip	Leisure	Business	Family/friends visit	Other	
	Reason of trip	Vacation	Event	Only Work meetings	Celebration	Weekend
	Loyalty	First, Promised to visit again	Second stay	First stay	Third and more +	
	Satisfaction level	Price	Location	Facilities		

Table 2: Criteria for segmentation

3.4.1.2. Targeting

Based on current segmentation company should target 3 sectors, on which we would focus our attention until September 2018. In September 2018 picture may change because of new data collected.

Segment 1 (Business) – find new loyal customers that would bring profit in low season.

Segment 4 (3-4 people groups) – highest profit for short term strategy in high season.

Segment 7 (health treatments) – perfect customers for low season

Three selected target groups can be divided in 2 groups: High season customers and Low season ones.

Low season: segment 1; segment 7

Business travellers, who are staying from Monday to Friday can fill in gaps in calendar, as during low season these days often remain empty. Sometimes they book apartment for longer period.

Health tourist stay lasts from 2 weeks up to 3 month.

High season: segment 4

Higher number of people during stay – higher the price. During high season we should attract more bookings for groups of people of 3 and more guests as the final revenue per booking is much higher.

Allocation of revenues by number of people per stay			
Number of people	Total Revenues	N Bookings	Average price
1	404 271	56	7 219
2	1 114 976	150	7 433
3	714 711	63	11 345
4	941 606	93	10 125
5	181 436	13	13 957
6	196 759	11	17 887
	3 553 759		

Table 3: Allocation of revenues by number of people per stay

3.4.1.3. Positioning

Positioning would be different for chosen target segments.

Low season customers:

Positioning - Rental apartments with services of a hotel. Just move in for desired period and forget about housekeeping.

Value proposition - Feel yourself like at home, forget about housekeeping and concentrate on your work.

High season customers:

Positioning: Apartments where guests do not have to fight for a place in a better room, as there is a private space for everyone – equally comfortable and well designed.

Value proposition: Staying all together under one roof with comfort and luxury.

Overall brand positioning:

Short-term rental apartment company that is different from most of AirBnb where people have stayed before.

Apartments that feature luxury fitting and sophisticated interior design, where guests feel that their expectations are met or even exceeded. Everyone can feel a professional touch in overall level of comfort and small details. Guest keep warm memories of their stay and would like to come back.

Brand name

Company name is Vista Riverside. Vista (view in ital.) and Riverside because first 4 apartments were located on the banks of Vltava river. 6 new properties are far from the water, so term Riverside would not be suitable for them. Team is considering to leave a legal company name as 'Vista Riverside' and the brand name would be 'Vista

Suites Riverside' – for Karlin and Zborovska (609, 703) apartments with River view. The rest of apartments on Mozartova could operate under name 'Vista Suites Citilife'.



Figure 6: Vista Suites Logo

Our logo is easy to change. Also we can put a picture of Mrazovka park and villa of Mozart on the background of logo. However, brand is a very important attribute of the company and we will analyse more options during year 2018.

2.6.3. Tactical Marketing / Marketing MIX

After STP marketing strategy is defined, we can move on to tactical marketing decisions – Marketing mix. This section will cover only 3P – Price, Place and Promotion, as Product was described in Business Overview section.

3.5.3.1. Price

In hospitality business pricing is a very important and very complex part of Marketing Mix. Determination of price is a live process, they can be changed every day depending on occupancy rate, seasonality, distribution channel, period of stay of a client and many other factors that may change from day to another.

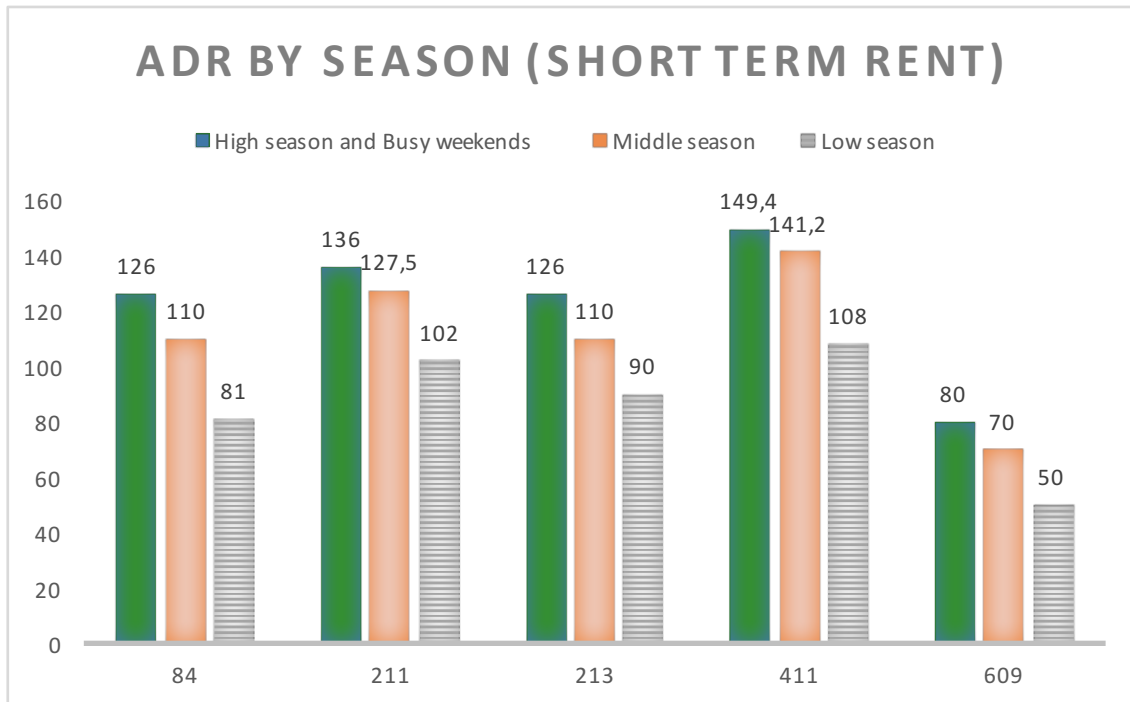
In Vista we determined prices based on prices of competitors and our desired final profit.

Strategy of pricing:

Different prices for different sales channels depending on commission of the channel. Base price is only for direct sales through own website, Booking prices – 18% higher, Airbnb 3% higher or same as website, Other channels – depending on commission.

- ◆ Discounts – discounts for stays of more than 1 week; two apartments booking at one time.
- ◆ Event mark-up pricing – New Year's Eve, Public holidays and prolonged weekends; special events (forums, concerts). Public holidays pricing strategy is done at the beginning of each year and event are tracked on quarterly bases.
- ◆ Price reduction – lowering price for the week-days if there are no bookings.

Average prices (including VAT, cleaning services and parking)for current period (2017 and Q1 2018) are shown in the graph below. For the ease of understanding prices would be shown in Euro. For Monthly average ADR for 2017 by apartment (see Appendix 1).



Graph 5: ADR by season

New sales strategy for middle term rent

Average monthly price for Vista apartments would be 1810 EUR per month. ADR for middle term rent is shown in Appendix 2. Based on Vista previous experience, customers are ready to pay that price, when they know that they can forget about the housekeeping and arrive in apartment that is waiting for them completely ready with the bed done, plants watered and everything cleaned. Listed prices includes cleaning once per month and laundry. During cleaning bed linen and towels are changed and 3 additional sets are provided.

Some customers would prefer to pay for extra cleaning, some would make a light cleaning few times a month by themselves. Apartment are equipped with washing machines and all cleaning supplies.

Studio	45 EUR
One bedroom	61 EUR
Two bedroom	75 EUR

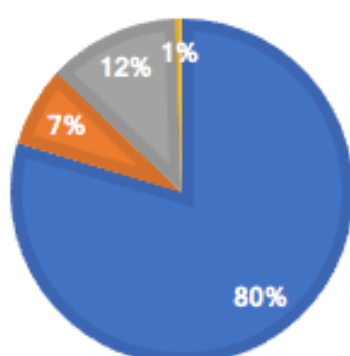
Table 4: Price for middle-term strategy

3.5.3.2.. PLACE

In current period 386 bookings were placed in 5 apartments. Most of the sales were done through Booking.com. Our goal is to significantly increase number of direct sales through new website of the company www.vistariverside.com. And AirBnb, where commission is 3% versus 18% on Booking.com.

ALLOCATION OF DISTRIBUTION CHANNELS BY NUMBER OF TRANSACTION

■ Booking ■ AirBnb ■ Direct ■ Other



Graph 6: Distribution of revenues by sales channels

3.5.3.3. PROMOTION

Promotion of services to our customers should be in line with brand positioning: luxury comfortable short and middle-term apartments in city center.

Online promotion

World Of Mouth – the best promotion for any hotel is excellent feedback of customers on distribution channels.

How we will ensure satisfaction and positive feedback?

- Feedback paper form in apartment with phone number of the owner
- Immediate satisfaction of all appropriate requests during stay

For online promotion we will use:

Google AdWords, Google analytics, Instagram page, Facebook, Booking.com, TripAdvisor and other distribution channels .

Offline promotion

Printed materials distributed in business centres and international companies in Andel and Karlin districts.

Attracting more clients by communicating visualized information.

Booking.com reservations are done immediately, when the guest is 100% sure in his choice.

On AirBnb 56% of Vista future customers ask questions to the host, before confirming their reservation. While on Booking.com it is impossible to contact hotel/apartment before the reservation is placed. Thus, it means that approximately 56% of potential customers on Booking can be lost, because they are not sure whether the property will satisfy all their needs.

At Vista Riverside we started to implement reactive marketing since the first guest, so all possible information needed by clients is written on all distribution channels and communicated in e-mail after booking is placed. But most of the time people do not read it properly. So as a new step of reactive marketing we will use a visual communication through photos and visualized information.

	Requests	Solutions
Pre- reservation	<i>Do you have baby crib and a high chair?</i>	Photos of all facilities for babies ; + additional bonuses– crayons and paper, cartoons on Netflix, Jenga
	<i>Is there an elevator in the building?</i>	photo of elevator with a sign – no bareer entry
	<i>Where is the parking, is it covered?</i>	photo of underground parking with luxury cars
	<i>Do you have a washing machine(dishwasher/coffee machine/ iron/ hairdryer etc.) ?</i>	collage of all home supplies
	<i>How far is apartment from the center?</i>	a visual map with location and brief explanation of how to get to the Old town.
After Booking confirmation	<i>How to get to the apartment?</i>	a visual map of the street with photos and signs where to turn
	<i>Why the payment was taken?</i>	Visualization of check in and payment process
	<i>What is deposit payment?</i>	
	<i>How we get the keys?</i>	
During stay	<i>How to use washing machine?</i>	Visualized instruction for use of all equipment
	<i>Supermarkets, restaurant?</i>	Map of the area with all point of interest and public transport
	<i>Public transport & Taxi information</i>	
	<i>How to check out?</i>	Manual for check-out process

Table 5: List of guest requests and proactive solutions

3.5.4. Marketing budget

MARKETING COSTS IN 2018

Brand name & Logo	6 000
Printed materials (flyers and business cards)	10 000
Finish Website	5 000
Photoshoots of apartmnts	45 000

Table 6: marketing costs 2018

The highest marketing cost is photo shoot of apartments. Quality photo shoot costs approximately 5000 per apartment. Currently only apartment 211 has professional photos. Cost of photoshoot is not reflected in Business plan for 'Ready apartments' as it is a part of 'Preparation of apartments' sector.

2.7. IMPLEMENTATION PLAN & PROJECT MANAGEMENT

Implementation plan is done directly in software Planfix, that is used by the company since 2016. Planfix is a multifunctional and effective ERP and CRM platform that allows to manage processes and information flow in the whole company. It is a universal constructor that can be built to serve needs of different enterprises in any industry. Vista Riverside company structure is reflected In Planfix, all projects and tasks are divided in 4 groups: Business development; Business support; Preparation of apartments and Ready apartments.

PREPARATION OF APARTMENTS IMPLEMENTATION PLAN

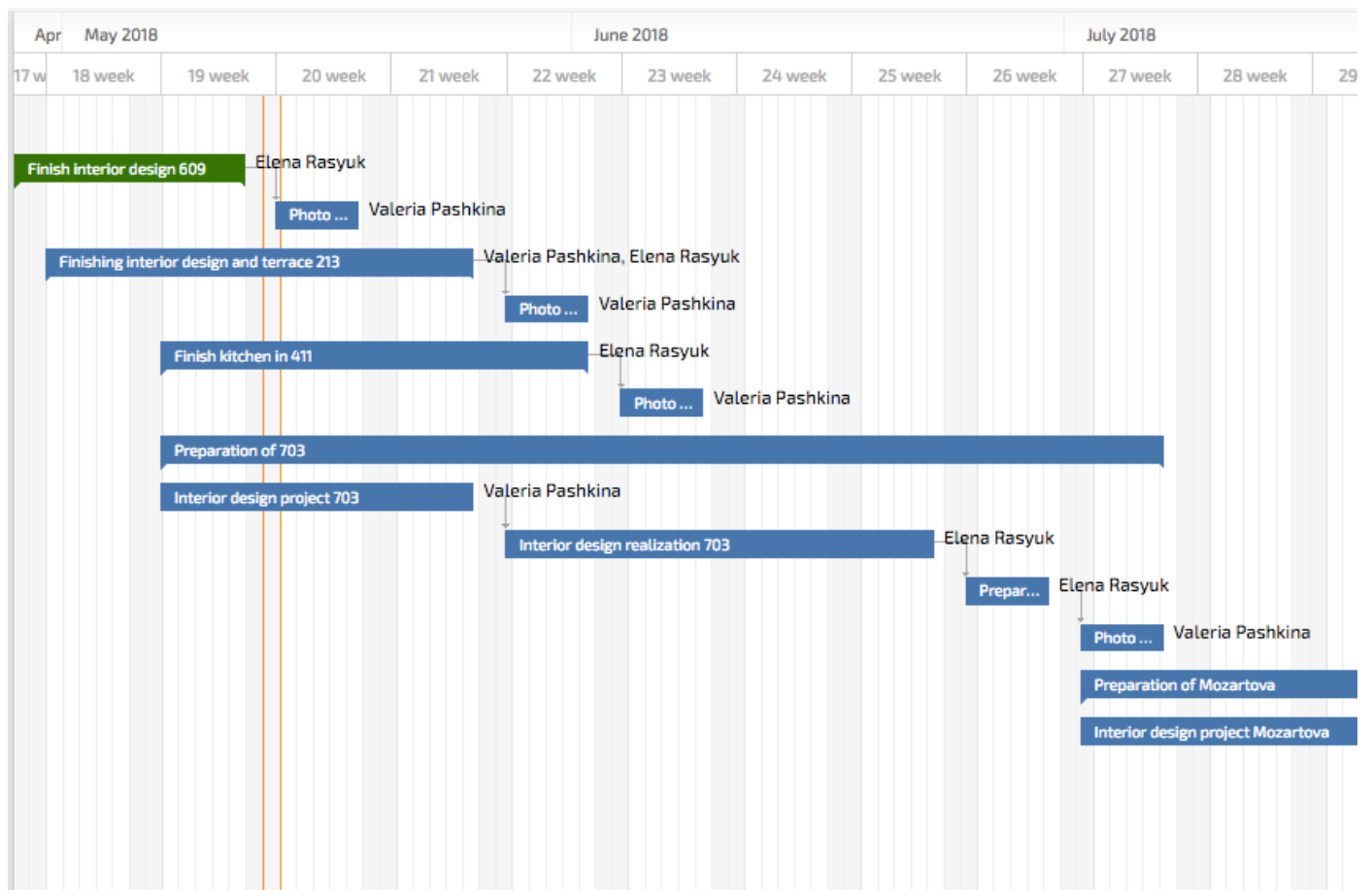


Figure 7: Gantt chart/ Preparation of apartments

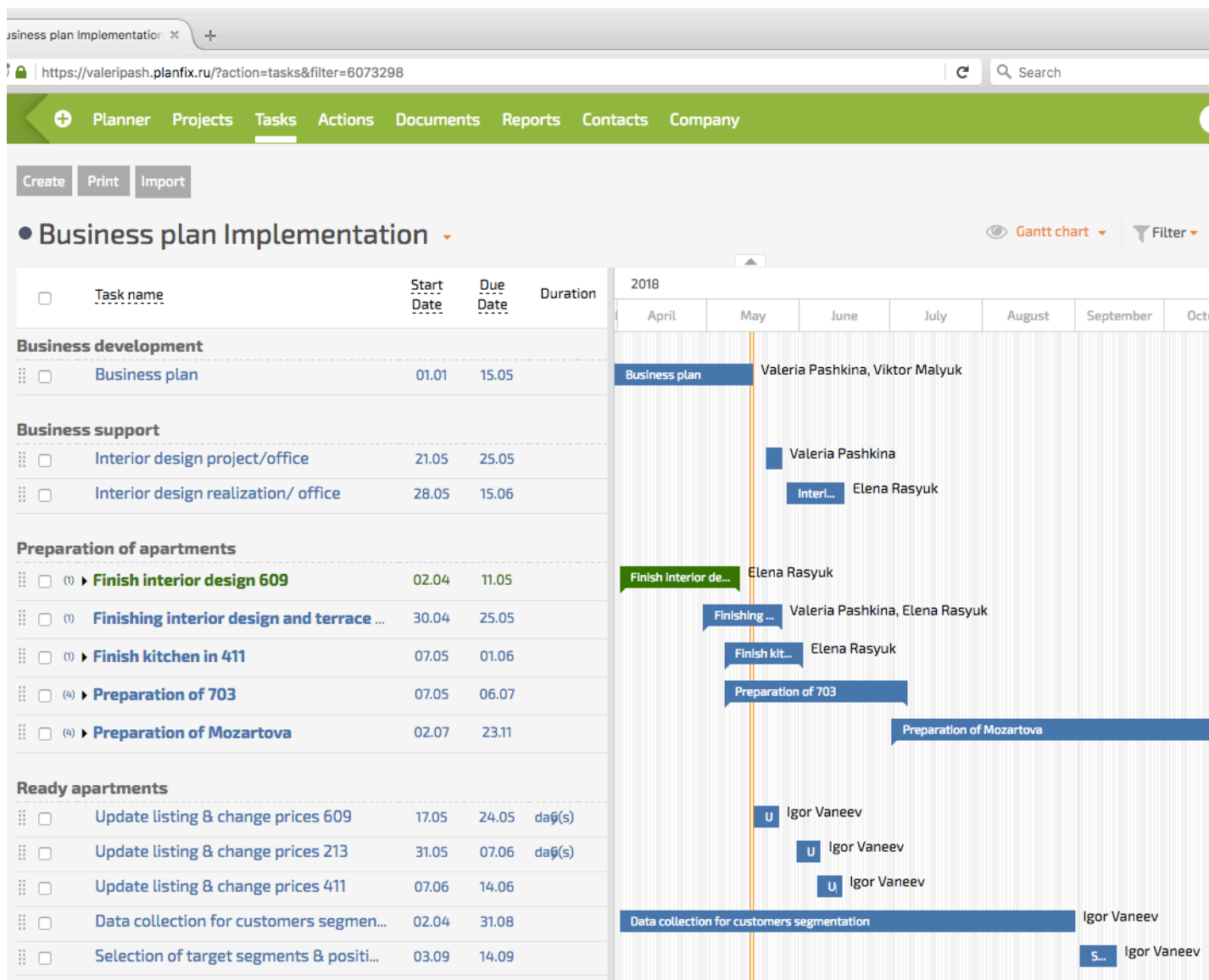


Figure 8 Implementation Plan

2.8. FINANCIAL PLAN

FINANCIAL GOALS

1. To increase return on investment twice in comparison with long term rent.
2. To increase profit of each apartment by minimum 5% each year.

FINANCING

Vista Riverside property is in the ownership of Pashkiny family, it was acquired on retained earnings of family business in Russia . EBITDA for all activities of the company in 2017 was 2 135 000 CZK, which is approximately 83 725 Euro; it will be used for financing furnishing, preparation of new apartments and other projects.

In short term rental business it is better not to be tempted by high occupancy rate followed by higher sales, but rather take care of the costs and ADR (average daily rate). More nights sold and more frequent bookings means more work with a guest and more variable costs which are relatively high. In low season with high occupancy rate Variable costs can reach up to 50% of sales. Thus, the base scenario of this financial plan doesn't show any significant increase in sales of apartments but shows the strategy of cutting variable costs and finally increasing the net profit.

In 2017 Vista Riverside came up with "middle-term" rent strategy described earlier. It was implemented in short-term sector during low season and will be used in new Mozartova apartments.

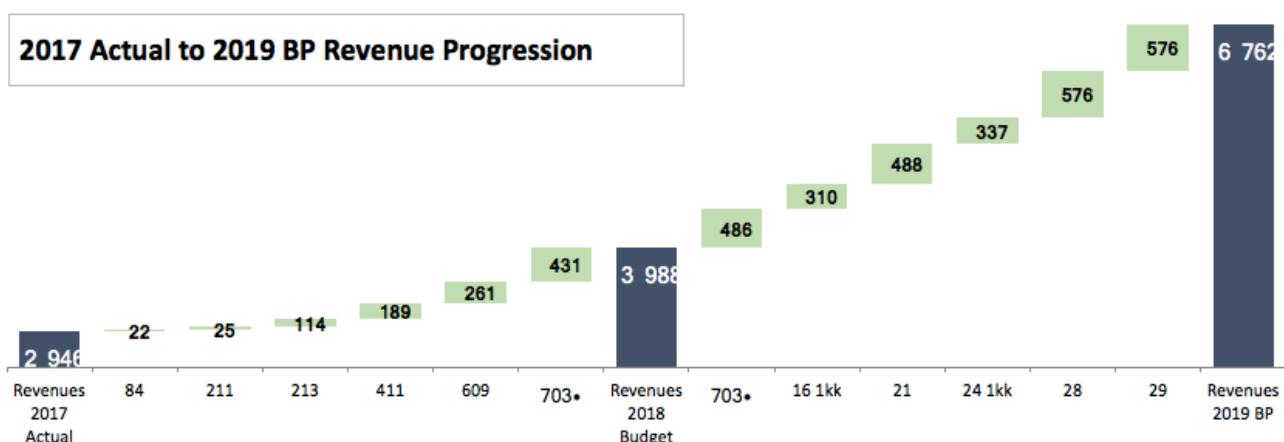
2.8.2. Sales Forecast

The below tables and charts explain the overall revenue strategy described above. The current business plan is delivering from 2017 to 2019 a revenue growth of 3,8 million driven by incremental revenues coming from the new apartments. The revenue increase from 2017 to 2018 is because apartments 213, 411 and 609 were ready to rent after Q1 2017. On a like for like basis the current realistic plan is not assuming significant revenue growth on the existing apartments but is focusing on the cost base optimization in order to increase the profit.

(For quarterly revenues by apartment see Appendix 1, Appendix 2, Appendix 3.)

	FY 2017 Actual	FY 2018 Budget	FY 2019 Business Plan	17 vs 18	18 vs 19	17 vs 19
84	585,488	607,486	607,486	21,998	-	21,998
211	891,724	917,134	917,134	25,410	-	25,410
213	562,830	676,578	676,578	113,748	-	113,748
411	741,589	930,538	930,538	188,949	-	188,949
609	164,416	425,765	425,765	261,349	-	261,349
703*	-	430,885	917,134	430,885	486,249	917,134
16 1kk	-	-	310,310	-	310,310	310,310
21	-	-	487,630	-	487,630	487,630
24 1kk	-	-	336,908	-	336,908	336,908
28	-	-	576,290	-	576,290	576,290
29	-	-	576,290	-	576,290	576,290
TOTAL	2,946,047	3,988,386	6,762,064	1,042,340	2,773,677	3,816,017

Table 7: Revenue growth 2017,2018,2019



Graph 7: Revenue Progression

2.8.3. Expenses

OPEX Operating expenses for ready apartment consist of Fixed costs and Variable costs. They are allocated to each apartment.

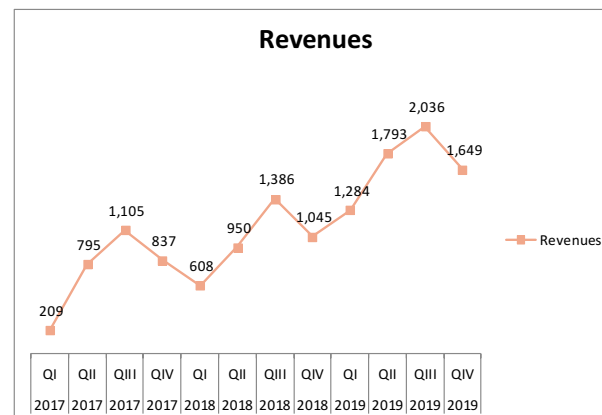
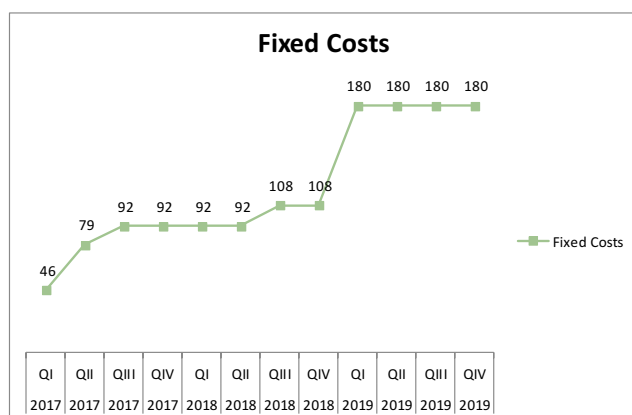
Fixed costs

Fixed costs are normally not affected by changes in occupancy and sales volume.

- Utility payments, Electricity,
- Rent of parking space(Karlin), Parking permit (Prague 5) ,
- Internet & TV

As shown below the increasing trend of fixed costs is only related to the new apartments set Up and the % on revenues is not changing and is on average 11 %. Apartment 84 has highest Fixed costs due to the high communal cost for River Diamond residence services and building maintenance (See Appendix 4).

	2017 QI	2017 QII	2017 QIII	2017 QIV	2018 QI	2018 QII	2018 QIII	2018 QIV	2019 QI	2019 QII	2019 QIII	2019 QIV
Revenues	209	795	1,105	837	608	950	1,386	1,045	1,284	1,793	2,036	1,649
Fixed Costs	46	79	92	92	92	92	108	108	180	180	180	180
% on Revenues	22%	10%	8%	11%	15%	10%	8%	10%	14%	10%	9%	11%



Graph 8: Fixed costs trend

Variable costs

- Cleaning – contract cleaners, laundry, cleaning supplies.
- E-commerce - payment fees, Reservation channels commissions, channel manager, POS
- Necessary expenses on guests – toilet paper, kitchen towels, detergents for washing and dishwashing machines
- Extra expenses for guests – Hotel amenities: toiletries, slippers, Food and drinks (water, coffee, tea, biscuits, sugar, olive oil, pepper, sault); welcome drinks/presents for special occasions;
- Maintenance of apartments, Repairs and replaces of damages, Dry cleaning of textiles.
- Costs on employees: Transport (petrol, public transport, parking), mobile services,

Variable cost strategy allocation

	Target	Target	Act FY17
	short term	middle term	total
E-commerce	13.0%	4.0%	15.1%
Cleaning	6.8%	1.4%	6.7%
Expenses on guests	0.5%	0.1%	0.5%
Extras for guests	0.5%	0.0%	1.0%
Maintenance	1.4%	0.4%	0.3%
Other expenses	0.0%	0.0%	0.2%
TOTAL	22.2%	5.9%	23.7%

Table 8: Variable costs strategy allocation

	ACT 2017	BDG 2018	BP 19
Revenues Short term	2,946	3,381	3,867
Revenues middle term	-	607	2,895
Total revenues	2,946	3,988	6,762
Total Variable cost	700	786	986
% on Rev	24%	20%	15%

CZK/000	ACT 2017	BDG 2018	BP 19	Act vs BDG	Bdg vs BP
E-commerce	444	464	619	19	155
Cleaning	198	238	303	40	65
Expenses on guests	13	18	22	4	5
Extras for guests	29	17	19	-	2
Maintenance	8	50	66	42	16
Other expenses	6	-	-	6	-
Total	700	786	986	87	243

Table 9: Total Variable costs Actual VS Budget

The highest variable cost is e-commerce – it contains commission to Booking.com (18% of reservation price), AirBnb (3% of reservation price) and channel manager program Previo (Fixed monthly payment). In 1 quarter of 2018 e-commerce costs dropped by 7% thanks to a new sales strategy. More bookings were received through Airbnb, Vista Riverside website and from permanent customers.

Next important Variable cost is cleaning, which includes pay-out to contract cleaners, laundry and consumables for cleaning.

FY 2017 E-commerce and cleaning was on average respectively 15% and 7%, The main goal and assumption included in the current business plan is to drop total variable costs at 22% in short-term sector and at 6% in long term sector by the end of 2018 and to deliver further savings in 2019.

The expected reduction in e-commerce costs will be delivered thanks to the new sales strategy that consist of focusing on receiving bookings through Airbnb, Vista Riverside website and loyal customers. The strategy is already effective from the 1st of January 2018.

As described above the current business plan is assuming to increase profits mainly through variable cost control. The tables below shows the variable cost strategy both for short and middle term rent. From the tables it is clear that the strategy of the company is to reduce the impact of variable costs in the apartments that will be rented for middle term and also by improving the cost efficiency in the short term rent apartments.

CZK/000	ACT 2017	BDG 2018	BP 19	Act vs BDG	Bdg vs BP	ACT 2017	BDG 2018	BP 19	
E-commerce	444	440	503	-	5	63	15.1%	13.0%	13.0%
Cleaning	198	230	263		31	33	6.7%	6.8%	6.8%
Expenses on guests	13	17	19		4	2	0.5%	0.5%	0.5%
Extras for guests	29	17	19	-	12	2	1.0%	0.5%	0.5%
Maintenance	8	48	55		39	7	0.3%	1.4%	1.4%
Other expenses	6	-	-	-	6	-	0.2%	0.0%	0.0%
Total Short term Var costs	700	751	858		51	108	23.7%	22.2%	22.2%

CZK/000	ACT 2017	BDG 2018	BP 19	Act vs BDG	Bdg vs BP	ACT 2017	BDG 2018	BP 19	
E-commerce	-	24	116		24	91	0.0%	4.0%	4.0%
Cleaning	-	9	41		9	32	0.0%	1.4%	1.4%
Expenses on guests	-	1	3		1	2	0.0%	0.1%	0.1%
Extras for guests	-	-	-	-	-	-	0.0%	0.0%	0.0%
Maintenance	-	2	12		2	9	0.0%	0.4%	0.4%
Other expenses	-	-	-	-	-	-	0.0%	0.0%	0.0%
Total Middle term Var costs	-	36	171		36	135	0.0%	5.9%	5.9%

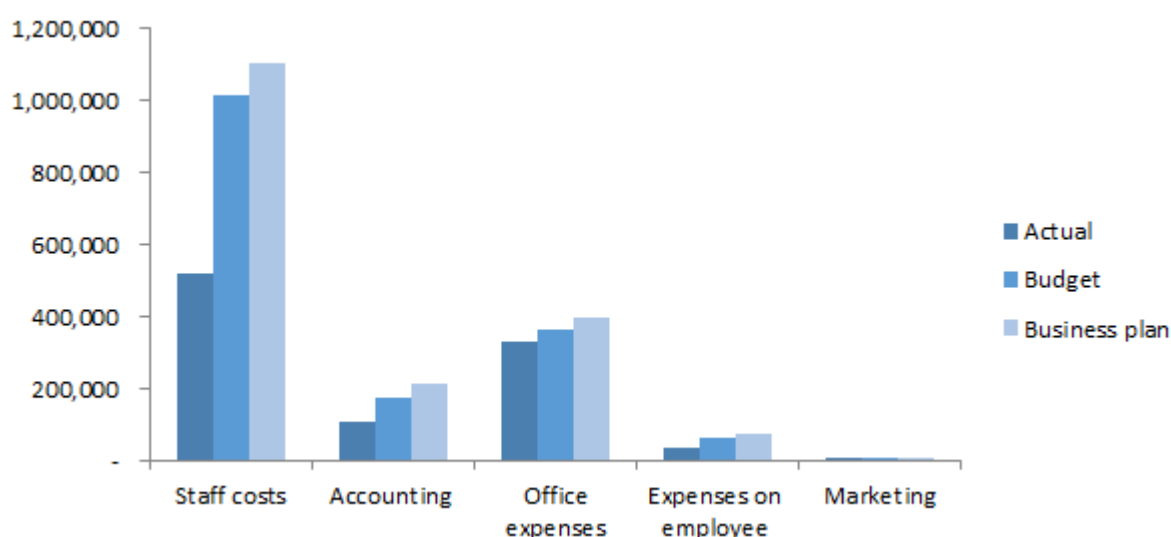
Total	700	786	986						
% on Revenues	24%	20%	15%						

Table 10: Annual variable costs

OTHER UNDISTRIBUTED COSTS

- Salaries to employees who manage apartments and daily business activities.
- Accounting services, Bank account, Legal services,
- office expenses (cleaning, coffee, stationary, fixed)
- Marketing (printed marketing materials)

Staff costs are increasing mainly due to the new hires of 2018 in order to support the organic growth of the company and also to focus on the preparation of new apartments and strategic projects. All the remaining are assumed to slightly grow from in the next years.



Graph 9: Undistributed costs 2017,2018,2019

2.8.4. Income statement

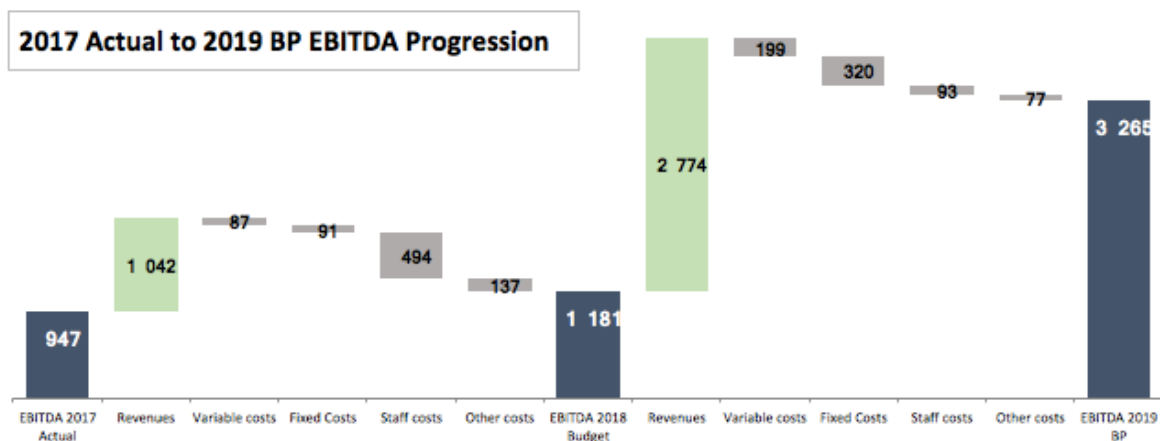
Here below the Vista Riverside Budget and Business Plan consolidated income statement and the Operating profit progression that shows growing profits. EBITDA is expect to grow 2,3 million by the end of 2019 mainly driven by higher revenues due to the new apartments go-live and due to the variable cost optimization strategy thanks to the refocusing on middle-term rent strategy for the new apartments.

	FY 2017 Actual	FY 2018 Budget	FY 2019 Business plan	Act vs BDG	Bdg vs BP	Act vs BDG	CAGR (%)
Sales	2,946,047	3,988,386	6,762,064	1,042,340	2,773,677	3,816,017	52%
Variable	699,644	786,348	985,796	86,704	199,448	286,152	19%
Fixed	309,318	399,924	719,688	90,606	319,764	410,370	53%
Gross Profit	1,937,084	2,802,114	5,056,579	865,030	2,254,465	3,119,495	62%
Staff costs	519,296	1,013,785	1,107,000	494,489	93,215	587,704	46%
Accounting	105,731	173,468	212,400	67,737	38,933	106,670	42%
Office expenses	329,040	365,626	395,112	36,586	29,486	66,072	10%
Expenses on employee	33,897	63,578	72,000	29,681	8,422	38,103	46%
Marketing	1,936	5,000	5,000	3,064	-	3,064	61%
EBITDA	947,185	1,180,658	3,265,067	233,473	2,084,409	2,317,883	86%

Table 11: Income statement Actual VS BDG

INCOME STATEMENT ACTUAL					
	Actual QI	Actual QII	Actual QIII	Actual QIV	FY 2017
Sales	209 079	795 415	1 105 041	836 512	2 946 047
Variable	87 569	184 624	228 331	199 120	699 644
Fixed	45 564	78 918	92 418	92 418	309 318
Gross Profit	75 945	531 873	784 292	544 974	1 937 084
Salaries	120 761	113 009	137 472	148 054	519 296
Accounting	19 309	27 766	30 697	27 960	105 731
Office expenses	94 132	78 366	78 576	77 965	329 040
Expenses c	2 700	7 273	8 616	15 308	33 897
Marketing	-	1 331	605	-	1 936
EBITDA	160 957	304 128	528 326	275 687	947 185

Table 12: Income statement actual by quarter



Graph 10: EBITDA Progression 2017 to 2019

2.8.5. Return on Investment

The most important financial indicator for investment is ROI – return on investment. When investing in residential real estate, any investor would expect the highest possible return. Except of short-term rent, there is another scenario – long term rent. Both options have their advantages and disadvantages. To compare profitability of

short-term rent scenario and the long-term one, we need to calculate Annual ROI for the whole portfolio. Table below shows total investment price. *Interior for new apartments is budgeted.

TOTAL INVESTMENT				
		Price of apartment	Interior	TOTAL
River Diamond	84	4 600 000 CZK	200 000 CZK	4 800 000 CZK
Rezidence Vltava	211	5 130 000 CZK	716 213 CZK	5 846 213 CZK
	213	4 940 000 CZK	424 520 CZK	5 364 520 CZK
	411	5 230 000 CZK	537 843 CZK	5 767 843 CZK
Zborovska	609	3 019 200 CZK	206 357 CZK	3 225 557 CZK
	703*	5 240 116 CZK	424 520 CZK	5 664 636 CZK
Mozartova	16 1kk*	4 475 523 CZK	206 357 CZK	4 681 880 CZK
	21*	6 009 248 CZK	424 520 CZK	6 433 768 CZK
	24 1kk*	4 465 301 CZK	206 357 CZK	4 671 658 CZK
	28*	6 067 555 CZK	424 520 CZK	6 492 075 CZK
	29*	6 157 860 CZK	424 520 CZK	6 582 380 CZK

Table 13: Total Investment price

Long term rent prices / month		
River Diamond	84	22 000 CZK
Rezidence Vltava	211	25 000 CZK
	213	24 000 CZK
	411	27 000 CZK
Zborovska	609	12 000 CZK
	703*	24 000 CZK
Mozartova	16 1kk*	16 000 CZK
	21*	22 000 CZK
	24 1kk*	17 000 CZK
	28*	25 000 CZK
	29*	25 000 CZK

Table 14: Long term monthly rent

This table shows estimated realistic monthly prices for long term rent. Fixed costs are paid by tenant. Prices are based on the knowledge of the market and also on average prices for apartments in the same price category listed on www.sreality.cz.

According to Czech law, tenant has a right to leave apartment before the end of contract, he just has to inform the landlord about termination of the

contract at least 3 month in advance.

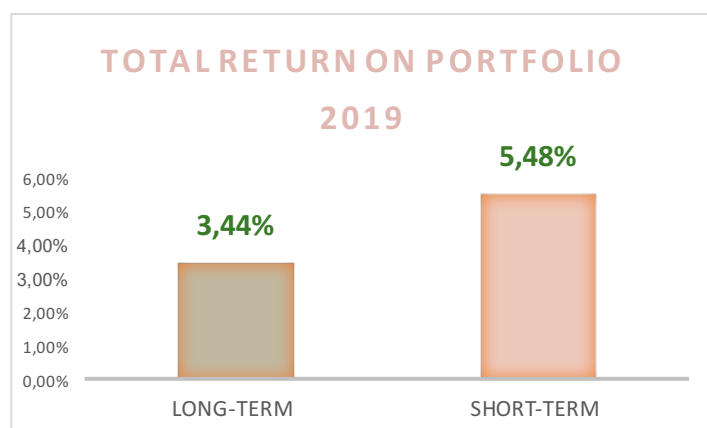
So, even if one tenant is leaving, it is

possible to find the next one who would rent the apartment almost immediately. However, that would be optimistic forecast. The realistic assumption is that apartment would be rented 11 month a year by one tenant and the rest month of the year the flat would be empty and other potential customers would be coming to see it. After each 11 month stay there would be a light maintenance repair with total cost of 40 000 CZK and a general cleaning of 2 000 CZK. Another expense incurred would be a fee to an agent, who would rent apartment – 50% of a monthly rent for

each contract. Thus, total annual costs per apartment would be 42 000 CZK + fee to an agent.

LONG TERM EBITDA by apartment				
	2017 Total	2018 Total	2019 Total	Annual ROI
84	189 000 CZK	189 000 CZK	189 000 CZK	3,9%
211	220 500 CZK	220 500 CZK	220 500 CZK	3,8%
213	138 000 CZK	210 000 CZK	210 000 CZK	3,9%
411	79 500 CZK	241 500 CZK	241 500 CZK	4,2%
609	12 000 CZK	84 000 CZK	84 000 CZK	2,6%
703*	–	66 000 CZK	210 000 CZK	3,7%
16 1kk*	–	–	126 000 CZK	2,7%
21*	–	–	189 000 CZK	2,9%
24 1kk*	–	–	136 500 CZK	2,9%
28*	–	–	220 500 CZK	3,4%
29*	–	–	220 500 CZK	3,3%

Table 15: EBITDA & ROI / long term rent



Graph 11: ROI comparison/ Long&short term rent

We cannot compare annual ROI per apartment in short-term rent case, because only operating costs are allocated by apartment and there are other undistributed costs related to marketing and running the business. Thus, in short-term case only total ROI for all portfolio can be calculated. Total annual ROI for the whole portfolio for all ready apartment for long-term rent would be 3,44%, while short term rent

would be 5,48%.

Thus, it is clear that short-term rent is more beneficial for investor. It has some other important advantages compared with long term rent.

◆ Weekly or monthly access to the apartment

If a long-term tenant does not take proper care of the apartment the damage can be fatal. Examples of those damages would be strong smoke smell, flooded floor, mold in the bathroom and even inside of the

walls, insects, scratched walls, furniture and floor, stained textiles. All this can happen even in short term rent, but weekly control of the apartment allows to prevent described problems. Moreover broken and damaged items are immediately covered by guests.

◆ **Cash on hand before check-in**

Guest pays the whole price of rent and deposit fee immediately when they check in. According to Czech law, even if a long term tenant does not pay the rent and fixed costs, landlord can terminate the contract only after 3 months of debt. There is a risk that tenant can leave apartment without paying and it would be hard to find him and finally take the debt.

2.9. CONCLUSION

The goal of business plan was to develop a business strategy, marketing and financial plan for new properties of the company and correct strategy of apartments in operation to increase their profitability. Results of market analysis and financial calculations proves that the company can bring expected Return to investor and there is a potential for further growth and improvement.

With short and middle term rent estimated annual ROI for portfolio is 5,48%, which is 2% higher than ROI for long term rent. Realistic EBITDA for the FY 2018 is 1 181 000 CZK, and in 2019 EBITDA would be 3 265 000 CZK. After the year 2020 Vista Riverside would be able to purchase another property with retained earnings.

Marketing research proved the hypothesis – short-term rentals are more popular between groups of friends, than couples. Since most of Vista apartments are suited for 4 people, company will target that segment market and therefore will increase both the revenues and customer satisfaction.

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Average price/night													
Parking and c	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
84	79	48	53	74	98	99	98	105	93	88	80	82	83
211	62	64	75	89	150	140	151	150	136	137	106	97	113
213		44	48	72	107	102	120	106	95	97	64	75	85
411				240	156	141	184	150	168	144	140	80	156
609								65	75	66	59	58	65
703*													
Grand Total	71	52	59	118	128	120	138	115	113	107	90	78	100

Appendix 1 Actual ADR 2017

Average price/night													
Parking and c	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
703*	149	31	88	89	150	140	151	150	136	137	106	97	119
16 1kk, 2 floor	35	35	35	35	35	35	35	35	35	35	35	35	35
21,2 floor	55	55	55	55	55	55	55	55	55	55	55	55	55
24 1kk, 3 floor	38	38	38	38	38	38	38	38	38	38	38	38	38
28, 3 floor	65	65	65	65	65	65	65	65	65	65	65	65	65
29, 3 floor	65	65	65	65	65	65	65	65	65	65	65	65	65
Grand Total	68	45	56	58	68	66	68	68	66	66	61	59	63

Appendix 2: ADR forecast 2019

	FY 2017 Actual	FY 2017 Actual	FY 2017 Actual	FY 2017 Actual	FY 2017 Actual
84	102.005	157.093	186.685	139.705	585.488
211	87.644	272.354	301.929	229.797	891.724
213	19.429	169.851	219.144	154.406	562.830
411	0	196.117	332.070	213.403	741.589
609	0	0	65.214	99.202	164.416
703*	0	0	0	0	-
16 1kk	0	0	0	0	-
21	0	0	0	0	-
24 1kk	0	0	0	0	-
28	0	0	0	0	-
29	0	0	0	0	-
TOTAL	209.079	795.415	1.105.041	836.512	2.946.047

Appendix 3: Actual sales 2017

	FY 2018 Actual	FY 2018 Budget	FY 2018 Budget	FY 2018 Budget	FY 2018 Budget
84	159.350	144.326	157.898	145.912	607.486
211	113.054	272.354	301.929	229.797	917.134
213	133.177	169.851	219.144	154.406	676.578
411	143.869	241.197	332.070	213.403	930.538
609	58.262	122.330	145.971	99.202	425.765
703*	0	0	228.946	201.939	430.885
16 1kk	0	0	0	0	-
21	0	0	0	0	-
24 1kk	0	0	0	0	-
28	0	0	0	0	-
29	0	0	0	0	-
TOTAL	607.712	950.059	1.385.958	1.044.657	3.988.386

Appendix 4: Budgeted sales forecast 2018

	FY 2019 BP	FY 2019 BP	FY 2019 BP	FY 2019 BP	FY 2019 Business Plan
84	159.350	144.326	157.898	145.912	607.486
211	113.054	272.354	301.929	229.797	917.134
213	133.177	169.851	219.144	154.406	676.578
411	143.869	241.197	332.070	213.403	930.538
609	58.262	122.330	145.971	99.202	425.765
703*	113.054	272.354	301.929	229.797	917.134
16 1kk	76.440	77.350	78.260	78.260	310.310
21	120.120	121.550	122.980	122.980	487.630
24 1kk	82.992	83.980	84.968	84.968	336.908
28	141.960	143.650	145.340	145.340	576.290
29	141.960	143.650	145.340	145.340	576.290
TOTAL	1.284.239	1.792.593	2.035.828	1.649.403	6.762.064

Appendix 5: Sales plan 2019

Fixed costs Breakdown		
	FIXED COSTS	Quarter
84	9 072	27 216
211	6 116	18 348
213	5 042	15 126
411	6 076	18 228
609	4 500	13 500
703*	5 042	15 126
16 1kk	4 500	13 500
21	5 042	15 126
24 1kk	4 500	13 500
28	5 042	15 126
29	5 042	15 126

Appendix 6: Fixed costs breakdown by apartment

	ACTUAL VARIABLE COSTS												Grand Total
	1	2	3	4	5	6	7	8	9	10	11	12	
E-commerce	32 889	5 073	6 065	19 987	64 632	33 410	69 399	51 854	42 070	62 141	21 730	35 137	444 387
Cleaning	6 300	10 768	10 732	16 987	14 830	21 117	22 565	21 766	12 670	23 156	17 379	20 119	198 389
Expenses on guests	-	-	5 689	752	2 581	90	2 938	602	-	-	-	639	13 291
Extras for guests	4 556	-	2 846	4 075	4 821	1 341	1 246	2 803	-	-	4 313	3 139	29 141
Maintenance	-	2 596	55	-	-	-	350	68	-	-	4 411	957	8 437
Other expenses	-	-	-	-	-	-	-	-	-	-	6 000	-	6 000
	43 745	18 437	25 387	41 801	86 864	55 959	96 498	77 093	54 740	85 297	53 833	59 990	699 644

Appendix 7: Actual variable costs

84	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017
Values in CZK	January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Accommodation	47.290	19.159	23.837	42.740	52.595	44.718	62.194	53.970	52.428	53.456	15.728	60.267	528.382
Cleaning	2.313	2.776	4.420	5.577	3.418	2.699	4.857	3.881	3.135	4.369	900	2.827	41.171
Parking	-	411	1.799	1.439	2.467	1.439	1.491	2.467	2.262	1.645	-	514	15.934
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	49.603	22.346	30.056	49.756	58.480	48.856	68.542	60.318	57.825	59.470	16.628	63.608	585.488
E-commerce	2.717	2.310	4.159	7.357	9.719	8.054	11.751	10.000	10.000	8.689	1.235	6.429	82.421
Cleaning	2.160	3.609	4.802	5.829	2.733	4.326	4.621	3.747	2.520	6.270	1.062	4.272	45.950
Expenses on guests	-	-	599	-	-	-	735	120	-	-	-	128	1.582
Extras for guests	1.595	-	205	-	993	80	272	379	-	-	803	628	4.954
Maintenance	-	1.677	55	-	-	-	350	68	-	-	-	131	2.281
Fixed expenses	8.633	8.633	8.633	8.633	8.633	8.633	8.633	8.633	8.633	8.633	8.633	8.633	103.590
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff cost	3.425	6.563	2.415	4.631	5.511	3.874	7.195	5.344	6.005	6.207	2.642	3.276	57.087
OPEX	18.529	22.791	20.867	26.450	27.588	24.966	33.555	28.291	27.158	29.799	14.375	23.497	297.865
	37%	102%	69%	53%	47%	51%	49%	47%	47%	50%	86%	37%	51%
Direct Margin	31.074	- 444	9.189	23.306	30.892	23.890	34.986	32.027	30.667	29.671	2.253	40.111	287.623

211	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017
Values in CZK	January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Accommodation	30.891	20.144	24.415	66.677	97.223	87.252	112.828	100.230	64.970	102.132	38.679	70.688	816.128
Cleaning	3.264	3.295	3.007	6.451	6.245	3.367	7.402	8.558	4.703	7.093	4.523	4.626	62.533
Parking	1.028	1.600	-	2.878	1.850	411	1.645	360	1.234	1.234	822	-	13.062
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	35.183	25.039	27.422	76.006	105.319	91.029	121.875	109.148	70.906	110.459	44.024	75.314	891.724
E-commerce	4.084	3.127	3.467	8.444	17.467	9.994	19.794	16.175	9.211	17.133	7.361	11.699	127.955
Cleaning	4.140	6.159	4.417	5.760	4.599	5.087	6.626	6.217	3.150	7.887	4.020	4.812	62.874
Expenses on guests	-	-	2.845	-	719	30	735	120	-	-	-	128	4.577
Extras for guests	1.595	-	1.321	1.358	1.108	172	352	379	-	-	803	628	7.715
Maintenance	-	755	-	-	-	-	-	-	-	-	908	131	1.794
Fixed expenses	6.841	6.841	6.841	6.841	6.841	6.841	6.841	6.841	6.841	6.841	6.841	6.841	82.088
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff cost	3.425	6.563	2.415	4.631	10.338	6.731	7.704	11.306	9.923	7.638	4.310	3.769	78.752
OPEX	20.084	23.444	21.304	27.034	41.072	28.856	42.050	41.037	29.124	39.498	24.243	28.008	365.755
	57%	94%	78%	36%	39%	32%	35%	38%	41%	36%	55%	37%	41%
Direct Margin	15.099	1.596	6.118	48.972	64.246	62.174	79.825	68.111	41.783	70.960	19.781	47.306	525.969

411	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017
Values in CZK	January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Accommodation	-	-	-	23.130	95.116	62.451	127.087	90.361	78.359	89.194	52.993	48.907	667.599
Cleaning	-	-	-	1.388	4.857	5.577	12.053	9.612	6.785	6.219	6.682	4.883	58.056
Parking	-	-	-	411	1.645	1.542	4.112	1.439	2.262	1.850	2.262	411	15.934
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	-	24.929	101.618	69.570	143.252	101.412	87.406	97.264	61.937	54.201	741.589
E-commerce	61	-	61	4.381	17.146	10.096	20.523	16.775	12.615	16.567	10.010	7.215	115.449
Cleaning	-	-	-	1.527	3.699	5.717	5.726	6.080	2.700	6.453	6.651	5.529	44.082
Expenses on guests	-	-	-	752	1.169	30	735	120	-	-	-	128	2.934
Extras for guests	456	-	-	1.358	1.360	445	272	833	-	-	803	628	6.154
Maintenance	-	55	-	-	-	-	-	-	-	-	999	431	1.485
Fixed expenses	1.076	1.076	1.076	6.801	6.801	6.801	6.801	6.801	6.801	6.801	6.801	6.801	64.434
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff cost	-	-	-	4.631	11.665	8.097	5.645	8.987	6.806	5.128	7.786	5.370	64.114
OPEX	1.592	1.130	1.136	19.450	41.841	31.185	39.700	39.597	28.921	34.948	33.050	26.101	298.652
				78%	41%	45%	28%	39%	33%	36%	53%	48%	40%
Direct Margin	- 1.592	- 1.130	- 1.136	5.479	59.777	38.384	103.551	61.815	58.485	62.316	28.887	28.100	442.936

609	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017
Values in CZK	January	February	March	April	May	June	July	August	September	October	November	December	Full Year
Accommodation	-	-	-	-	-	-	-	29.504	30.879	40.606	17.219	32.382	150.589
Cleaning	-	-	-	-	-	-	-	2.776	2.056	2.570	2.570	3.855	13.827
Parking	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-	32.279	32.935	43.176	19.789	36.237	164.416
E-commerce	61	-	61	-	1.841	61	644	5.028	5.240	6.879	3.712	5.687	29.212
Cleaning	-	-	-	-	-	-	-	1.773	800	2.335	2.770	4.246	11.924
Expenses on guests	-	-	-	-	-	-	-	120	-	-	-	128	248
Extras for guests	456	-	-	-	-	80	-	581	-	-	1.100	628	2.845
Maintenance	-	55	-	-	-	-	-	-	-	-	388	131	574
Fixed expenses	342	342	342	342	342	342	342	3.800	3.800	3.800	3.800	2.932	20.529
Other expenses	-	-	-	-	-	-	-	-	-	-	6.000	-	6.000
Staff cost	-	-	-	-	-	-	-	5.741	4.861	2.699	3.754	5.050	22.105
OPEX	858	397	403	342	2.184	483	986	17.044	14.701	15.713	21.524	18.802	93.437
								53%	45%	36%	109%	52%	57%
Direct Margin	- 858	- 397	- 403	- 342	- 2.184	- 483	- 986	15.236	18.233	27.463	- 1.735	17.435	70.979

Appendix 8: Actual 2017 Sales & OPEX

When u travel with friends (3-5 ppl) do u stay in one apartment all together or in seperate hotel rooms?

APARTMENT
T
68%

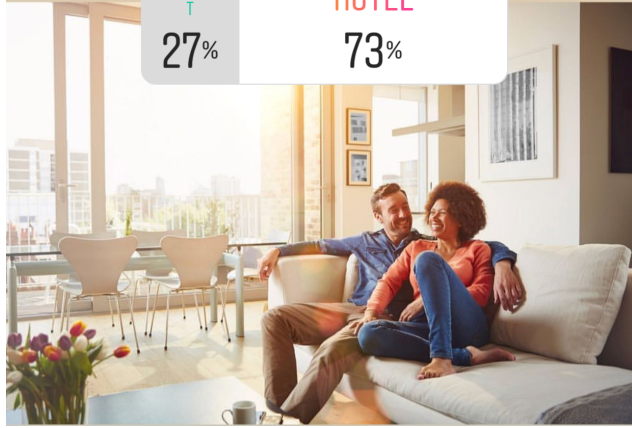
HOTEL
ROOMS
32%



And when u travel as a couple? Imagine that the price level and quality of apartment/hotel room are the same

APARTMENT
T
27%

HOTEL
73%



What motivates u when choosing between apartment or a hotel

LOWER
PRICE
20%

DESIGNS
COMFORT
80%



Are u always staying in the heart of city city, or 20 min walk (5 min drive) is ok if accommodation is gorgeous 🥰?

CITY
CENTER
40%

CLOSE TO
CITY CENTER
60%



Appendix 9: Marketing research

Respondent	Group tavel	Couple	Price / design	Location
1	apartment	hotel	design & comfort	center
2	apartment	hotel	design & comfort	20 min to center
3	apartment	apartment	design & comfort	20 min to center
4	apartment	hotel	design & comfort	center
5	apartment	hotel	design & comfort	20 min to center
6	apartment	hotel	design & comfort	20 min to center
7	Hotel room	hotel	design & comfort	center
8	apartment	hotel	design & comfort	20 min to center
9	apartment	apartment	design & comfort	20 min to center
10	Hotel room	hotel	design & comfort	20 min to center
11	Hotel room	apartment	low price	20 min to center
12	apartment	hotel	design & comfort	center
13	apartment	hotel	design & comfort	20 min to center
14	apartment	hotel	design & comfort	20 min to center
15	apartment	hotel	design & comfort	20 min to center
16	Hotel room	hotel	design & comfort	center
17	apartment	apartment	design & comfort	center
18	Hotel room	hotel	design & comfort	center
19	apartment	apartment	design & comfort	20 min to center
20	apartment	hotel	design & comfort	20 min to center
21	Hotel room	hotel	design & comfort	center
22	apartment	hotel	design & comfort	center
23	apartment	hotel	low price	center
24	apartment	hotel	design & comfort	20 min to center
25	apartment	hotel	low price	20 min to center
26	Hotel room	hotel	design & comfort	20 min to center
27	Hotel room	hotel	design & comfort	20 min to center
28	apartment	hotel	low price	20 min to center
29	Hotel room	hotel	design & comfort	20 min to center
30	Hotel room	apartment	design & comfort	20 min to center
31	Hotel room	hotel	design & comfort	20 min to center
32	apartment	hotel	design & comfort	center
33	apartment	apartment	low price	20 min to center
34	apartment	hotel	design & comfort	20 min to center
35	apartment	apartment	design & comfort	20 min to center

Appendix 10 Marketing research answers (1)

36	apartment	hotel	design & comfort	center
37	Hotel room	hotel	design & comfort	center
38	Hotel room	hotel	design & comfort	20 min to center
39	Hotel room	hotel	low price	20 min to center
40	apartment	hotel	low price	20 min to center
41	apartment	apartment	design & comfort	center
42	Hotel room	hotel	design & comfort	20 min to center
43	apartment	apartment	design & comfort	20 min to center
44	apartment	apartment	design & comfort	20 min to center
45	apartment	hotel	low price	20 min to center
46	apartment	hotel	low price	center
47	apartment	apartment	design & comfort	center
48	Hotel room	hotel	design & comfort	center
49	apartment	hotel	design & comfort	20 min to center
50	apartment	hotel	design & comfort	20 min to center
51	Hotel room	hotel	design & comfort	20 min to center
52	apartment	hotel	design & comfort	20 min to center
53	apartment	hotel	design & comfort	20 min to center
54	apartment	hotel	design & comfort	20 min to center
55	apartment	hotel	design & comfort	center
56	Hotel room	hotel	design & comfort	20 min to center
57	Hotel room	apartment	design & comfort	center
58	apartment	hotel	design & comfort	center
59	Hotel room	hotel	design & comfort	20 min to center
60	Hotel room	apartment	design & comfort	center
61	apartment	hotel	design & comfort	20 min to center
62	apartment	hotel	design & comfort	20 min to center
63	apartment	apartment	design & comfort	20 min to center
64	apartment	apartment	design & comfort	20 min to center
65	apartment	apartment	low price	20 min to center
66	apartment	hotel	design & comfort	20 min to center
67	apartment	apartment	design & comfort	center
68	apartment	hotel	low price	20 min to center
69	apartment	hotel	design & comfort	20 min to center
70	hotel room	hotel	design & comfort	center
71	apartment	hotel	design & comfort	20 min to center

Appendix 11 Marketing research answers (2)