
 Nilman

SOLUTIONS FOR RURAL HOTELS



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 **EOI** Escuela de
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1. BUSINESS DESCRIPTION

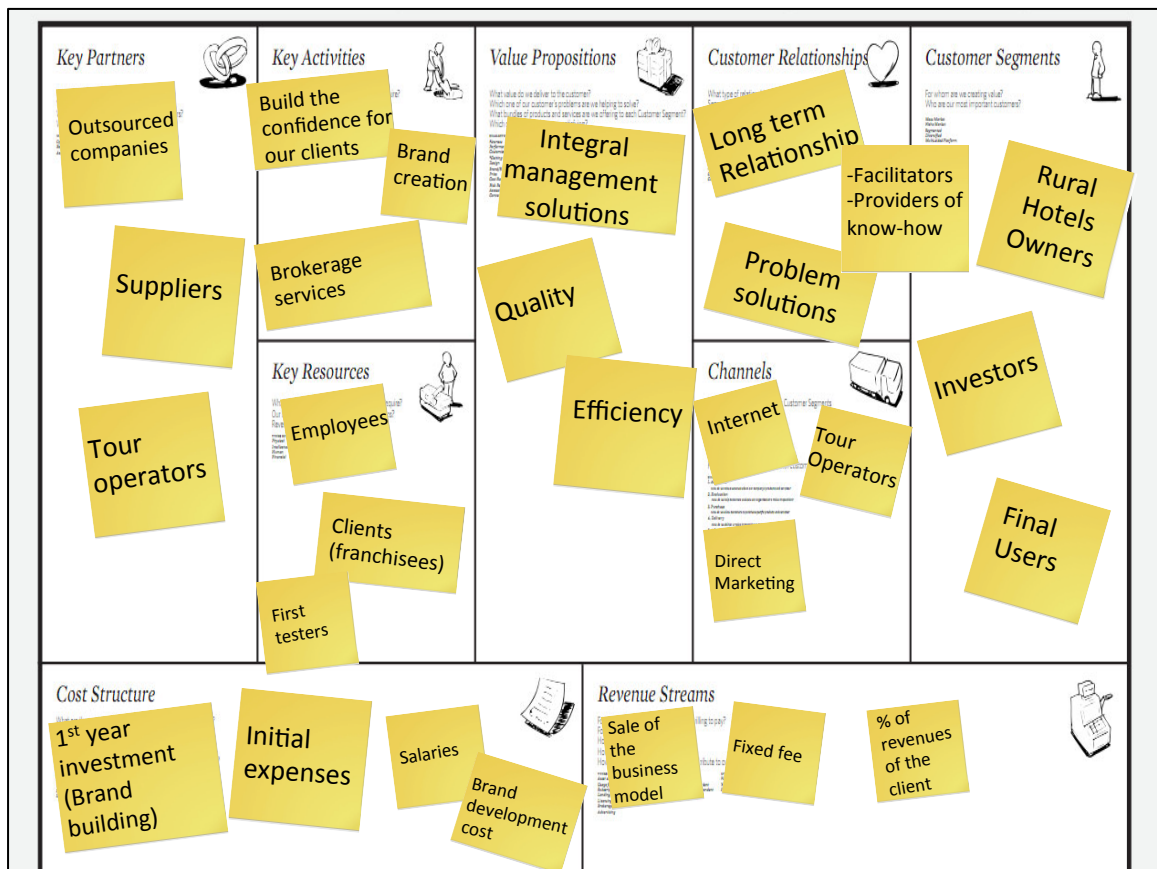
With this business we want to solve a huge problem in the society. Due to the construction crisis and the real estate bubble, the sale of buildings is almost impossible. At the same time, in many Spanish regions people has invested their savings in rural hotels that were receiving also subsidies for conditioning these buildings.

Many of these investors had no previous experience in the sector, and they do not know how to run properly the business and after the huge investment they have done, they cannot even sell the buildings due to the crisis.

For this reason, we have created this business model, where we want to help this collective to find a solution, so they can refloat their businesses.

Our business model will consist on provide a consultancy service wider than the traditional ones, where the client will only have to worry about the daily operations, we will take care of the rest of the services needed for developing the rural hotel activity. Once, we have proved to the society, the success of the business our intention is franchising this business model.

To describe it in more detail, we are going to analyze it through the Canvas tool:



a) Customer segments

- Rural hotel owners. We want our clients to be persons that have invested in building or reconditioning rural hotels and nowadays due to the economic crisis and the lack of knowledge of the industry they are in troubles (they cannot sell the building or have profits with the hospitality activity).
- Investors. Although we pretend the core business will be focus at the beginning on the rural hotel owners, we will offer for investors the possibility of build the hotel from scratch, by a modular concept (which includes an energy efficiency system). We will create a partnership with this purpose with an architect studio that will take care of building it.

- Final users. It is not our direct client, but we should deliver a great service and manage a good customer relationship management system for our clients if we want our business model to success.

b) Customer relationship

The objective of our company is to build a long relationship with our clients, where they can count on us to solve any of the problems that they can find running the hotels. We want to provide them the know-how, an efficient solution to cover this lack of experience within this hospitality sector.

c) Channels

For developing our activity we will work through different channels.

The first that we will use is the direct marketing. To gain the first clients, a research will be done about the rural hotels in different Spanish regions where this problem is quite big: Asturias, Galicia and Cantabria. Once, we have localized potential clients, we are going to contact directly with them and explain what is our company about, offering them free services for a period so they can check the benefits of associate their hotels with us.

Once we have clients, the main channels Nilman will develop its activity is through the Internet mainly to promote the company, and through tour operators to increase the rate of occupancy of the different hotels.

d) Value proposition

What Nilman is offering is a range of services that will allow the client to focus only on the daily operations of the hotels. These services are brand creation and development, marketing, administration, legal advice, IT services (including booking system) and procurement. All of the services will be provided through quality standards previously established, and quality controls on daily operations to ensure a high delivery of the final service to final user of the rural hotels; and through a concept of efficiency, that includes all activities.

e) Key activities

The key activities for the success of Nilman's business model are the next ones:

- Build a relationship of mutual confidence with our clients. Our primary objective is going to be this. It is very important for us, to prove that our business model works and it is a good solution for these rural hotels that are not doing very well. At the same time, we will need to know that we can trust on our clients, above all in the quality of the service delivered.
- Brand creation and development. Another important issue is to create a strong brand as soon as possible; the investment we are going to need will be quite high for this purpose. The reason for that it is that as soon as we have a "brand", we will have more clients wanting to hire our services, and sooner we can build the franchise model to expand our company, and the profits will arrive.
- Brokerage service. Our role as an intermediary, it is crucial for Nilman's success. All the services that we are offering, except a few, the role we are going to play is an intermediary role. We will facilitate the contact and the communications between our clients and the outsourced companies or suppliers, so they can benefit for having not such an atomization in the

sector as nowadays, but belonging to an association or master franchisee that will strength the position of this small hotels in the market.

f) Key resources

The key resources are not raw materials or machinery, but human capital. Nilman's success depends on the human capital and the quality of the employees. It will depend on the skills, background and aptitudes of them.

The other key resource is going to be the first clients that want to try our solution for them. Our success depends on them, so we can show our objectives and the value creation of our company.

Finally, the profits will come thanks to the client increase. Our profits will depend on them.

g) Key partners

- Outsourced companies
- Suppliers (related with the procurement process).
- Tour operators.

h) Revenue streams

- Sale of the business model for investors.
- Monthly fixed fee that we will receive for our services for every rural hotel.
- A percentage over the revenues if we are able to increase the rate of occupancy in the hotels that comes to us.

i) Cost structure

- Brand building or first year investment. To show that ours is a proposition that works we need some pilot testers of our services. As we understand that is a risky operation, we are going to offer to the firms

“hotels” to test the experience with us for free during a year, so we can build our brand and use it to attract new potential clients.

- Initial expenses needed for starting our activity.
- Salaries of the employees.

- Brand development. The profits of Nilman are directly related with the brand power and positioning in the market. For this reason, the marketing expenses need to be quite high.



2. EXTERNAL ANALYSIS

Once we have described the principal characteristics of our business model and we have defined at some extent the scope of our project we are going to analyze the context in which our activity is going to take place.

We are going to operate first on the North of Spain, with the reconditioning of the rural hotels. Our office is going to be located in Oviedo. Nevertheless, we offer to investors our services in any part of Spain. For that reason, in the external analysis, we are going to consider the Spanish situation.

The methodology we are going to follow is to divide each part of the external analysis in four different concepts: *Subject, Purpose, Scope and Conclusion*. Inside the first one we are going to define which area is more interesting to analyze regarding our concrete business, the “purpose” is the reasons that explain how our business is affected by this concrete external force. So the whole environmental analysis and its different parts will be developed when they could affect our project.

“Scope” is going to be the analysis itself and afterwards we are going to make a brief conclusion. It seems to us also interesting to explain that at this stage of the project punctual parts could be subject to further improvement.

2.1 Political overview

Subject: Analysis of the political landscape and its main features in order to contextualize the project.

Purpose: This aspect has a moderate impact on our business because of the stable political situation that Spain is going through during the last decades.

Although this is true, we consider interesting for our project to briefly introduce the current situation.

Scope: Spain was a really successful example of transition from a dictatorship to a democracy. But nowadays mainly two parties dominate this democracy; the center right “Partido Popular” and the center left “Partido Socialista Obrero Español”. Both of them have divided power and time in front of the government over the past decades.

One of the main problems within this political dichotomy is that many public policies and norms related with the labor market, financial market and other sectors of the economy uses to change depending of which party is currently in the government.

In these days of crisis the government, with the pressure of the European Union and other international institutions, is taking many decisions concerning the core regulations of the country that are provoking lots of reactions from the civil society side.

Conclusion: One of the best points of Spain political situation is the strong relationship with the European Union, joined in 1986, and also with other regions as Latin America. In the case of European citizens, the fact that constraints to the movement across Europe don't exist it's crucial for our business.

2.2 Economic situation

Subject: Study and exposition of the main characteristics of the Spanish economy and some possible trend for future years.

Purpose: In our particular business model and with our customer segmentation, the deep crisis that Spain is going through is not a crucial factor, as it appears to be.

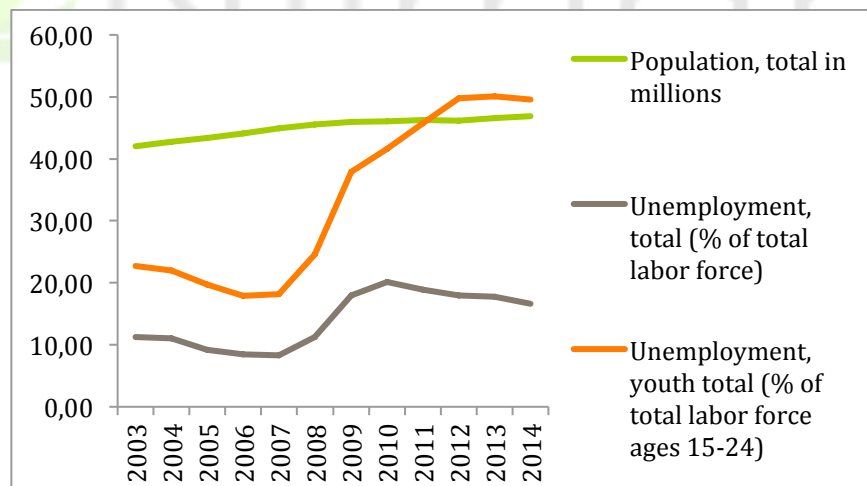
Scope: Our potential customer belongs to a high-income level social stratum, and they still have the possibility of choosing where and when spend their income and time.

Spain is passing through a difficult economic situation, the proportion of the recession is living currently is enormous.

As we can see in Figure 1¹ the unemployment rate has reach historic records in the past years. One of the core Spanish economic activities, construction, that it was responsible for a huge part of the previous economic growth has almost stopped dramatically.

This situation is also even worst if we see the figures concerning youth people that are not allow even to enter in the labor market for first time.

Figure 1



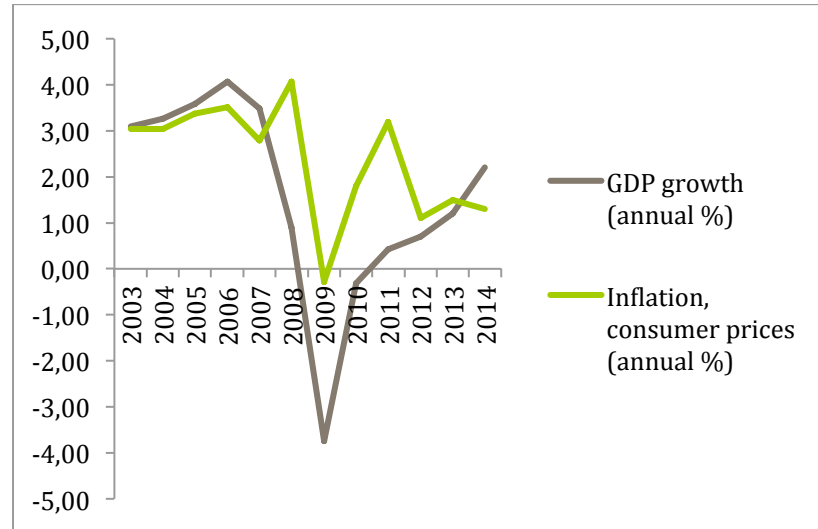
Other trends that are interesting to analyze are shown in Figure 2². The sustainable GDP growth that Spain got until 2007 disappeared, the banking system run out of liquidity, public sector couldn't support and encourage economic growth

¹ Source: World Bank Data for Spain.

² Source: World Bank Data for Spain and DataMonitor for the forecasting of 2013-2014

anymore and inflation wasn't controlled by the European Central Bank as it was controlled before.

Figure 2



Conclusion: Apparently and according to many different sources and institutions, the recession period is reaching the end and at the beginning of next year we will see another different and better situation.

Spain must to be aware of its strengths, has to take care about exporting much more goods and services maintaining its brand. But also encourage tourism, changing the traditional perspective to the current times. Rural tourism could be a solution for many problems, recuperation of uninhabited and isolated areas, giving them new sources of revenues.

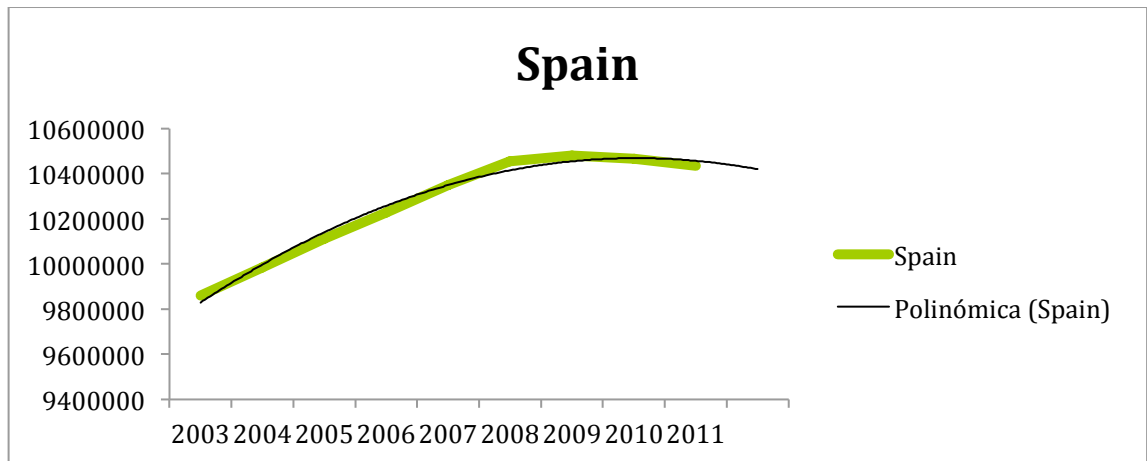
2.3 Social analysis

Subject: Study of the current and future situation for the Spanish society as well as for our specific scope, rural areas.

Purpose: In the external analysis we are doing around the Spanish social environment, we will focus on the factors affecting directly our business model.

Scope: As we have established in the business description, one of our challenge is trying to respond to the actual situation of rural areas, we are going to study them first.

Figure 3



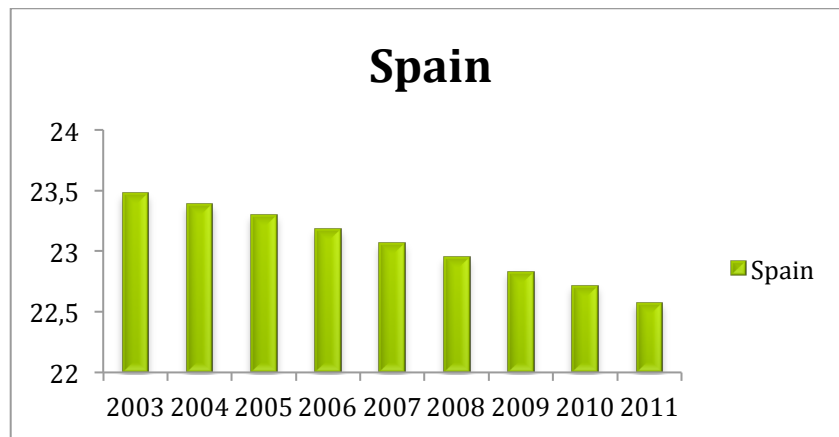
We can see in the graph above (*Figure 3³*) the total number of population of rural areas and its possible tendency for future years. We check that nowadays the number of persons living in these areas is quite stable.

Nevertheless if we look to the percentages of the Spanish total population presented in the *Figure 4⁴*, the numbers are not such optimistic as we comment before.

³ Source: National Statistics Institute (INE)

⁴ Source: INE

Figure 4



Conclusion: With our business model success we would like to contribute to the sustainable development of these rural areas in Spain.

2.4. Technological analysis

Subject: To analyze the technological impact on our project.

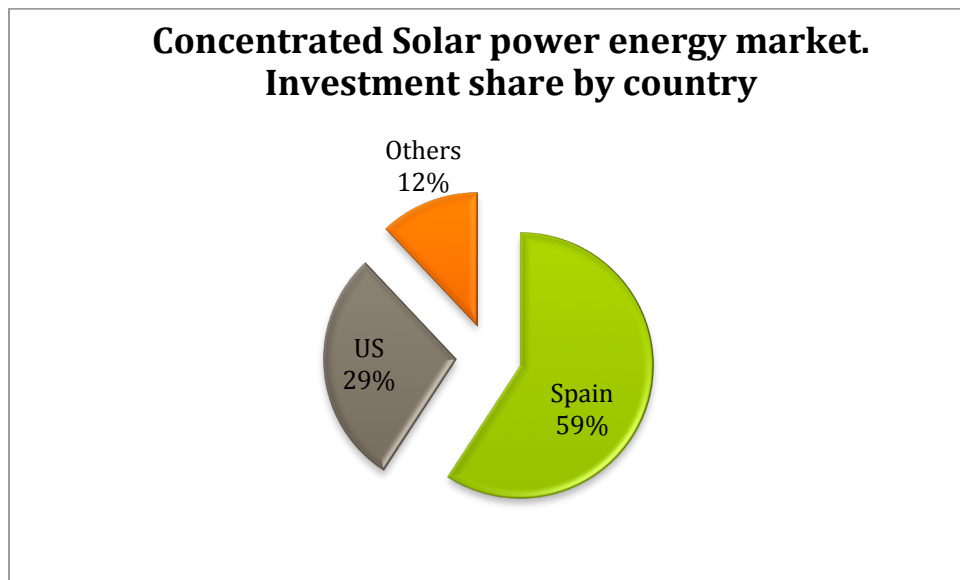
Purpose: The technology greatly affects the business in several ways, in our case the technology will mainly allow our rural hotel project to assess its energy consumption towards a sustainable energy options.

Scope: Spain has been slow to adopt technological advancements compared to the other EU countries, although policy measures have been undertaken in this regard. Spain ranks 16th on the European innovation index in a list of 27 nations.

Spain is now looking to map out its strategy for the next decade to meet its binding EU 2020 emissions target. Early in the quarter, Spain approved more modest targets in its final draft of the 2011-20 renewable energy plans, in a bid to control subsidy costs while still encouraging growth. The country now aims to generate 20.8% from RES by 2020.

The country's CSP sector continues to prosper as the world's number one market. As a wind energy production also Spain is technologically updated. The government has initiated measures to address the shortfall in innovation by revamping the educational system and introducing new technologies.

Figure 5⁵



Conclusion: Business operations are increasingly influenced and affected by the advance of technology. In our project, as it will be a self-sustainable modal, we need to be updated in the renewable energies. So there are significant opportunities in energy and ICT sectors in Spain.

2.5 Environmental analysis

Subject: To analyze the environmental impact on our project.

Purpose: Environmental analysis will provide us to figure out significant environmental factors, which will affect our project and help us create business strategy for our project.

⁵ Source: GlobalData

Scope: Spain has been a late starter with respect to tackling environmental issues. The subject received the government's attention after Spain became a member of the EU. While the country focused on economic growth, it made some compromises with regard to the implementation of environmental regulations.

The government's commitment to international agreements and the EU directives is reflected in the improvement in environmental indicators. The continued effort of government units coupled with participation from the private sector has allowed the country to meet with partial success in improving its environmental conditions.

Conclusion: After carefully identifying the future prospects, we believe that Spain is moving towards sustainable tourism, and its meeting energy need through renewable energy, which will be very positive for our rural hotel project.



2.6 Legal analysis

Subject: To study how is the legal environment regarding rural areas.

Purpose: Find the legislation that affects our activity in the rural hotels sectors.

Scope: The main issues affecting our business model, a part of the labor and fiscal legislation, it will be the laws that regulate the tourism, specially the rural tourism in Spain.

In this sense, Spain works as a “federal” country, because each region has its owns rules to legislate this area.

For instance, the regional laws for the north of Spain (our targeted first center of operations) are:

- LEY 7/2011, de 27 de octubre, del turismo de Galicia.
- Decreto 142/2006, do 27 de xullo, polo que se modifica o Decreto 191/2004, do 29 de xullo, de establecementos de turismo rural.
- Decreto 191/2004, do 29 de xullo, de establecementos de turismo rural.
- Decreto 143/2002, de 14 noviembre, de Alojamientos de Turismo Rural (Asturias).
- Resolución de 12 de mayo de 2000. Reglamento del uso de la marca "Casonas Asturianas".
- Decreto 69/1994, de 1 de septiembre, por el que se aprueba la utilización de la marca "Casonas Asturianas" (BOPA de 11 de octubre de 1994)
- Decreto 85/1995, de 22 de mayo, regula el régimen de precios en los diversos establecimientos de alojamiento turístico.
- Decreto 191/1997, de 29 de julio, por el que se regulan los apartamentos turísticos, las viviendas turísticas vacacionales, los alojamientos en habitaciones de casas particulares y las casas rurales (País Vasco)
- Decreto 210/1997, de 23 de septiembre, de modificación del Decreto por el que se regulan los establecimientos de alojamiento turístico en el medio rural. (País Vasco).
- Decreto 31/1997, de 23 de abril, por el que se regulan los alojamientos y actividades turísticas en el medio rural de Cantabria.

Conclusion: We have to take care about this legislation when doing our activity and selecting the potential clients.

3. SECTOR ANALYSIS

We are going to develop an analysis focused in the Hotel Accommodation Unit (HAU) we want to implement. This pilot project will be the seed for further franchising processes that will be our future business. Therefore, to develop this franchise model we want to analyze first the first pilot hotel so we can look for which parameters (financial, operational, marketing etc.) are going to be key issues for the success of our project.

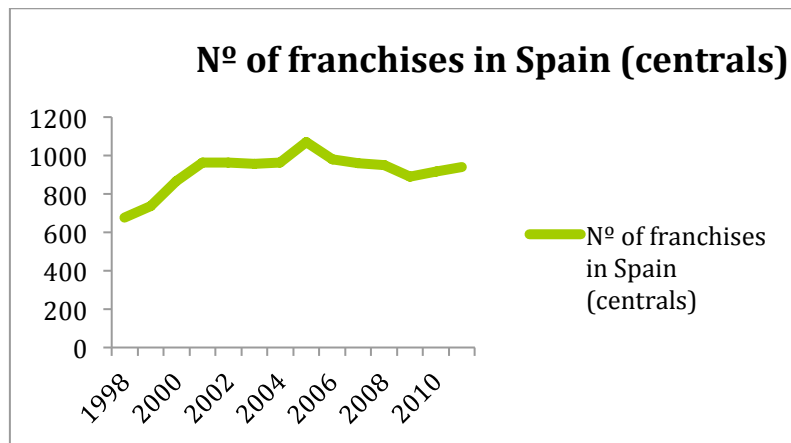
3.0 Market overview & data: franchises in Spain

As we want in the future to establish a franchise business model for our company. We think is important to have an overview on the current situation of the franchises in Spain.

The decision about choosing a franchise model for the future of our business is because we think is the best way to replicate it in many different contexts. We want to be established in rural areas trying to respect as much as possible the environment and the local culture, using these values as an extra proposition for our potential customers.

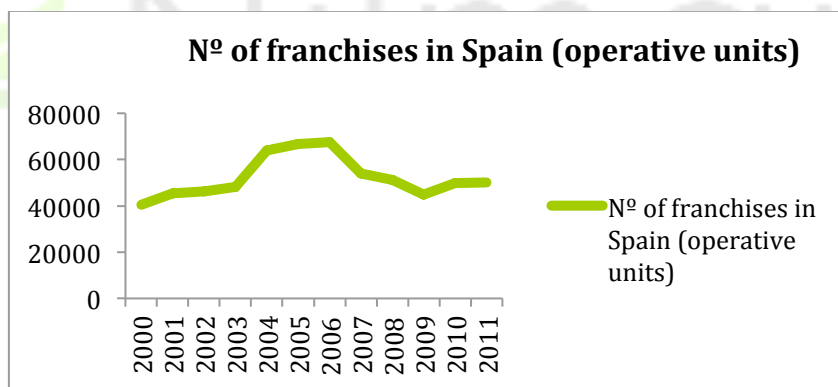
Firstly, we want to introduce the number of franchise centrals (number of companies that provide franchise systems) in Spain. According to “*Barbadillo Asociados and Tormo asociados*”, two Spanish consulting firms specialized in franchises advice; these are the evolution during the last eleven years:

Figure 7



In the amount of franchises units we can see that the evolution during past years is quite similar as in the number of centrals:

Figure 8



We want also to include as a reference some data about franchises in the hospitality sector, but we have to take into account that this information included also restaurants and bars, so we will use only as reference above all for the restaurant we want to include in the hotel, but it cannot be used to make decisions.

Figure 9



We can check in this figure has the same evolution as the two last ones and next ones with a jump down during the year 2009, this it happened because the starting economic crisis in Spain and some factors more affecting only the hospitality sector that we will explain during the analysis of it.

3.1 Market overview & data: Hotel industry

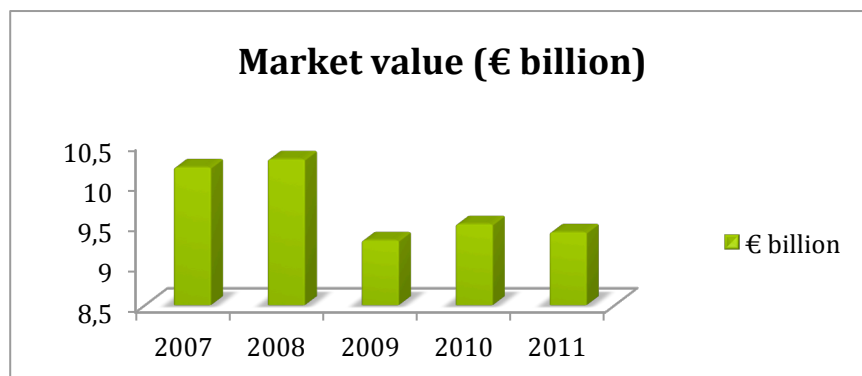
In order to understand better the sector where our company is going to operate in, we need to have some highlights of the size of the market, and the possible trends and characteristics that it has.

To analyze the market of this industry, we are going to considerate not only hotels and other accommodation providers, through the provision of accommodation and food services.

a) Market size:

In the figure below (*figure 10*), we can see the total revenues in the sector counted by billion of euros. The evolution during past years has been fluctuating, but in last years is quite stable.

Figure 10

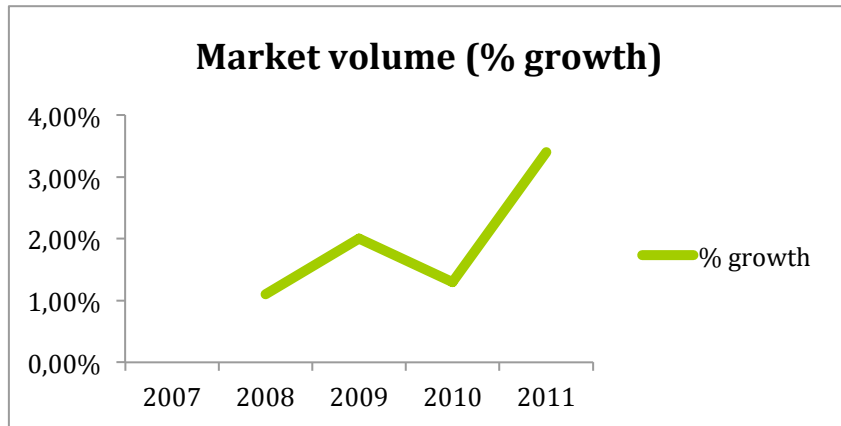


The huge jump down that we can appreciate during the 2009 it can be explained by the increase in the cost during this year, that it could not be translated to the final price of the hosting service.

b) Market volume:

The market volume represents the total number of hotels and motels existing in Spain. The last data establishes there are 19.262 hotels. In the *figure 11*, we can check the growth evolution during 5 years (from 2007 to 2011).

Figure 11

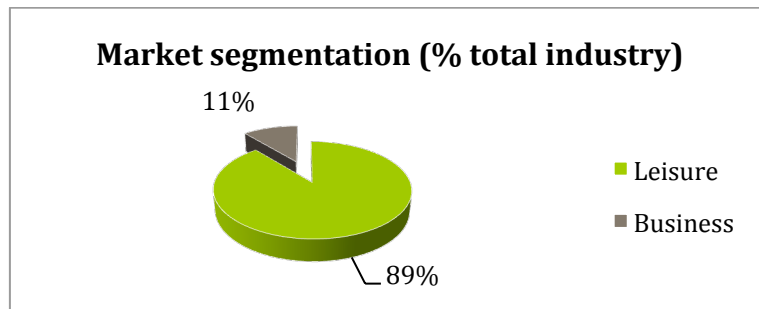


c) Market segmentation:

In the hotel industry there are used two main segments: leisure and business. The next figure represents (figure 12) the weight of both of them in this market.



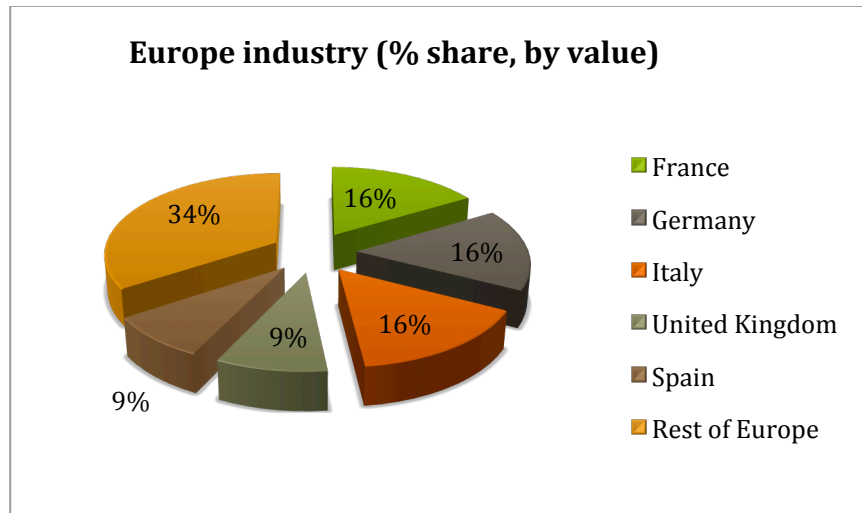
Figure 12



d) Geographical segmentation:

Geographically we can see in the figure below (figure 13), the total market value of the hotel industry in different countries of Europe, we can see that in spite of Spain has a powerful industry, it is far away from countries like France or Germany, which are in the top of Europe. We have had in account for Europe, not only Western Europe but Eastern Europe as well.

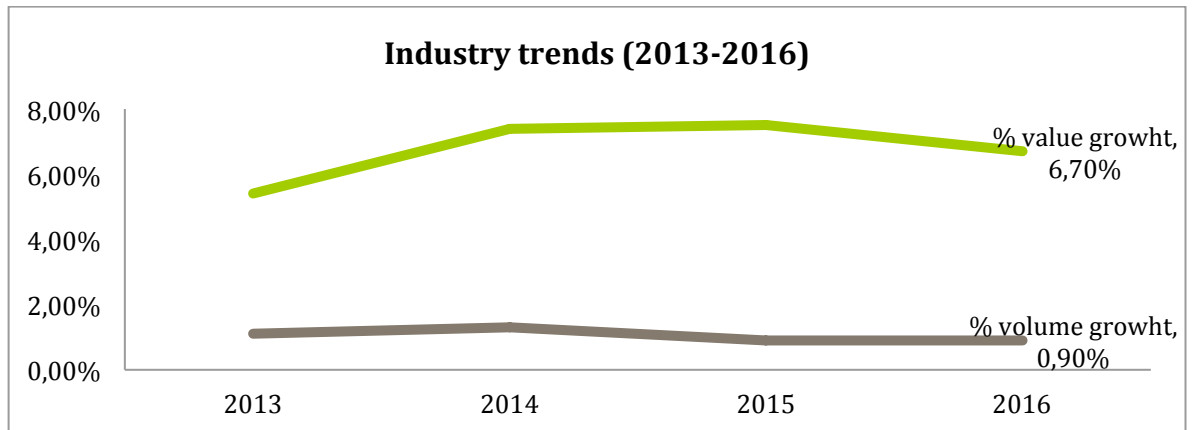
Figure 13



e) Trends:

According to *Marketline* data the industry will remain quite stable during the next years, not just in market size (revenues in the sector) but market volume. (Number of establishments)

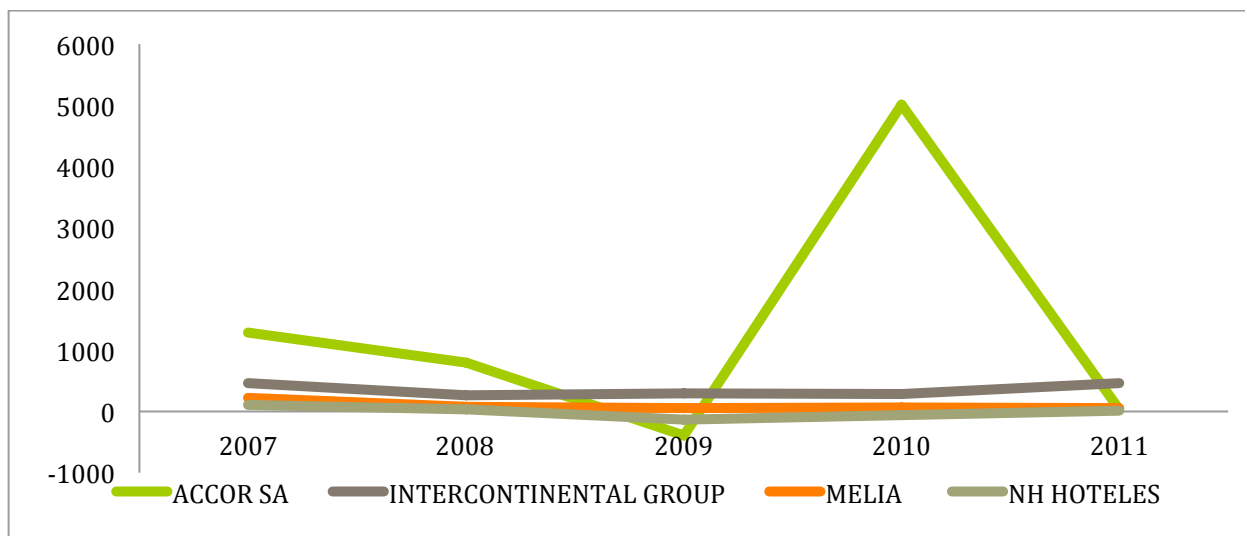
Figure 14



f) Bigger players in the industry:

There are four bigger players: Accor S.A., Intercontinental Hotel Group Plc., Melia Hotel International S.A., NH Hoteles, S.A. In the next graph (*figure 15. Source Marketline*) we can check the weight in the market that they have during a period of 5 years by looking at the evolutions in their financial results.

Figure 15



3.2. Sector analysis

Once we have seen the main and representative data of the market and its current situation we are going to analyze the different forces present in the industry. As these forces could affect strongly and directly our business it's really important to be aware of the possible threats that could arise from them.

i. Potential new comers & barriers

Hotels industry is obviously strongly influenced by trends in tourism. Although is still one of the main economic sector within the Spanish economy

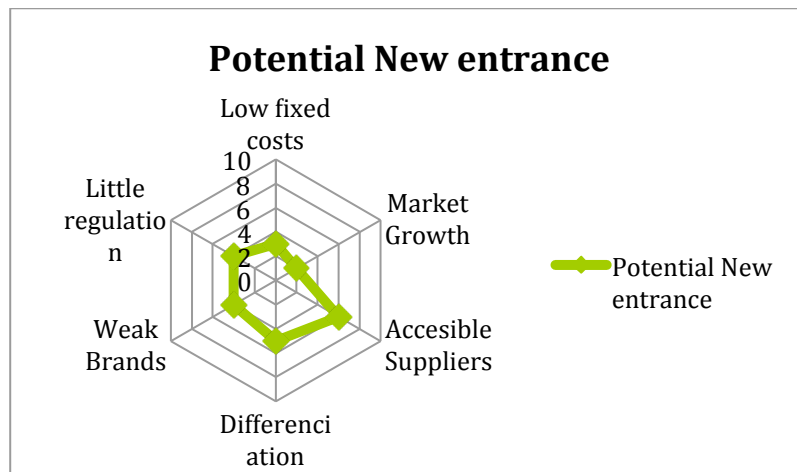
the current situation has changed a lot in the past years. The market was so strong that the biggest issue was to find empty places in the most touristic areas. So in those times, this meant that new competitors didn't represent a huge threat at all.

But in recent times, the economic context has driven into a totally different situation. The aggregate demand, formed by international but also domestic consumers has fallen dramatically. Thus, the hotel industry had to reconvert themselves and search for different ways to encourage demand. This contraction of demand has supposed a negative direct impact in sales and revenues. Therefore, this situation contributes to decrease the profitability of the sector and the entrance of new competitors inside the market.

Although is true that you can develop a small hotel with no huge investment we are going to focus on those particular markets (related with luxury hotels) in which the capital used is intensive. This means that the barriers of entry are quite high; the investment needed to get into the market is huge. But these barriers are not just related with the real state but also with furniture, high skill trained staff and technology (remember that we are going to develop a model in which energy efficiency and automatic home devices).

There are other issues concerning this industry that could limit the entrance of new comers as the seasonality inside the business or the current competition of the market because new competitors will have to deal with huge channels already positioned.

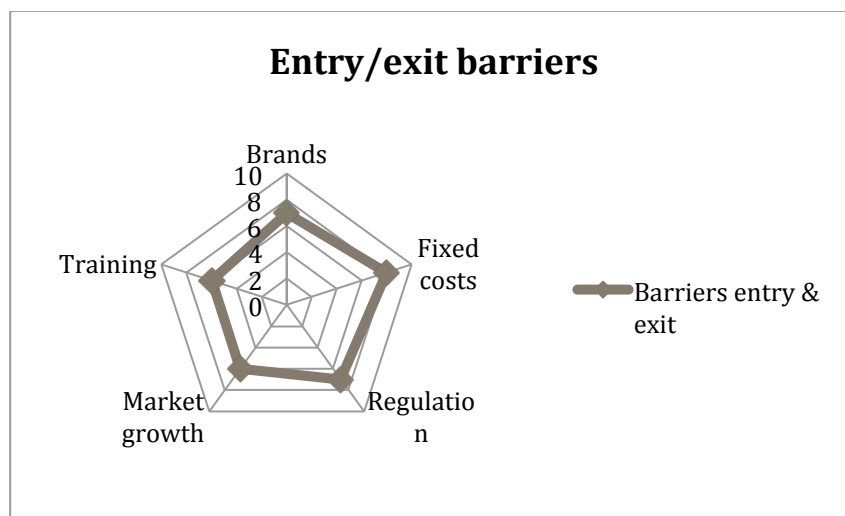
Figure 16



I am going to introduce this graphics because of its continuous use. We are measuring the main aspects⁶ inside the different forces by giving them a score between 0 (minimum) and 10 (maximum). The reasons of the grades we put are directly connected with our definition and explication of each concrete force.

With this we want to see at what extent there exists a threat and try to quantify it from an intuitional point of view.

Figure 17



⁶ Definition of each concept explained in the Glossary.

In these two cases we see that potential new competitors entering the market is not a big deal in part as we see above, because of the barriers of entry and exit.

ii. Customer bargaining power

The hotels industry in Spain is very competitive and mature so the brand recognition is important to attract consumers. A strong brand image helps to attract first-time customers and also to repeat, as switching costs are negligible in this industry because of the competition as the customers now days have many choices. Differentiation between brands is very important, as one particular brand becomes attached with quality, price or a specific target age group as an example.

Buyers are generally price sensitive, except in the premium luxury market. Innovation is also equally important in attracting new customers, as competing on price only will not work in today's market. In the premium segment, companies can attract customers by better security and more facilities, such as spas, gyms and golf complexes. Many luxury hotels attract customers by offering a points system to regular customers, which reduces buyer power.

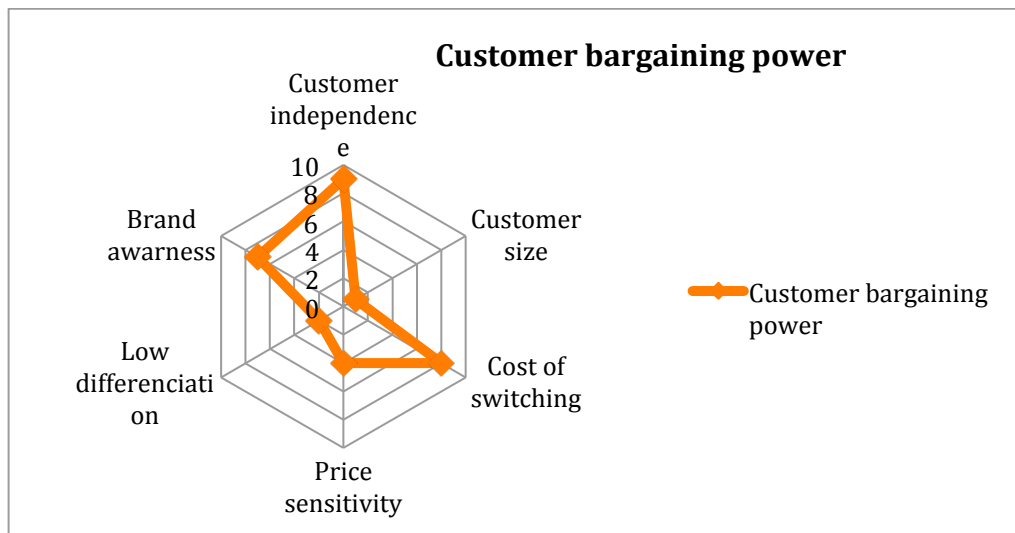
As customers are numerous and mostly small in size, their buyer power is reduced, since the impact of losing one customer is not a significant threat to business. However, as many of the countries with a heavy dependence on the tourism industry like Spain have discovered, the reduction in the number of holiday makers and overall travelers' number means that buyer power has increased, as the consumers have more options, often at a lower price point. Nowadays with the European economic crisis the tourists are not spending a lot when they travel.

But in our case we will have the advantage of providing them new experience and with our services which is different from other hotels; this

will help us to create the brand image of our hotel which will attract first time customers and also to repeat business.

Overall, buyer power is moderate.

Figure 18



iii. Possible competitor respond strategy

The industry includes several leading international players with many hotels worldwide. Also there are many independent players in this industry. Because of this the competition is increased.

Many larger operators are diversified and have other businesses as well, like casinos, restaurants and shops etc. To attract and sustain more business, operators try to offer more products and extra services such as free breakfast, discounts etc. Now a day's lifestyle hotels are getting popular, for e.g. Eco friendly hotels, social responsibility or natural lifestyle.

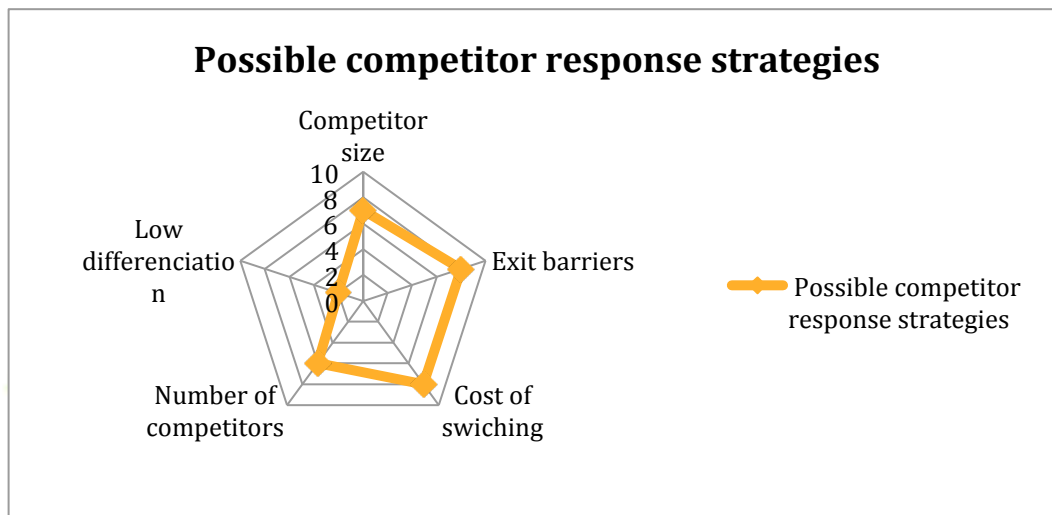
The largest hotels operators are based and work according to the geographical area in which they are based. So they are always looking for new ideas to attract customers.

Exit barriers in the hotel industry are fairly high, because various assets are highly specific according to their industry and thus are harder to divest. So many global leaders are expanding through franchising and hotel management services, as well as acquiring the properties.

So competitors can respond with the same strategy like others to attract the customers.

Overall, rivalry in the industry is strong.

Figure 19



iv. Supplier bargaining power

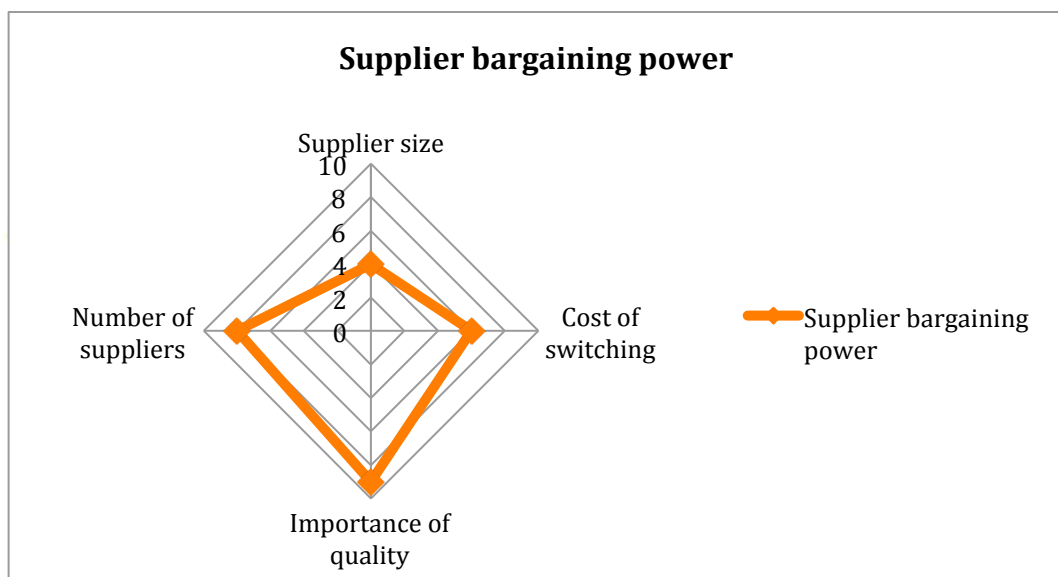
There are many suppliers in this industry, we have to take in account architectures, the designers, the suppliers of services and equipment, real estates companies, IT providers, management and trainers providers, marketing companies and consultants. We can divide them in three more important groups that affect the processes:

- Real estate companies. These companies in Spain usually are smaller than the hotel companies. As consequence, they have less negotiating power.

- Providers of services and equipment: this is a critical factor for the final quality of the service the hotels are providing to the final users.
- IT providers: nowadays to deliver a great hosting experience to the final user it is crucial to have a good software and applications that allow the hotels to have updates all the books that they have in real time.
- Another important factor is the labor force, because they need to be good professional in the sector.

To conclude, we can say that the supplier bargaining power is moderate in this Spanish hotel industry.

Figure 20



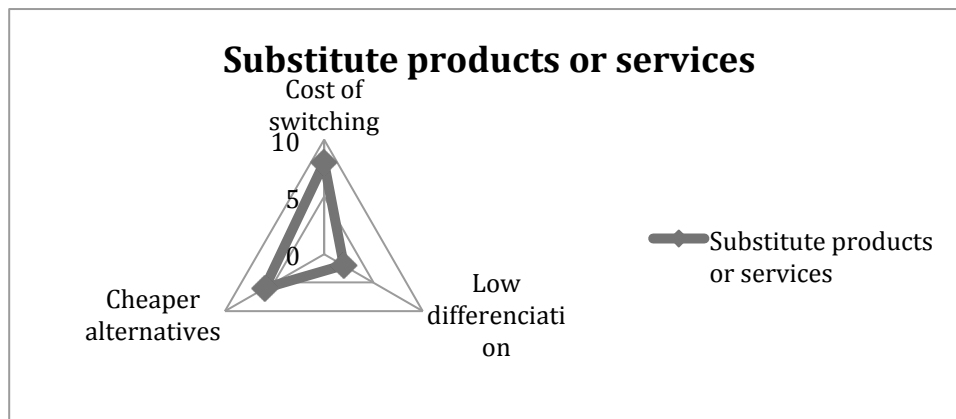
v. Substitute product or services

The substitute products can be defined as other existing forms of accommodation, which will include mainly camping facilities, recreational vehicles or informal accommodation with friends and family.

In spite of having that substitutes the experience they can provide is completely different as the one you can have hosting in hotels.

So as conclusion the threat of substitutes is assessed as moderate.

Figure 21



4. COMPANY ANALYSIS

In this part of the project we are going to develop an analysis of the different forces that are involved in our business and how we can manage them to strengthen our model or to take advantage from some external opportunities. For this last part we are going to develop certain “Action Plans” in order to look for ways to avoid our threats and measures that could improve the project.

4.1 SWOT analysis:

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. Wider range of services than traditional consultant companies. 2. We will offer a complete model 3. Although is going to be franchised, there are huge benefits for joining the efforts in a very fragmented market 4. We will promote development of rural areas. 5. A sustainable energy business model for new investors 	<ol style="list-style-type: none"> 1. Seasonality related with the type of industry. 2. Diversity of the services. 3. Hard to reach the customers (mainly the first ones) 4. Difficult to create and spare the brand image.
OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. Our value proposition is attractive for many customers. 2. Spain is moving towards sustainable tourism. 3. Economic crisis in Spain. 	<ol style="list-style-type: none"> 1. Substitute services 2. Imitation risk. 3. High technology hotels required higher cost of maintenance in the hotel for investors (new one).

4.1.1 Strengths.

1. Wider range of services than traditional consultant companies.

We will offer more services for the rural hotels' owners and investors than the traditional consultant companies. This is, the only thing that our clients will have to do is to worry about the daily operations. The rest, we are going to take care about. We will have some core competences that we will do by ourselves, and the rest we are going to outsource and offer to the final client as a whole.

2. We will offer a complete model.

The franchise model we are going to sell to our customers will cover all the different stages for the business, from a global perspective but with some adaptable and specific features the customer can choose.

3. Although is going to be franchised, the marketing will be done as a whole.

This is due to the image we want to create and also will encourage the brand recognition.

4. We will promote development of rural areas.

As we see rural areas population is decreasing, also we are facing severe economic crisis in these areas. Our business model will help promote economic activities and development in these areas, which may reduce the unemployment and economic growth.

5. A sustainable energy business model.

Our sustainable energy model for the new buildings will help saving us energy in an efficient way. This will not only reduce our costs but also will be a great experience for the customers to see best sustainable energy practices, so that they can follow and this will help overall development of a society in better way. We will take various green initiatives also which will complement our business model.

Action Plan for the strengths.

We have the advantage that the context in which will be based is one of the most popular tourist destinations of the world. This will not only attract many international tourists but also they will get to know the culture and specifically the rural experience that they will never forget.

In terms of marketing this can help us target different customers from all around the world that could be interested in the model we are selling.

Our associates or franchisees will be situated in a rural area, which will be away from the fast metro life, where everyone is so busy. This would provide a unique franchising value proposition and we have to make the most out of it.

4.1.2 Weakness.

1. Seasonality related with the type of industry.

The sector in which we are going to sell and develop our business models is the hotel industry. This market is characterized by peaks and valleys in its demand. This issue could affect strongly and in a negative way to any business within this market. The high fixed costs related with the land and the buildings are not homogeneously amortized during the whole year.

2. Diversity of the services.

The range of services that we are offering is huge, so we may not have the direct control over all of them. As we are going to outsource many areas of the company to gain efficiency, we are taking a risk. For this reason, the relationship with these businesses will be fundamental for our success. They need to be engaged with us for our success.

3. Hard to reach the correct customers.

The success of our business model will depend on the clients we are going to have, and its number. The most difficult stage is above all, the selection of our first clients. This is crucial because with them, we have to show to the market, the value we are adding to these clients. So in the future, we can prove that ours is a successful proposition.

4. Difficult to create and spare the brand image.

There is a mature market full of different agents and companies. Be differentiated from the rest is one of the most important things for our business, but due to the high competition and supply, is not an easy task.

Action Plan for the weakness.

In order to avoid the weaknesses defined above we think that could be interesting to define properly our competences and responsibilities with our customers but also a range of fixed services that we are going to call “Global “ and that must be in all the different hotels no matter the location or the concrete issues. Also some “Specific Services” could be exchanged depending on the needs and desires of the customer.

A customer – oriented approach will allow us to have a faster response to contingencies, which will allow us to mitigate the problem from the very beginning.

Other interesting measure is to be always aware and trying to improve our brand image and awareness. Nowadays and more in this kind of highly competitive sectors, marketing strategy and positioning is a key activity. This is the reason why we are considering developing all different campaigns and keeping the marketing department as one of our main core activities.

4.1.3 Opportunities

1. Our value proposition will attract many international customers.

The location and services we will provide could be very interesting and strategically not only to national potential customer but also to international. This will be really helpful and it's an opportunity for overall development of our business.

Furthermore the situation of many Arabs countries, with an unstable political climate will help to the tourist to come to Spain and try the services of our clients. As we are an international team, we can have a better understanding of their needs and try to provide our clients with a consistent offer for them.

2. Spain is moving towards sustainable tourism.

After carefully identifying the future prospects, we believe that Spain is moving towards sustainable tourism. Because of this we think that environmental and technological factors are in our favor. And this will allow improving out sustainable

model and use best industry practices in our model will add more value to our hotel.

3. Economic crisis.

The Spanish economic crisis can be an opportunity for us because we want to offer solution for rural hotels' owners that are on trouble: their businesses are not going well and they cannot sell the buildings. Many people are in this situation because of the economic crisis, so we are taking advantage of this fact.

4.1.4 Threats:

1. Many substitutive services.

The potential clients have many different offers to choose. Within these offers they could even choose to develop the model themselves (the modular building concept can be reproduced by almost everyone).

2. Imitation risk.

Other companies can adopt our differentiation factors, above all the agglomeration of services we are providing. For this reason, it is really important develop quickly our brand, so we can be recognize in the market and put barriers for potential newcomers.

3. High technology hotels required higher cost of maintenance in the hotel for investors (new one).

As our model is going to be a hotel based on energy efficiency and technology towards inside the hotel, the percentage or expenditures related with the maintenance are much higher than in the conventional hotels. Therefore, importance of the correct functioning of every piece it's a core competence and a way to build or destroy our brand image.

Action Plan for the threats

Strong differentiation process and huge efforts are required to keep and improve our brand position, image and awareness. We will have to be continuously improving our business model in order to be harder to copy through the incorporation of the possible new techniques or product that can appear in the market.

4.2 Strategic aims.

Brand creation and development

At the end, the most important thing is the creation of our brand, so we can franchisee the model as soon as possible. For this reason the marketing will be include in our core business.

The maintenance and development of the brand to create awareness in the sector will be the next step.

Location:

We want the location to be one of the key factors that differentiate our hotel from competitors for the pilot, and later for the franchisee.

The requirements are that it should be not more than one hour away from a National Park preferably, or a Natural Park.

About the location related with infrastructure, we will prioritize the ones that are located one hour away by car from an airport or from railway stations with high-speed trains.

Positioning objective:

The service provide by the Hotel and its different activities we want to be premium, a high quality accommodation surrounded by great activities and an excellent restaurant experience that give to the client the image of quality, privacy and relax.

For that reason, the recruitment of the employees should be done carefully not only in our company, but in the franchisees as well, we believe in the importance of the human capital for a company having success. Through the advice service we would provide to our clients (the franchisee), we would be determined the key factors that is needed by all the labor force in the resort, the “musts” are following ones:

- Professional
- Excellent in the customer treatment.
- They should have study in a hospitality school or have a demonstrated working experience in places similar the one we want to provide.

If we look at the activities that the franchisees would do, all of them will have to fit with the next requirements:

- Environmental friendly.
- Safety activities. Even in risk or more adventured activities, they should be done by professional and in safety context.

Regarding, the marketing, the central should take care about this topic. We will do all the advertising activities and marketing campaigns. However, local campaigns or special promotions can be as well run by the franchisees.

Design objectives:

The design objective is related not only with the external design of the building but also with the internal. It is about trying to develop a functional concept where it can be incorporate step by step the use of resources as environmental friendly and efficient as possible.

Another key factor we want to add value to the market is through the sustainability and an energetic efficiency model when constructing new buildings. Our company will do agreements with some architect studios, that can build modular hotel with the same characteristics for all the units, but with little adaptation to the zones the franchise would be established.

Both rural hotels options that we are planning to work with would need to be as much as possible energetic self-efficient, by the using of renewable and sustainable sources.

Products:

We will provide to the clients, a wide range products that are needed for the daily operations through direct channels or through partners with whom we would do agreements to serve all of the franchisee.

These products need to reach a minimum, a quality standard previously established by Nilman.

Technologies (IT):

The reservation of the different hotels will be centralized. It will be a service providing by the central in order to reach quality standards also in the net.

We will describe deeper this section during the operations plan.

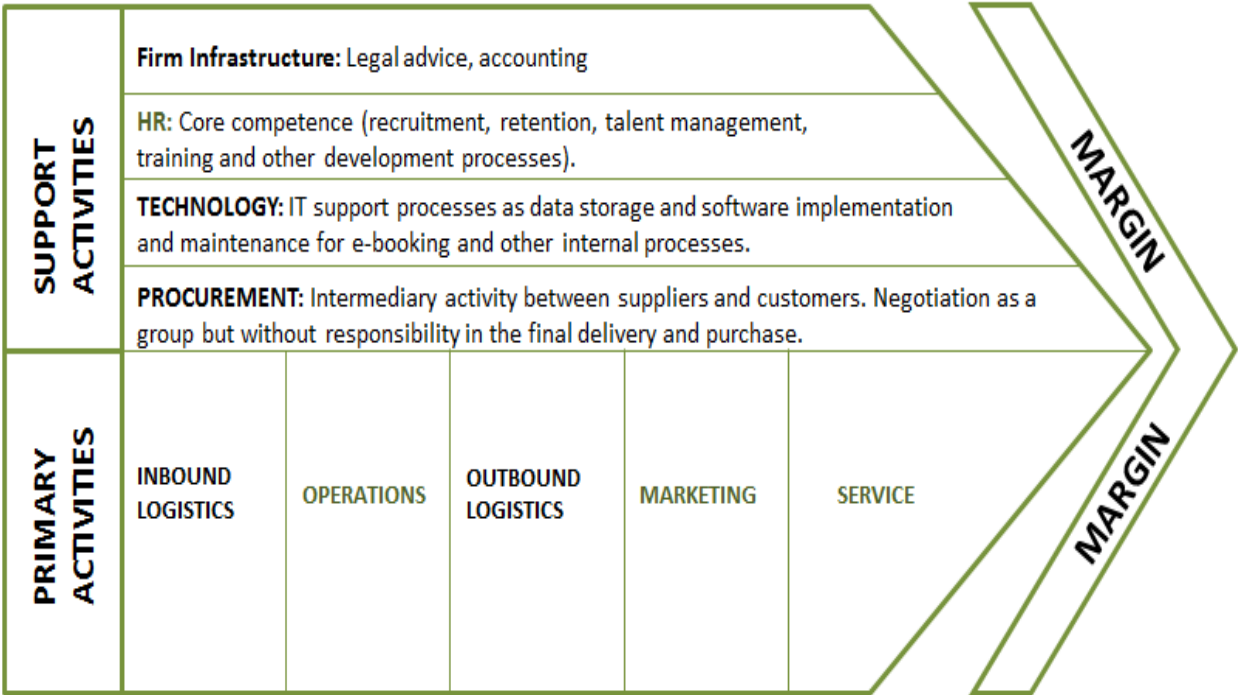
5. OPERATION PLAN

5.1. INTRODUCTION

In order to design our operational plan, we will have into consideration the key activities or competences of our business model. These activities are the ones that provide value to our product and that we need to deliver the correct service in the appropriate way to our customers.

First, we will explain the reasons to consider certain activities as core competences. Once these activities are defined we are going to design the processes that are essential to deliver the business value proposition.

We have used a Value Chain framework to analyze the different processes involve in the production of our service and understand in which areas we can create and add value to our business proposal. Besides we have identified all the areas that are involved and how important are for us, so we can decide which activities will be core of our business and which other could be externalized.



In the next sections we are going to explain in details our core activities that we can see in the Value Chain model, these are the next ones:

- Business Process outsourcing.
- Procurement management
- Brand management.
- Franchising Relationship Management

5.2. BUSINESS PROCESS OUTSOURCING.

I. INTRODUCTION

All along our processes there will be some including in our core competences and they will be realized directly by the company and others that needed to be outsourced to gain efficiency and quality. As a consequence of the outsourcing process we will have to make some decisions and manage the different outsourced elements.

The company processes that we want to outsource are the following ones:

- a) Architecture, design and construction of the hotel for the investors that ask for it and reconditioning of old rural hotels under the umbrella of the consultant firm first, and then under the franchise that ask for it.
- b) Legal advice.
- c) Administration.
- d) Facility management.
- e) IT

a. Architecture and Design

The process of the architectural design as well as the interior design and the construction of the building are going to be outsourced (for the ones that take this alternative).

With the architect studio we would like to create a partnership because it is a very important part of the final success of our business model. Our idea is the hotel to be able to be energetic efficient building it through a modular design, so this process is really important for us. For this reason, as it would be high costly for us to assume this process within the company we decide to do as it is said before a partnership, to have more commitment of the counterpart.

The qualification criteria that we will follow to choose the partner are the following ones:

- Ability to integrate energetic efficient systems with the modular concept we want to apply in the business with a high-end result. In the case of reconditioning hotels, we will require the incorporation of an energetic-efficient system that can provide the hotel with an appropriate solution.
- The design has to be functional; we do not want to have wasted spaces in the hotel. Also the design has to be “clean” in the sense of being as simpler as possible to respect the environment that will surround the hotels, but creating an elegant and comfortable atmosphere where the final customer can breather peaceful. We will require the same concept on the existing building that want to participate on our model, trying to convert the building as functional as possible.
- The partner has to take care about the interior design of the different accommodation units being respectful where the environment and the region where it is located. There will be some different touches or changes to incorporate to the image of the different hotels the regional culture. In the

option or reconditioning, this will be translated in a design that has to be respectful with the environment and incorporate regional elements to provide the same image as the hotel accommodation units.

- Willingness to create a long-term relationship.
- In the last term, we will look at the cost we will incur by choosing one company or another as a partner.
- The architect studio chosen has to be environmental friendly as well. It means respect the nature and do not pollute it with its activity.

With all these criteria we will assign a weight to facilitate the rating of the different proposals in order to choose the best one. Each element can be graded from 1 to 10 points, being 1 the minimum punctuation possible and 10 the maximum one.

Criteria	Weight to rating
Integration of energetic efficient systems	25%
Design of the building	25%
Interior design	25%
Willingness to create a long term relationship	5%
Costs	10%
Environmental friendly	10%

Finally to end with the process of the construction of the hotel accommodation unit process, we have to add that the construction cost itself will be carried by the franchisee, but our company will provide a project manager that will be our employee, to ensure that the meeting of our quality standards.

b. Legal advice

To support the start-up and the possible legal challenges and problems that the franchises would face, we have decided to provide this service to them through outsourcing it.

This legal advice will not be done through a partnership like in the last section, but it will take place through a traditional outsource model. As it is said before the legal firms will advise the franchisees about any doubt or problem they can face during the starting or when running the hotels.

To choose one legal firm or another we will have to establish some criteria as we have done during the architecture and design section. These will be the following ones:

- Experience with environmental issues and hospitality sector. Also it is required knowledge and experience in rural planning in order to advice about the best option to the hotel location in the case of new buildings.
- Environmental friendly. The chosen firm cannot be related to any legal cases of pollution defense and has to respect the nature.
- Costs. Another important point to make the decision will be the fees or costs per service.

These criteria will be graded as well from 1 to 10, being 1 the minimum value and 10 the maximum one. The weight of the different elements in the final decision will be the following one:

Criteria	Weight
Experience in environmental issues, hospitality sector and rural planning	60%
Environmental friendly	15%
Costs/ fees per service	25%

c. Administration services

Another very important part of our value proposition is the administration services offer. This will include that the hotel owner will delegate on a company that we choose for this reason all the tasks related with the preparation of payslips, all the fiscal issues of the company and the preparation of the different taxes that company has to pay.

The relationship with this company will be established through a partnership.

The conditions and weighting we are going to put for choosing this company will be the next ones:

- Experience. It has to be proven more than 5 years of experience in this field.
- Prestige. The recommendation of its clients and in general of this sector has to be proven as well.
- Costs of the services.
- Ability to create a long-term relationship.

Criteria	Weight
Experience	40%
Prestige	20%
Costs of the services	20%
Ability for a long-term relationship	20%

d. Facility management.

As we want to include when possible in the existent hotels (if a expansion take place on them, they will need to include these systems) and for sure in the new ones energy systems that works with sustainable energy, Nilman will have to offer a solution in this area for the potential problems it may happen.

Due to the special of the service, above all, the energetic efficient system a qualified staff to fix the possible problems, make improvements, advice about how to use efficiently and include innovation in the future.

For that reason, we need some specialize people that take care and since we are starting, and do not have the capacity to do it well at the beginning due the scarcity of financial resources, we have decided to outsource this process as well.

The qualification criteria that we will consider to hire one company or another will be the following ones:

- Ability of the company to be updated to be able to advice and incorporate all the new technologies in this sense that provide more efficiency to the energetic system. Also it is needed knowledge and experience fixing this kind of advices.
- Environmental friendly. The chosen company needs to be respectful with the nature in all its activities and not have any activity that can contribute to pollute the environment.
- Costs. It is also an important point to take the decision how much will be the cost or the fee the franchises will have to pay per type of service.
- The chance to establish a long-term relationship.

- The commitment that the company offer to us. The commitment in terms on priority that it will have to us, in order to be efficient and have a quick and effective service.

As in the previous sections, each criterion will be graded from 1 (the minimum punctuation) to 10 (the maximum) and each of them will have different weight in the final decision.

Criteria	Weight
Ability to be updated and incorporate new technologies and fixing problems	40%
Environmental friendly	10%
Costs / fees per type of service.	15%
Long term relationship	10%
Commitment/ priority	25%

e. IT (Information Technology)

All the IT services that the company need to operate such as a booking system, the design of the webpage and other tools that the franchises need to operate will be centralized and outsourced.

The reason to outsource this process is because we can not provide at the beginning a good service for having very limited budget and resources, so it will be more efficient to have a company that can do it better for us.

The criteria we will be using for the selection will be the next one:

- The company needs to have the SAS 70 (Statement on Auditors Standards nº 70) certification to ensure the quality of the services that it will provide.
- Ability to have a long-term relationship.
- Commitment in terms of providing good services and continuous support.

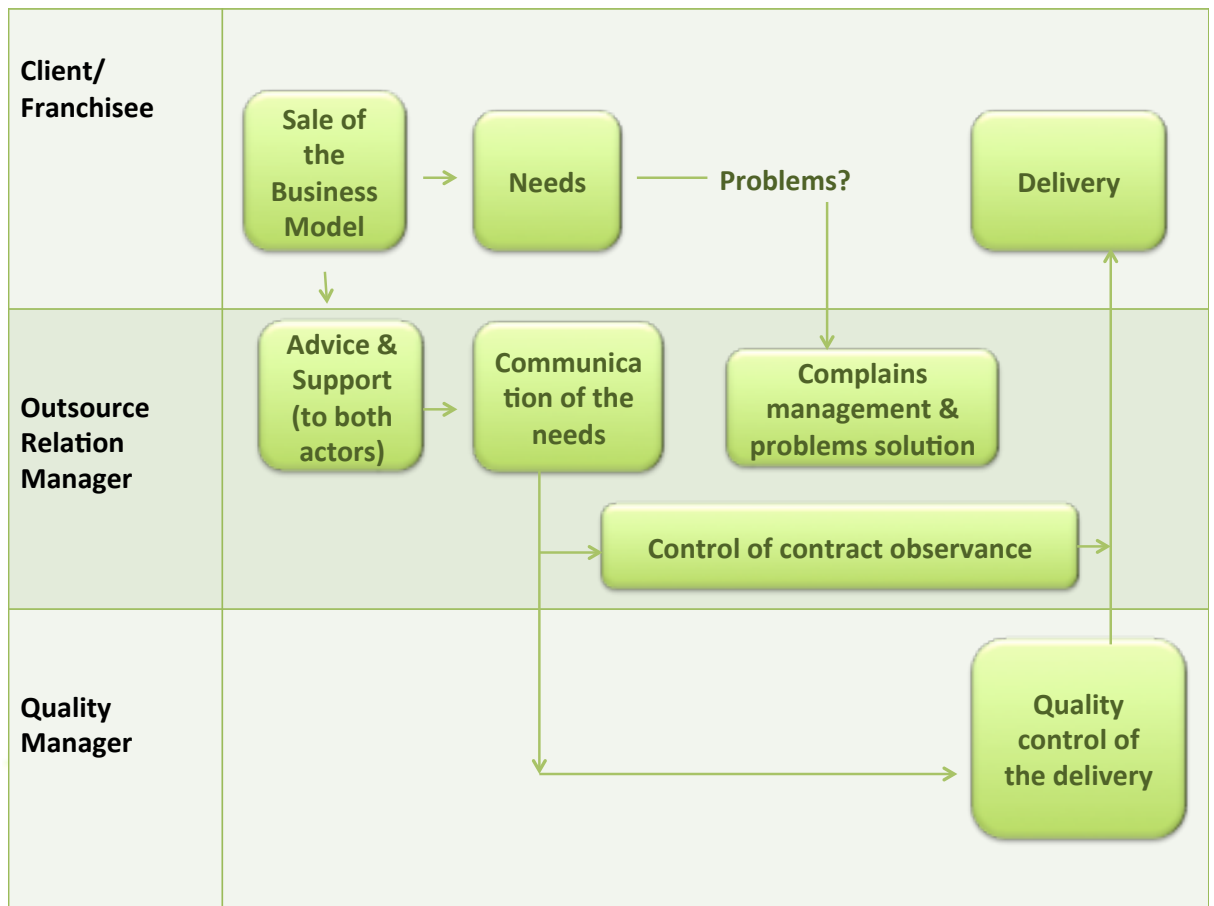
The weight of the criteria it can be found in the next table:

Criteria	Weight
SAS 70	50%
Ability to have long term relationship	10%
Commitment	40%

II. OUTSOURCE MANAGEMENT PROCESS

The outsource management is considered as one of the core competences of Nilman because as we want to provide a high level experience, we need to have a good relation, communication and control of the quality of the company that will provide the services that will be outsourced.

To understand better how is going to work and who will take care about each part of the process we have included this chart:



Finally to end with this section, we will refer to the Key Performance Indicators in this operation. Based on these ones we will be making decisions that they will be explained under the topic of governance model.

These Key Performance Indicators are going to be the next ones:

- 1) Percentage of franchisee complains per the total number of franchises. It will be monitored for each of one of the outsourced companies.

2) Percentage of actual vs. Estimated Savings: Percentage of actual or realized savings on spends against a negotiated contract vs. the estimated spend determined during the sourcing initiative.

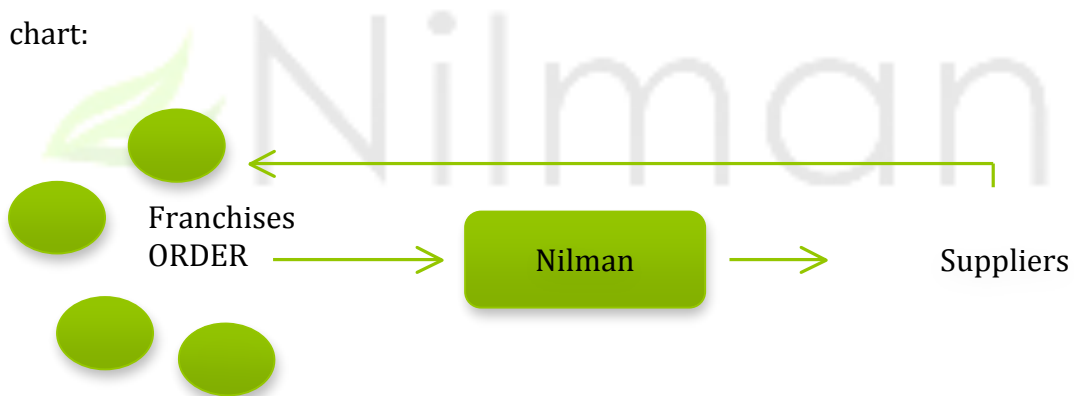
3) Percentage of vendor services delivered without agreed service targets.

5.3. PROCUREMENT MANAGEMENT

I. INTRODUCTION

The procurement management process will consist in acting as intermediary between the suppliers and the franchises to take advantage of the synergies that appears because of the joint of them and gain more bargaining power.

To understand better how is working the process we have included the next chart:



Within the suppliers we include a huge range of suppliers that will provide almost all the necessary products to run the business from towels to the cleaning products.

The suppliers will be chosen following the next parameters:

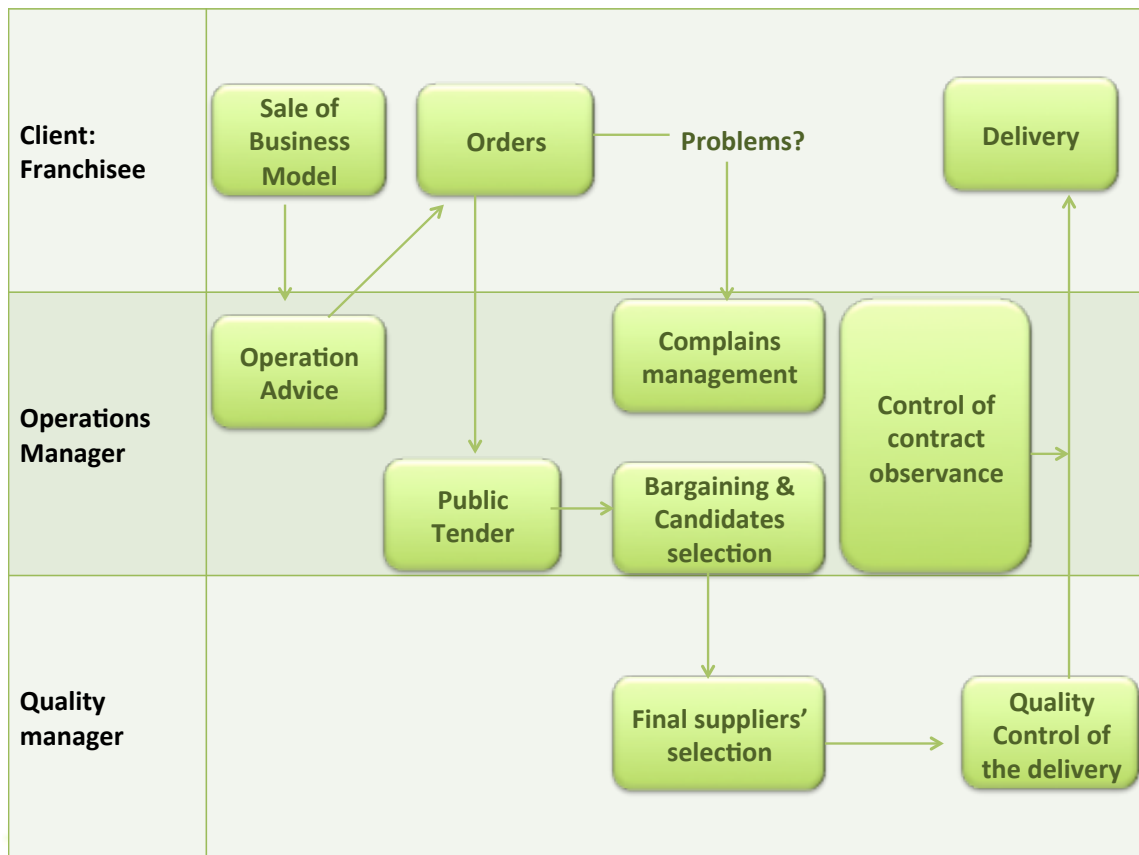
- High quality of the products.
- Prices.

- Availability to renegotiate the prices when new franchises will add to the company.
- Possibility to send the products to all locations.
- Timing. Availability to deliver the products within a range of days that it will be established depending on the product.
- Commitment. It is needed some guarantees of the contract observance.
- Environmental friendly production.

II. PROCUREMENT MANAGEMENT PROCESS

As it is said before, Nilman will act here as an intermediary between the suppliers and the franchises. So the company will take care of the selection of the different companies that will provide the products that need to follow the parameters that we have decided to apply. Also, Nilman will supervise the supplying process: the final deliver (above all the timing and the contract observance), of the products and the final quality of the products as well.

To clarify and show the different tasks that need to be done in this process, we will have to look at the next chart:



In order to be more objective will be grade the different criteria in the same way as for the outsourced companies from 1 to 10 for each criterion and then each of them will have different weight.

Criteria	Weight
High quality of the products	30%
Pricing	15%
Availability to renegotiate prices	10%
Send the products to all locations	15%
Timing	15%
Commitment	10%
Environmental friendly	5%

To end with this section we will include the Key Performance Indicators to measure the efficiency and effectiveness of this process. These are going to be the next ones:

- Percent of On-Time Supplier Deliveries. This KPI measures how well the procurement department gets what the organization needs when it needs it.
- Customer Satisfaction. Asking internal customers (franchisees) to rate their degree of satisfaction with Procurement's performance or to indicate whether or not they are satisfied can reveal valuable information. When multiple organizations use the same question, benchmarking satisfaction levels is possible.
- Procurement Cycle Time. The average time it takes between requisition submission and purchase order placement is one measure of procurement cycle time.

5.4. BRAND MANAGEMENT

Our main purpose is to create a brand and once we have it, continue the development of it.

Because we are offering in our first steps some kind of consultant service and then we want to create a franchising, we need to create a powerful brand easily recognized in the sector. This brand we want to be associated with quality of the hotels and the engagement with the promotion of the rural areas and the environment.

For these reasons, within the brand management there are two main areas that need to take care about:

- a) Quality management.

b) Marketing.

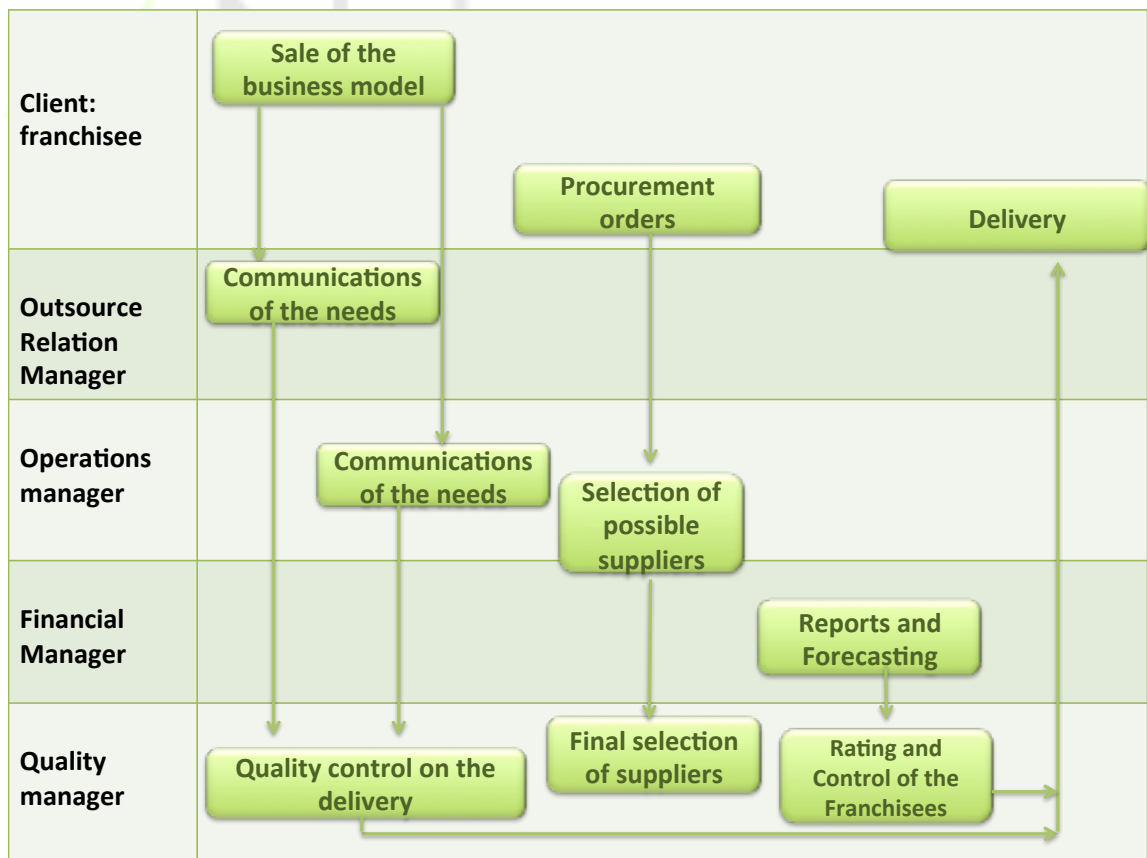
a) Quality management.

Quality is a vital ingredient for a good brand, in our case Nilman Hotels.

The core benefits that our client expects must be delivered in a consistent and well-defined way.

Our branded name will be associated with environmental friendly, sustainable energetic resources and efficiency; and finally, a well-delivered service with high quality standards.

For this reason, this activity is key and it is transversal to all the organization:



b) Marketing

Another core competence is the marketing one, we are going to develop deeper during the marketing plan section, but the main point is that the main marketing activities will be centralized in our company. It means the different franchisees can apply some offers after consulting us, but the most operations in this area will be done by us directly, to gain more efficiency and concentrate the efforts of a very fragmented markets.

With this option we pretend our franchisees enjoy the benefits of belonging to our company within a huge fragmented market. Thanks to that, they can gain visibility and offer additional services that it will be impossible to deliver by their owns.

In order to measure how we are doing in these areas, the next Key Performance Indicators will be done:

- Percentage of the franchisees that overpass the AQL levels. The AQL levels are the acceptant quality levels within the organization; it is the minimum the franchisees need to reach. The higher the number of franchisees that have a surplus in this area, the better the result it will be for us. In the case of a decrease in this level, we will contact with the franchisees that are having the problems to work with them solving the problems.
- Brand awareness. The growth of the brand awareness will be one of the main key performance indicators. We will compare year after year to check the efficacy of our marketing plans. If problems are detected in this area, we will have to react quickly through launching new campaigns and analyzing what are the problems of the existing ones.
- Satisfaction index of final users. Finally to measure the quality of our services, we will run surveys over all the rural hotels that belong to our franchise for knowing how satisfy are them with the services provided.

When we detect problems, we will develop a contingency plan for the rural hotel and will work to solve as fast as possible.

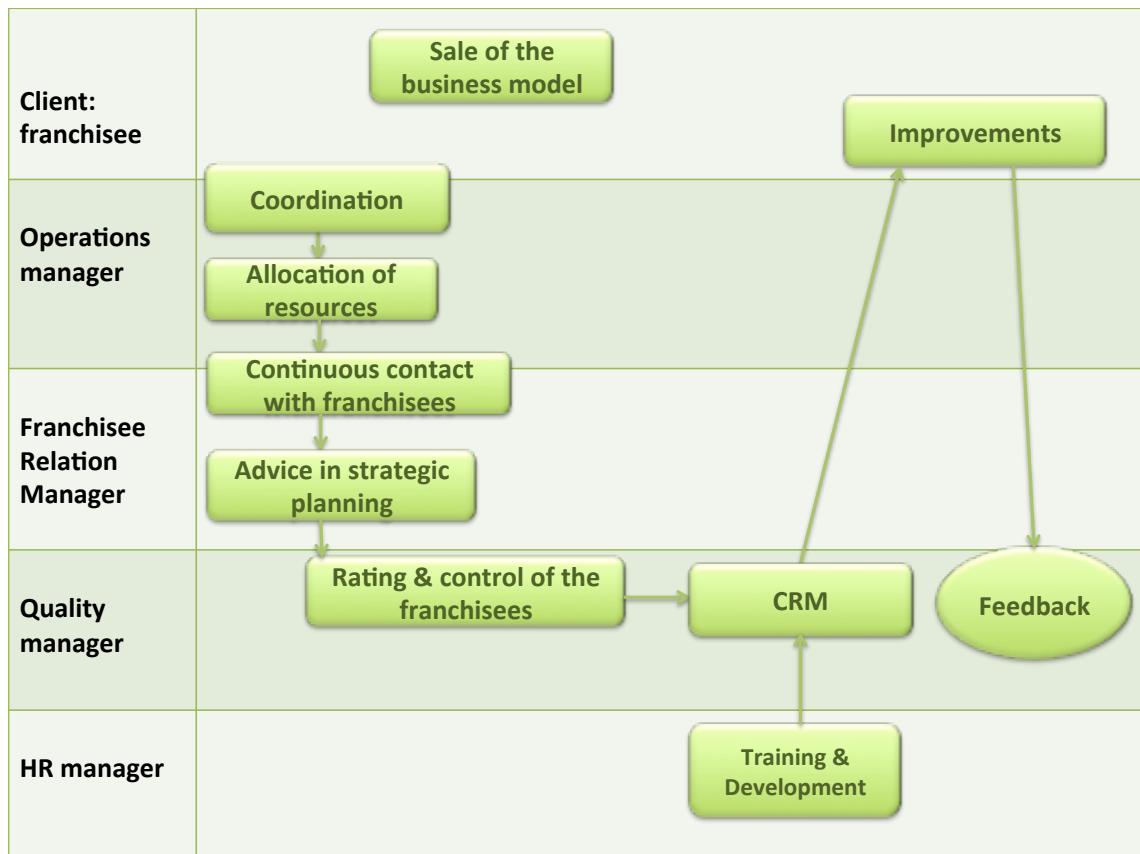
5.5. FRANCHISING RELATIONSHIP MANAGEMENT

This particular area of the business model is focused on keeping a strong, sustainable and profitable relation with the franchisees. This bond doesn't occur just before the agreement is signed but these services of assessment and guide must happen in all the different stages.

Some of the different services involved in this area are:

- Strategic planning advice: Nilman will help the franchisees in the strategic planning of their businesses and how they can grow and how they should do to follow this plan.
- Training and coaching. Teaching them about the sector and how to improve the daily operations.
- Feedback. The feedback will be mutual. Nilman will recommend actions plans for the improvement of franchisees and they will do the same with us.

The chart of operations for this area will be like follows:



The key performance indicators of these processes will be the next ones:

- Number of Franchisees suggestions. To measure our activity.
- Training and development impact on the improvement of the hospitality activity per year. Measure in quality increase or revenues increase, depending on the type of training.

5.6. GOVERNANCE MODEL

Our company will have to follow some business rules regarding each activity and in general. These business rules are the following ones:

I. Business outsourcing process

The key here is to have a successful relation with each and every outsource company, so in the moment that Nilman detect that the number of complains about one of them is increasing a investigation will be done in order to figure out what is the problem and try to solve it. This process needs to be really fast. It is because of that that the outsourced relation manager will be monitoring constantly the activities in this area.

As last option, Nilman will start again the process to find new company to outsource the service.

The same process will happen is one of the companies start to break any of the sections of the contract.

II. Procurement management

The procurement management decisions will be taken very similarly to the business outsourcing process.

If the process is well done and present no problems we will reward our suppliers with more contracts in the future, we would like to build a long relationship with them. But if some complications start to appear for any of them, the operation manager will take care of solve these problems and investigate the causes as fast as possible. Finally, if the operation manager estimates opportunely, no more contracts will be signed with this supplier so the relation will end and it will be taken legal actions if it is necessary.

III. Brand management

This area is crucial for the company. The business rules here go in two directions:

- Quality. Standards have to be reached by all the franchisees. If these standards are not accomplished, we have to take the next measures:
 - First, if in one of our evaluations we see a franchisee has decreased the level of quality standards, we will establish a direct communication line to find what has happened and work together to solve the problem.
 - If the problem cannot be solved because the lack of interest of the franchisee, a meeting will take place with him/her where we will explain the consequences of following like that.
 - The last option will be to put out this franchisee of our franchise with the consequent penalty.

- Marketing. The main pillars of our marketing policy are the brand awareness. For this reason, the main rule is when we detect problems in the branding or the awareness, in the moment we are going to analyze the problems or the marketing campaign and try to create a contingency plan that respect our values and the culture of the company.

IV. Franchising Relationship Management.

The objective of this process is to have an excellent relationship with our franchisees. So if we detect because of the feedback process that we have to change an area of our company, we will have a meeting with them where they can suggest action plans for our company. After discussing the action plans later, the board has to approve it. On the board, there will be a franchisees' representative with vote.

5.7. BALANCE SCORECARD.

KPI	Explanation
<p>Percentage of actual vs. Estimated Savings</p>	<p>Percentage of actual or realized savings on spends against a negotiated contract vs. the estimated spend determined during the sourcing initiative.</p>
<p>Procurement Cycle Time</p>	<p>The average time it takes between requisition submission and purchase order placement is one measure of procurement cycle time.</p>
<p>Brand awareness</p>	<p>The growth of the brand awareness will be one of the main key performance indicators. We will compare year after year to check the efficacy of our marketing plans. If problems are detected in this area, we will have to react quickly through launching new campaigns and analyzing what are the problems of the existing ones</p>
<p>Training and development impact on the improvement of the hospitality activity per year</p>	<p>Measure in quality increase or revenues increase, depending on the type of training</p>

6. MARKETING PLAN

6.1. MARKET ANALYSIS:

I. INTRODUCTION

During this section we are going to point just to remember to the main elements that are the most important for the market analysis that we have explained more deeply during the Environmental and Sector analysis.



In the environmental analysis that we have above, the more important aspects for our business model are the environmental ones, because it is essential to us the location (near to a natural park) and to have a sustainable tourism that it will depend a lot on how develop the model in the regional legislation that the different regions has. Although within the European Union, the laws are very similar in every country, it is needed to know very good the differences.

II. POTENTIAL CUSTOMERS

Our potential customers will be:

A) Rural hotels' owners

During the first stage of the company, we are looking for rural hotels' owners that are on troubles with the financials to help them to refloat their businesses. Thanks to that we are going to prove that our model works, so later we can be able to establish the franchise concept that we have as objective.

Later we will continue looking for newcomers but this time to belong to our franchising model directly.

B) Investors

Another line of business, it will be investors that want to build the hotel following the modular building we are offering. The Investors are our potential customers who will buy the franchisee. So we need to transfer our value proposition of the business model to them via education and other types of environment awareness seminars etc.

C) Final Customer

The final customers will be those who are aware of the environmental related problems we are facing nowadays and want a new and different type of rural hotel experience which is environmental friendly but premium, for this reason we are looking for customers with relatively high level of income.

During the first steps of the company, our main targeted segment will be the rural hotels' owners. For this reason, the first thing to do in this area is doing a research about the hotels that are in bad situation and select the ones we want to

talk with. As there are almost 16.000 rural hotels in Spain, during the starting we will focus on the North of Spain to concentrate our efforts, concretely in Galicia, Asturias, Cantabria and País Vasco.

To choose the final customer we will target, firstly we will need to make a market research to know the different segments that the market are divided in.

6.2. COMPETITORS ANALYSIS

As we have done during the market industry analysis, here we are going to remember some of the most important points of the sector and competitors analysis that we have developed more during the Sector analysis.

The Hotel Industry is highly competitive, and a mature industry. Due to this fact, the customer (the franchisees) have a strong bargaining power as they have many substitutes and also, there are other hotel chains offering franchises, so we have to need to differentiate our franchise from them. Innovation in normal hotel franchises is required in order to create a competitive value proposition.

The substitutes, from the point of view of the investor are those franchises in other sectors, mainly within the hospitality sector that includes many famous restaurant and bar franchises. In spite of that, we are not looking at the same profile of potential franchises. We are going to analyze the investors we will target during the market research on the 3rd part of this section.

The potential hotel franchise chain include the following ones, although they are mainly focus on hotels located in cities:

- 1) Franquicia Ibis
- 2) Fraquicia Etap
- 3) InterContinental Hotel group

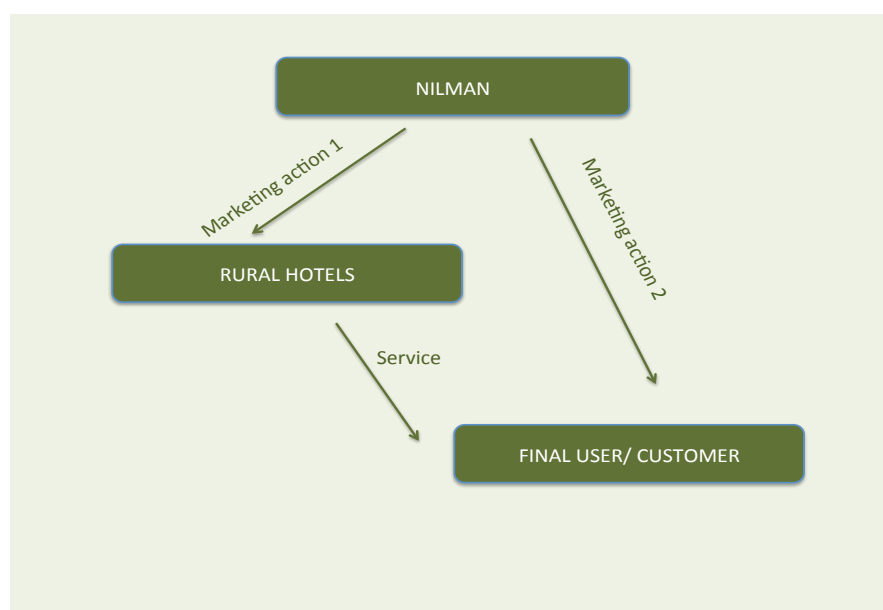
All are trying to offer best possible value proposition for the investors. But we will need to differentiate our business model from other competitors in terms of services offered, location, experience, and the quality of the services, activities, and an environmental friendly image and practices. Another fact that will add value is the proposition of conglomerate many small hotels that are right now in a very fragmented market to gain power in the market.

6.3. MARKET RESEARCH

I. INTRODUCTION:

The market research is needed in order to try to decrease the risks we are taking. In this area, we should develop two different market researches: one for locating these rural hotels that are in trouble or with not good financial situations in the regions we are selected (Galicia, Asturias, Cantabria and País Vasco); and the other market research it will be about the preferences of the final user of the rural hotels.

To clarify these two sections it has be included the next chart:



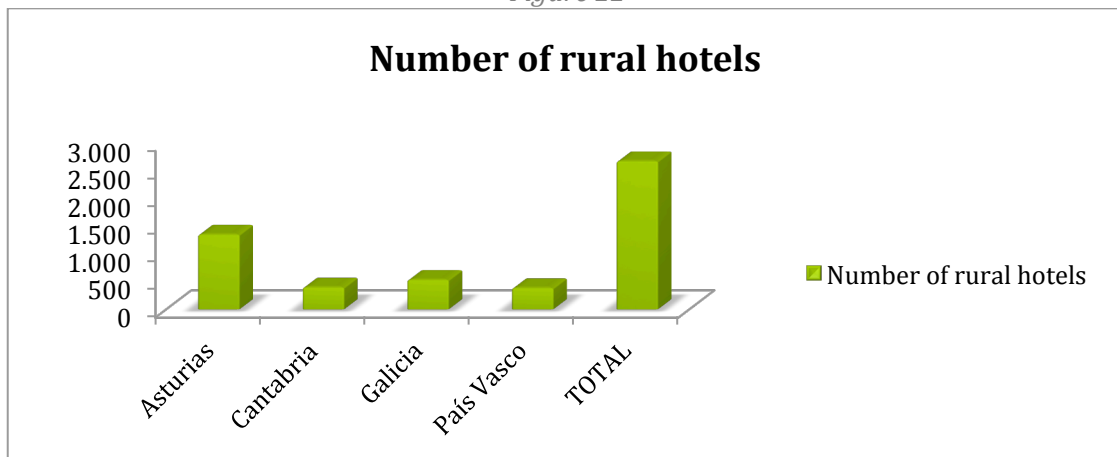
II. RURAL HOTELS MARKET RESEARCH.

Once we have clarified the process, we are going to continue with the market research. As there are two market actions to develop, it may happen that we need to do two market researches.

To achieve the objective of selling the business model, this is, attracting the potential franchisees; we will have to know which actions are the most adequate.

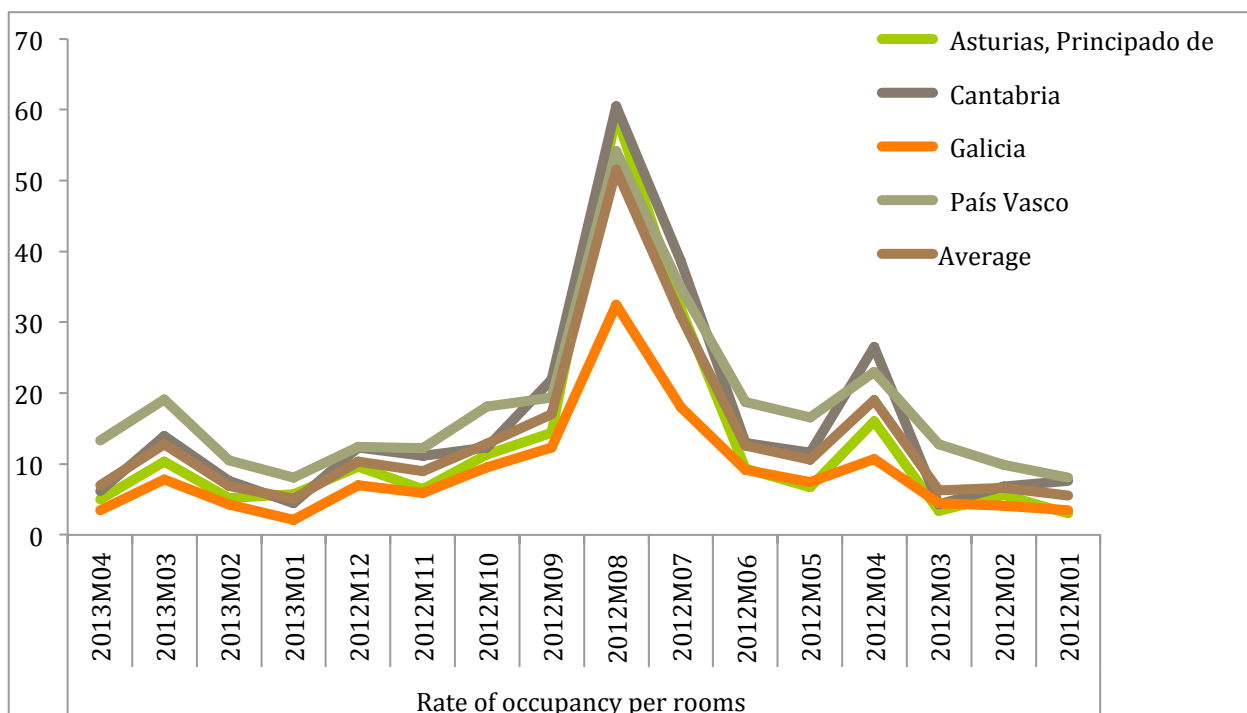
The first step, it has been done during the sector analysis in this report that is to introduce data about the actual situation of this industry in Spain. Just to remember, we will show some of the more important graphs to understand the situation:

Figure 22



Source: INE

Figure 23: Rate of occupancy in rural hotels per rooms.



Source: INE

We can check that there are a huge number of rural hotels in these regions, so we can select our candidates to be part of the free trial. As well, we can see that the seasonality is enormous in this market. One of our objectives is going to decrease this seasonality by launching different marketing campaigns.

In order to work and segment the market, we are going to divide the rural hotels targeted by regions, because we can see that although all the regions have the same seasonality problems, the rate of occupancy varies quite a lot between the different regions.

<p>Profile 1: Asturias and Cantabria</p>	<ul style="list-style-type: none"> • They have better numbers during summer. They will need more support during winter time and to decrease seasonality.
<p>Profile 2: Galicia</p>	<p>They have the lowest seasonality index but the worst numbers. We should focus in creating and increasing demand for Galician rural hotels.</p>
<p>Profile 3: País Vasco</p>	<p>They have lower seasonality than the first profile but lower figures of occupancy as well. We should focus in increasing the demand mainly and also in trying to decrease the seasonality.</p>

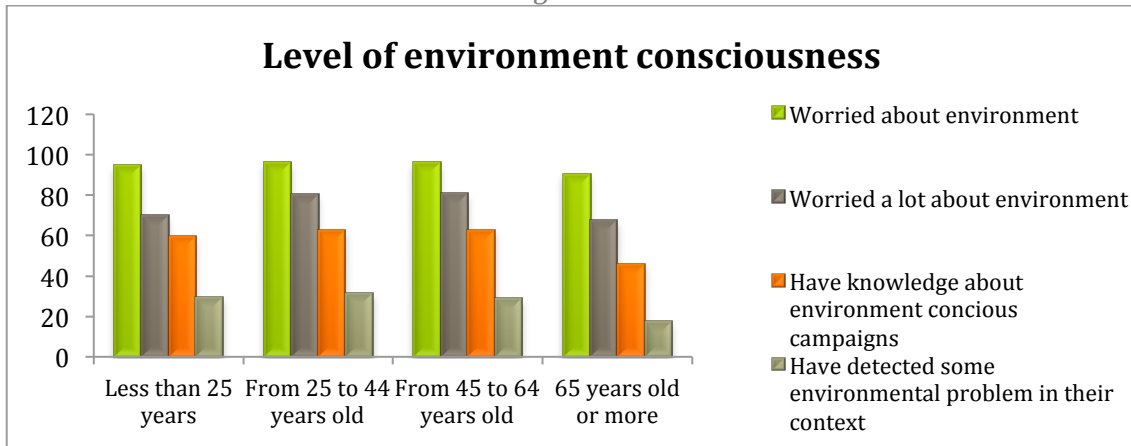
The conclusions of this market research are that although we have three different profiles, we think it is appropriate to do a unique marketing campaign for all the different needs that the rural hotels have.

III. FINAL USERS MARKET RESEARCH

In this market research what we want to discover is the motivation factors of the people in order to do rural tourism, in order to improve the hospitality services and their experience by developing a range of activities according their likes.

The first step is to find out about the consciousness about the environment according to the age, so we can emphasize to one population or another:

Figure 24



The second step will be to establish the objective of the market research, this is, the objective of it. It will be to know more about the motivations for rural tourism.

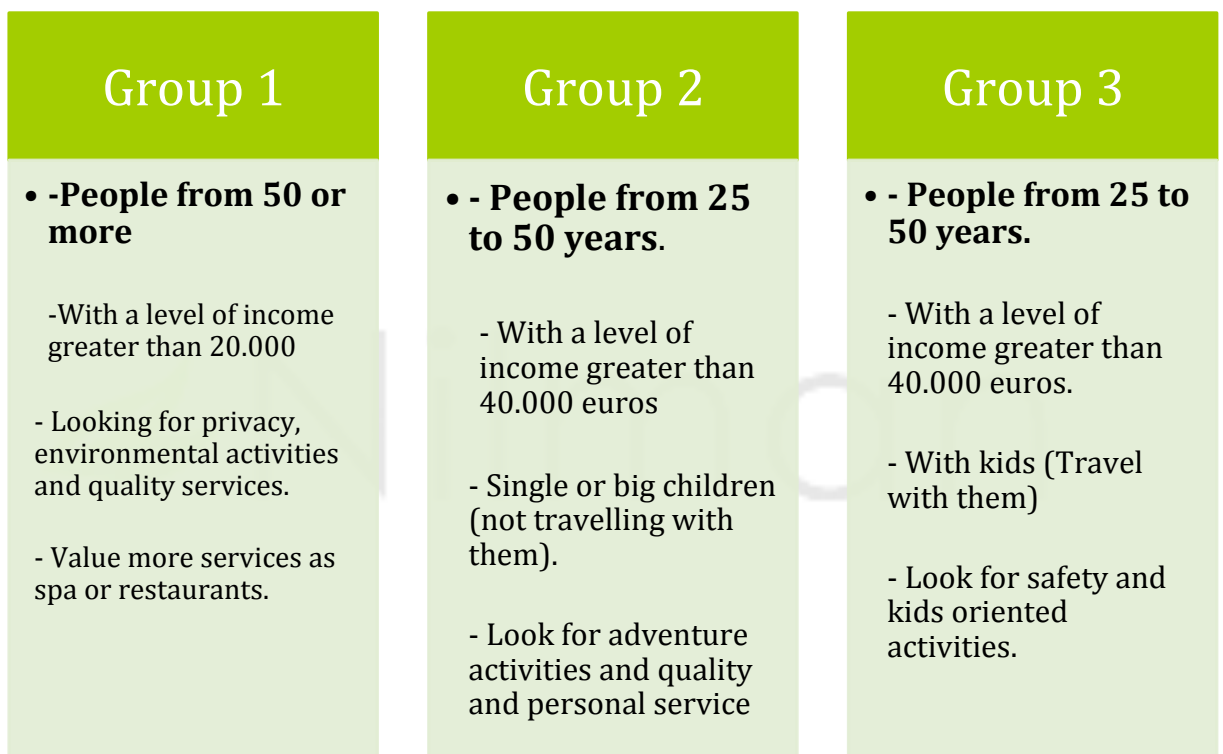
To achieve successfully the objective of the market research, the most adequate way to do it, we consider is through some focus groups. These focus groups are going to be formed by urban people (because more than 75% of Spanish population live in cities, we are going to focus in the biggest cities in Spain). Also they are going to be compound of Spanish resident, because it will be easier and cheaper to achieve this segment for the focus groups. Also it will be important all the participants are worried about the environment and nature.

The focus groups' composition and the location will be the next one:

City	Characteristics of the focus groups
Madrid	<ul style="list-style-type: none"> - People from 25 to 40 - Singles or with no kids. - With a level of annual income from 40.000 to 80.000 euros.
Barcelona	<ul style="list-style-type: none"> - People from 40 to 50 - With a level of annual income greater than 80.000 euros
Valencia	<ul style="list-style-type: none"> - People from 50 to 65 - With a level of income greater than 40.000 euros.

Seville	<ul style="list-style-type: none"> - People with 65 or more - With a level of income from 20.000 to 40.000 euros.
Zaragoza	<ul style="list-style-type: none"> - People from 25 to 40 - With kids. - With a level of income from 40.000 to 80.000 euros.

After doing the market research, we will assume that we have the next segments in the market:



The results are consistent with the studies and research done by the “Observatorio del Turismo Rural”, so we can say that the results that we have obtained are valid in order to work with them.

6.4. SALES STRATEGY AND DISTRIBUTION


I. INTRODUCTION

The sales and Distribution strategy will depend on the customer whether it is a final user of the rural hotel or the owner that is our direct customer.

II. DIRECT CUSTOMERS: RURAL HOTELS' OWNERS

In this area, we are going to do in two main phases: first we will look for the rural hotels that we will select for the trial, and then after one year (when we can show to the rest of the hotels the result of our company's services) we will launch the franchise model.

In a first moment, we are going to select twenty hotels in order to use as an evidence of the result of Nilman services. The selection criteria are going to be the next one:

- 
- No debt.
 - Ownership.
 - Maximum 20 rooms hotels.
 - Already reconditioned.
 - Location. The requirements are that it should be not more than one hour away from a National Park preferably, or a Natural Park. About the location related with infrastructure, we will prioritize the ones that are located one hour away by car from an airport or from railway stations with high-speed trains.
 - Cash flow generation problems.
 - Not deep knowledge about the sector.
 - Willingness to establish a long- term relationship with Nilman.

For this first moment, we are going to do direct marketing, this means go directly to the rural hotels and explain our company and the services that we will

offer to them, to convince them to participate in our trial, becoming our first customers and partners.

In this moment, we will prepare a brochure with the services Nilman is offering and then we will explain to them how it works and the potential benefits for them.

Just to remember, the services that we are offering are mainly five core competences or operations:

- Business Process Outsourcing.
- Procurement management.
- Brand management.
- Franchising relationship management.

In the related to the different profiles of rural hotels' owners, that we have discovered during the market research (Asturias & Cantabria, Galicia and País Vasco), the only thing is needed to be adapted is the emphasis that it is needed to do for each of them in order to solve the main problems.

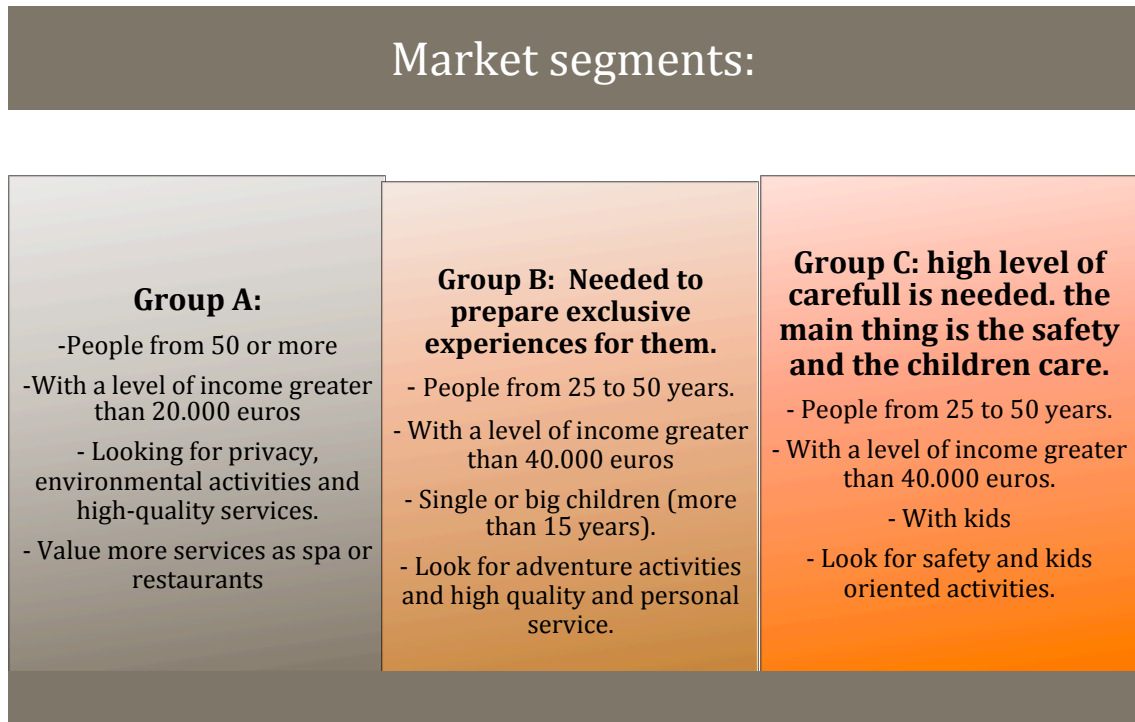
The differentiation elements that characterize Nilman are the combination of the services provided, that gives the tools in order they just need to be worry about daily operations, so they can increase the accommodation service for the final user and focus more on programming different activities that as well will improve this experience.

During the second phase, we are going to launch the franchise that is going to work in the same way that the first step, but the marketing is going to be different. We will go to franchisee fairs and look for increasing the number of hotels in a sustainable way in order our business not take so much risks (to maintain the quality we want to provide and the direct contact with our clients).

III. FINAL USERS

After the segmentation we have done of the market, we will have to choose which one of the different options we want to target.

The three possible options that we have are the ones that it appears in the market research, concretely: Group A, Group B and Group C.



After the analysis of the different groups, we have realized that for us the Group A is very interesting because they have lots of spare time, so this group will provide us a more stable demand if we focus on it.

Also it is needed to point that the group C, can be compatible with the group A. this means there will be no problem on targeting the two groups at the same time.

To end with the analysis, we have to refer to the group B, that in spite of being attractive, focusing on it will be translated in a more seasonal demand because of the academic period of the kids, and the implicit rejection to the other two groups because we think they are not compatible, it is very difficult to provide a great service to both at the same time.

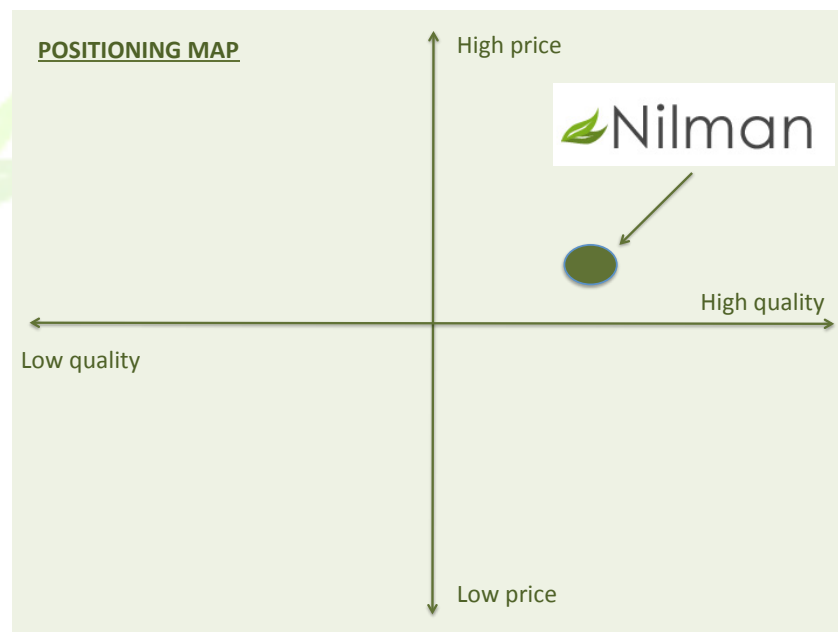
With this information and analysis, we have decided that at the beginning Nilman hotels are only going to target Groups A and C.

Nevertheless, in the mid term if the number of associate franchisees increases, it will be a possibility to some of them to focus their hotels in the family with children under 15 years old.

IV. POSITIONING.

a) Positioning with the rural hotel owners.

As this is a new concept, we think more appropriate to show our target positioning for the direct clients with the next chart:



This means providing integral services that cover all the needs of our customers with the higher quality possible. This quality is seen as a service that is adaptable to the particular situation of each customer, providing solutions all the needs that the clients could have, in order to make easier the running of the business turning into profitable the current situation that our customers are passing through.

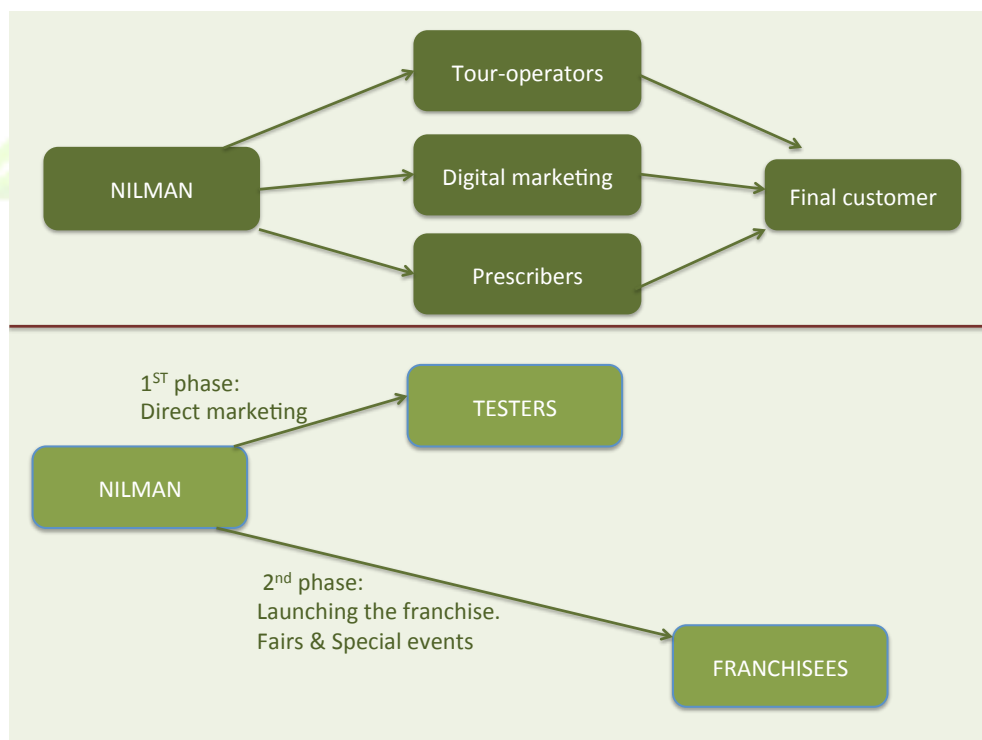
As we are targeting hotels with financial difficulties, we understand is needed to establish medium price in order they can afford it.

b) Positioning to the final user.

The positioning of our brand will be providing a high quality service in this area as well. Our objective is all the rural hotels under our umbrella provide to final users the best experience possible. We want the human treatment to be excellent, as well as the activities that they will offer. It is needed to be comparable with the four and five stars hotels.

V. DISTRIBUTION.

Our distribution strategy is as follows:



6.5. PRICE FIXING STRATEGY

a) For our direct clients:

In order to fix the price, we have analyzed firstly the situation of the rural hotels we want to be related with, our potential clients.

We want to offer them a service with quality standards and integrate operations that provide them the solutions they are looking for. But we are conscious of their scarcity of resources.

For this reason, we have decided to fix the price according to their amount of operations that implies a determined amount of services to deliver for us. The measure is going to be related with the number of rooms (fixed part) and with the profits of these rural hotels (variable part of the price).

Also we have decided to establish the payments we are getting quarterly, so we do not disturb their increase in revenues and they afford our services easily.

High quality rural hotel franchise model, with various competitive advantages over other hotels and resorts, such as:

a. For the final customers:

The rural hotels will have to fix a price between a range we will establish depending on the size of the hotel and the services they are providing for the final user of the hotel.

For the routes a standardized price for all the rural hotels in the offer will be needed. This price is going to be establish after a dialogue with all the hotels implied.

6.6. ADVERTISING, PUBLIC RELATIONS & PROMOTIONS

In this section of our marketing plan, it is required to differentiate again between the campaign or actions Nilman will have to do to attract the first testers or the model and later the franchisees; and the actions needed to attract the end or final users of the hotels, due marketing is one of the core competences that Nilman will take care about.

I. RURAL HOTELS' OWNERS MARKETING ACTIONS:

There will be two steps in the advertising, public relations and promotions: one for attracting the first twenty testers and later the one to attract franchisees when we launch it.

First phase: first year

During the first phase, that is going to take the first year, we want to recruit twenty rural hotels that fit with the characteristics Nilman has designed (out targeted hotels).

It is pretended to reach these hotels' owners by direct marketing due to the fragmentation of the market. In this moment, we will present the brochures of our services, and explain carefully what is about Nilman business and its value proposition. This task is going to be done by the marketing manager.

The process will be divided into three parts by regions and profiles founded, in order to try to save as much as costs that we can.

During this phase the webpage of the company is going to be created, thinking in a long term. This is, we need this webpage with some modifications be valid for the franchise's launch.

The design of the webpage to have an idea we pretend to be the next one:



Second phase: long term advertising strategy.

When we launch the franchise model, the marketing actions in this aspect will grow as well; these are the measures that we plan to take:

A. FAIRS:

In this area we will focus to advertise ourselves in Franchises Fairs to promote our business model.

i) Expofranquicia (Madrid)

The most important it will be “Expofranquicia” in Madrid.



Expofranquicia is an international fair, in Madrid, which the last edition had more than 140 companies and 225 brands and registered 12.261 visitors, that is the 17,2% more than in the 2011 edition. Furthermore, it counted with international firms as well, from 9 different countries.

Due these statistics, we think is a great way to communicate our business model in a professional environment.

ii) SIF & Co. fair (salon internacional de la franquicia).

This fair is located in Valencia. It is smaller than Expo-franquicia, but it has a great experience due its 23 years of history. It had during the last edition around 9,200 professionals interested in franchising.

It counts with international presence, mainly Latin American countries and Mediterranean countries near Spain.

We think that participate in this fair, can offer to us a good opportunity to sell and show Nilman's business model, but also will provide us a great chance to create a good networking, due the fair offer on-line direct contact with the participants in the fair.



iii) Brochures

For both fairs, we will need to create brochures to communicate to the potential investors our business model proposal where its main characteristics and our values will be present.

The brochures will contain at the same time, the webpage direction and the process to follow if you want to be one of our franchises. As well, it will contain the example of the pilot project to show the financial highlights and have a better idea of how it will be to run this business.

B. SEARCH ENGINE MARKETING:

Within the search Engine Marketing that we will use to offer the business model and later, to provide information about the different franchises rural hotels, it is needed to differentiate between Search Engine Marketing itself, and the Search Engine Optimization.

i) Search Engine Marketing

The Search Engine marketing works through the pay per click in search Engine. We have decided to be only present in Google, using Google Adwords:

The image shows a Google search for 'hoteles'. The search results include organic listings from Booking.com, Hoteles.com, and Trivago. A sidebar on the right contains several sponsored advertisements for hotel booking services like Kayak, edreams, lastminute, and atrapalo. A green box with the text 'Google AdsWord (Search Engine Marketing)' and an arrow points to the sponsored ad section.

There we will have to choose the words we want to be related with. As our value added to the society and differentiation point is the rural tourism offering a sustainable way of living (completely respectful with the environment and related with the green concept).

The words we will choose are:

- Green franchises
- Sustainable franchises
- Rural hotel franchises.

ii) Search Engine Optimization (Web positioning)

In this area, the actions that will be taken are tactical and through the segmentation of the market with the objective of being on the top 30 of the organic results in searches.

To do that we have to be present in specialized blogs and have prescribers that increase the traffic in the webpage.

This action has no direct cost, only the indirect cost that implied to be present in blogs and prescribers webpages and the salary of the marketing staff that take care of the development of this actions.

In both of them, the strategy will be to invest more during the first steps of our business, and then when we gain in quality score, decrease the cost per click on the ads that we would assume.

So at the beginning, to be on the top positioning we are going to be willing to pay up to 2,50 euros per click, due the words we are choosing as we said before have medium level of competition.

C. WEBSITE:

Another main point of our marketing strategy will be the webpage modification to include the fact of the franchise's launch. This will be the place where the potential franchisees would found more information about the business plan of the company, and the requirements to become part of Nilman's hotels.

One example of how is going to be the webpage is the following one:



The main aspects we want to be present in our website are the respect to the environment, a sustainable way of doing business, our commitment with the rural areas development and a strong business culture.

In the franchise information section, the potential newcomers can find all the financials and the result of our trial period and they can interact with the owners of rural hotels that would work with us during the first phase of the project.

D. SPECIALIZED MEDIA

We would like to be present in financial media to achieve the potential franchisees, mainly in newspapers like Cinco Días or Expansión.

It will gain emphasis these ads during the time before the franchising fairs take place.



E. SEMINARS.

We want to be present in all seminars related with the social entrepreneurship. Our idea is not only about respecting the environment but also integrating the rural community in our activity.

During these seminars we will offer to different people our brochures that will contain as we have explain, the main information of our business model.

II. FINAL USERS MARKETING ACTIONS

These final users marketing actions will take place from the point we get our first participant in the trial period.

A. TRAVEL AGENCIES & TOUR OPERATORS

One of the actions we will take to attract the final user to go to the hotels will be to contact with some travel agencies such as El Corte Ingles travel agency.

El Corte Ingles is a famous travel agency in Spain, really customer oriented, so this can be a really good platform to achieve the final user.

B. ROUTES

We will offer to the rural hotels under our umbrella if they want to be part of different routes that would need to have a common element, we will communicate this strategy to tour operators, through our webpage and the digital marketing we will develop.

C. WEBSITE

The website created for the hotels' owners is going to support as well the relationship with the final customer, the booking system and providing information to the final user of the rural hotels about the quality standards and the offer available.

D. SEARCH ENGINE MARKETING

As we have done for investors, we will be focus on this area also for the final user.

The search engine marketing will follow the same structure as in the franchises, with the unique difference of the words that will be chosen. We will provide in this area advice about the ones chosen by the franchises.

E. PRESCRIBERS & FORUMS

To be commitment with the values and the image we want to communicate we would like to contact with specialized travel bloggers related with nature or/ and luxury trips and with NGOs that share our values, such as Greenpeace or WWF.

Also we are going to participate actively in forums about rural hotel sector, sustainability and rural society in order to communicate to the society our brand image.

F. SOCIAL MEDIA

We want to be really present in Facebook and Twitter to have direct contact with the final customers of Nilman rural hotels. By these social networks we pretend to promote the hotel services and also have a direct contact with the customers in order to have feedback from them.

This action is going to be done by the marketing department of the company. Also it will take place a monitoring process in order to detect possible deviation of the concept of our brand in the social media and neutralize them by taking some actions.

G. SPECIAL EVENTS

To promote the rural hotels to the final users, we will give support and manage the event if the franchisee asks for it. The only requirement is the event share the value of Nilman hotels.

H. INTERNATIONAL MEDIA.

In order to attract international tourists and increase the demand, we will be present in the different countries according to the most successful tools to advertise in foreign countries.

We are going to focus in European tourists because they share more the values of the company and are more worried about the environment, specially we will target in a first moment United Kingdom, Germany and France (according to INE and the Institutos de Estudios Turísticos almost a 50% of the foreigners come from this three countries.

This action, as we have no previous experience in the marketing in this country and because difficult in some of the languages we will hire professional staff to develop this services (consultant company). We want only to be present in digital marketing.

6.7. FUTURE MARKETING STRATEGIES

The future of Nilman after launching the franchise is going to be directed to gain presence in Spanish market, by introducing hotels from other regions in Spain. After this process we will evaluate the company, and if the financials figures are good and we reach the optimistic scenario that we handle in the financial plan of the company we will go internationally after these five first years.

For go internationally, we will target first countries with culture about the nature and that have similar situation than Spain concerning the big amount of rural tourism and fragmented situation.

The decision of going one country or another will take place after doing some research about the situation of any of these countries.

Finally we have to point that if we finally go internationally, the strategy chosen will be a multi-domestic one, it means we will operate through the establishment

of a subsidiary in the country that will have to adequate to the conditions of this future market. This is because we want to guarantee the high quality services and the final deliver of our value proposition.

6.8. SALES & MARKETING BUDGETS

In order to calculatate the marketing budget we have established the following criteria:

For Expofranquicia and SIF&Co (the franchises fairs), the cost will be the following one:

EXPOFRANQUICIA	
Stand 16 m2	3.874,23 €
Presence in publicity	248,05 €
Presence in visitors guide	1.875,50 €
TOTAL	5.997,78 €

SIF&CO	
Stand 16 m2	4.132,15 €
Registration fee	395,00 €
TOTAL	4.527,15 €

For the Search Engine actions the budget we have estimated the following one:

SEARCH ENGINE MARKETING & OPTIMIZATION	
Green franchises (words)	1.475,00 €
Sustainable franchises	115,00 €
Hotel franchises	9.000,00 €
TOTAL	10.590,00 €

For the media advertisement the budget will be the next one:

MEDIA
EXPANSION

Small Section (20 ads) in color	4.940,00 €
Strip in color (6 ads) in color (6x2)	18.150,00 €
CINCO DÍAS	
Small Section (20 ads) in color	4.680,00 €
Strip in color (6 ads)	14.220,00 €
TOTAL	41.990,00 €

So the final marketing budget will be:

MARKETING BUDGET	2013	2014	2015	2016	2017
Expofranquicia	5.997,78 €	6.171,71 €	6.350,69 €	6.534,86 €	6.724,37 €
SIF&Co (Valencia's fair)	4.527,15 €	4.658,44 €	4.793,53 €	4.932,54 €	5.075,59 €
Webpage creation	3.000,00 €				
Search Engine Marketing & Optimization	10.590,00 €	10.060,50 €	9.557,48 €	9.079,60 €	8.625,62 €
Web maintenance	1.200,00 €	1.234,80 €	1.270,61 €	1.307,46 €	1.345,37 €
MEDIA	41.990,00 €	46.189,00 €	50.807,90 €	55.888,69 €	61.477,56 €
Brochures	447,99 €	460,98 €	474,35 €	488,11 €	502,26 €
Total	67.752,92 €	68.314,45 €	72.780,21 €	77.743,15 €	83.248,51 €

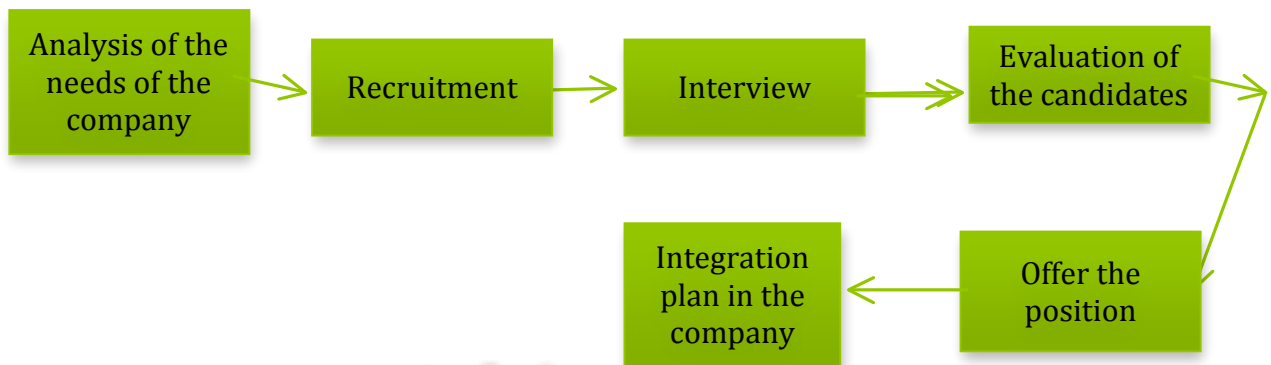
To calculate the budget we have taken the next assumptions:

- The prices of Expofranquicia and SIF&Co will increase according the CPI (Consumption Price Index). We have used the last Spanish CPI. We established the same for the web maintenance and the brochures.
- Due to the improvement on the quality score, we have assumed that it will decrease a 5% annually.
- In media, we have assumed an increased of the 10% each year of the expenses.

7. HUMAN RESOURCES PLANNING

7.1. SELECTION PROCESS:

To do the selection process of Nilman hotels, it is going to be followed a six steps process:



Once we have defined the different needs of personnel that we have, the selection process will start.

Recruitment

To guarantee the success, the recruitment will be done through a formal process. We will go through different job portals existing in the Internet; mainly we will use Infojobs and Monster platforms.

The offers and the profile we required of the candidates we need, will be exhaustively described in the webpage. In the first steps of our project, we will not know the name of Nilman, but we will describe the concept of our company.

Evaluation of the candidates

The board of Nilman will evaluate each candidate and the adequate of the profile to the position. It will be having into consideration the level of experience, the communication skills, and the ability to share and develop the values of our company and the posterior integration in the team.

Firstly, a selection based on the different curriculums that we have received, will take place based on the fulfillment of all the minimum requisites of the position.

Secondly, we will require to the candidates for an aptitude test where we can evaluate the mental agility, deductive logic, and special orientation.

The candidates that pass this exercise will have an interview with one of the members of the managers of the company, depending on the area or department where this candidate is applying. After the interviews, a meeting of the board will take place in order to select the best candidate.

To end, Nilman will do a formal offer to the selected candidate where all the conditions of the contract will be explain. The rest of candidates will be informed about the final decision of the company.

7.2. TRAINING & DEVELOPMENT POLICIES

Once of the main objectives of the company is provide all the employees with a continuous training program.

Every year, a part of the budget for Human Resources will be assign for this area depending on the needs of the company valued by the board of directors. In this aspect, courses will be included as well as seminars associated with different areas

of the companies. A final control of the training will take place in order to evaluate the success and the learning process of the employees that take part on them.

At the same time, we want to include as well in these policies, an annual meeting where all the employees will be invited and can have a space out of the work to relation between themselves and acquire the feeling of being all at the same team and as an important part of our organization.

The board of directors will assist to courses and seminars in order to acquire more knowledge to be continuously updated with the changes on the market and the introduction of new services or tools to improve the quality of the service the company is providing.

During the last months of the year a general evaluation of the performance of every employee will take place and every three months meetings will take place in order to check the level of performance of each group, although the company's objective is to have a direct channel of communication with all the employees, where the complaints or problems can be discovered on time.

The yearly evaluation is going to be about all the levels in the company and will have the next aspects:

- A self- evaluation of each employee about the achievement of objective during the period.
- A meeting of the board to analyze the performance of the different groups within the organization.
- An evaluation of the groups doing by their employees in order to achieve a high performance teams.

With this system, our main objective is to control and solve on time the potential problems that can appear.

The training and development policies have as the main goal to commit all the personnel with the organization, making feel them as an essential part of the company.

7.3. JOBS POSITIONS REQUIRED.

On the next table it is shown all the positions that Nilman need to cover to start running the operations.

Job	Number of positions required initially
Operations & IT manager	1
Marketing & Outsourced relations manager	1
Financial manager	1
Sales	1

We are going to start with this simple configuration. The three partners will assume the responsibilities of Operations, Marketing and Finance and in the first year we will need just a Sales representative to sell our business model and bring the first customers.

But in the following years, once the business has expanded we will need to fill new positions or hire more people in existing ones in order to keep providing the service with the same quality to all the clients.

Now we are going to present the number of employees we consider necessary to run the business in a successful way depending on the different scenarios. Those scenarios differ on some initial assumptions. Mainly concerning the amount of clients we will have and their increase from one year to another.

	2014	2015	2016	2017	2018	SCENARIO
Sales force	1	1	2	2	3	Optimistic
	1	1	1	2	2	Neutral
	1	1	1	1	2	Pesimistic
IT maintenance	0	0	0	1	1	Optimistic
	0	0	0	1	1	Neutral
	0	0	0	0	1	Pesimistic
Marketing & design	0	1	1	1	2	Optimistic
	0	1	1	1	1	Neutral
	0	0	1	1	1	Pesimistic
TOTAL	1	2	3	4	6	Optimistic
	1	2	2	4	4	Neutral
	1	1	2	2	4	Pesimistic

To each position, we show during the next lines the descriptions of the different requirements and functions.

Position	Outsource Relation Manager
Functions	<ul style="list-style-type: none"> - Advice and support the client through its relation with the franchisee. - Communication of the needs of the client to the outsourced companies. - Management of complains and solves the problems that can appear between these two parts. - Monitor the contract observance
Educational background	University degree. Preferable in Business Management.
Professional background	5 years of experience in management positions.
Languages	High level of English and Spanish
Skills	Leadership, decision-making, prioritizing abilities, customer oriented, engage with the organization, hard working, communication skills and proactive.

Position	Quality Manager
Functions	<ul style="list-style-type: none"> - Final selection of the suppliers - Quality control on the delivery of suppliers. - Quality control on the work done by the outsourced company.
Educational background	University degree. Preferable in Business Management or Engineering. Master on Quality management or MBA.

Professional background	5 years of experience in quality departments, in management positions.
Languages	High level of English and Spanish
Skills	Leadership, decision-making, prioritizing abilities, customer oriented, engage with the organization, hard working, communication skills, integrity, responsibility.

Position	Operation manager
Functions	<ul style="list-style-type: none"> - Operation advice to the clients. - In charge of doing the public tenders to get the suppliers. - Bargaining and Supplier selection. - Complaints management of the clients and suppliers. - Monitor the contract observance.
Educational background	University degree. Preferable in Business Management or Engineering.
Professional background	5 years of experience in operational divisions. Experience on international environment is a plus.
Languages	High level of English and Spanish
Skills	Leadership, decision-making, prioritizing abilities, customer oriented, engage with the organization, hard working, communication skills, high level of negotiation skills.

Position	Marketing manager
Functions	<ul style="list-style-type: none"> - Marketing actions planning. - Development of the different marketing actions planned. - First contact with potential clients or potential franchisees.
Educational background	University degree. Preferable in Business Management or Marketing.

Professional background	5 years of experience on marketing departments Experience on international environment is a need.
Languages	High level of English and Spanish. German and French are a plus
Skills	Leadership, decision-making, prioritizing abilities, customer oriented, engage with the organization, hard working, communication skills, negotiation skills, proactive, integrity. Creativity is a must.

Position	Marketing assistant and design
Functions	<ul style="list-style-type: none"> - Help in developing market research and analysis. - Design and implement marketing actions. - Creativity and innovation. - Team building.
Educational background	University degree. Or arts background with postgraduate studies on marketing.
Professional background	3 to 5 years of experience in marketing department with deep knowledge in implementation.
Languages	High level of English and Spanish.
Skills	Leadership, decision-making, prioritizing abilities, engage with the organization, hardworking, communication skills, negotiation skills, proactive, integrity.

Position	Financial Manager
Functions	<ul style="list-style-type: none"> - Financial controlling. - Establish financial strategic objectives. - Supervise the reports and forecasting of each customer's business model

Educational background	University Degree. Preferable in B&A, or Economics. Specialized in Finance.
Professional background	5 to 10 years of experience on finance departments with at least 3 years in management positions.
Languages	High level of English and Spanish. German and French are a plus
Skills	Leadership, decision-making, prioritizing abilities, engage with the organization, hardworking, communication skills, negotiation skills, proactive, integrity.

Position	IT functional manager
Functions	<ul style="list-style-type: none"> -Oversee the development and maintenance of the IT strategic plan. -Approve vendors used by the organization and monitors their financial condition. -Approve and monitor major projects, IT budgets, priorities, standards, procedures, and overall IT performance. -Coordinate priorities between the IT department and user departments. -Review the adequacy and allocation of IT resources in terms of funding, personnel, equipment, and service levels.
Educational background	Master's degree in IT
Professional background	Minimum 3 years experience in IT companies
Languages	English and Spanish- Level High
Skills	Management Skills, Communication, Leadership, Organizational skills, Decision making, Programming and Monitoring.

Position	Sales
Functions	<ul style="list-style-type: none"> - Be capable of convincing potential customer to try our services. - Create a wide network of clients. - Customer relationship management. - Complaints management of the clients. - Monitor the contract observance.
Educational background	University degree. Preferable in Business Management or Engineering.
Professional background	5 years of experience in sales divisions. Experience on international environment is a plus.
Languages	High level of English and Spanish
Skills	Leadership, decision-making, prioritizing abilities, customer oriented, engage with the organization, hard working, communication skills, high level of negotiation skills.

7.4. REMUNERATION POLICY.

The remuneration policy will be the next one for the first job positions:

REQ.	POST	REMUNERATION/year
1	Operations & IT manager	12.000
1	IT maintenance assistant	24.000
1	Marketing & Outsource relation manager	12.000
1	Financial manager	12.000
1	Sales	30.000
1	Marketing assistant & Design	30.000

The wages will be revised each year, increasing by the inflation of the year. Partners will have a small fixed monthly remuneration and they will share dividends at the end of the year depending on how they decide in the shareholders meeting.

7.5 TOTAL HR BUDGET

POSITION	FIXED	Max Variable	SOCIAL SECURITY(33%)	TOTAL COST
Marketing assistant & Design	30.000	10.000	13.200	40.000
Operations & IT manager	12.000		3.960	12.000
Sales	30.000	18.000	15.840	48.000
Marketing & Outsource relation manager	12.000		3.960	12.000
Financial manager	12.000		3.960	12.000
IT maintenance assistant	24.000	8.000	10.560	32.000

The salary structure follows the same structure for all the management positions. The 60% of their wages are going to be fixed and the remaining 40% are going to be linked to particular objectives that are going to be settled yearly or quarterly depending of each case.

In order to calculate de total cost of these HR function, we have supposed that all the managers could achieve their objectives to have an idea of the maximum cost we are going to face.

In some particular situations, some extra bonuses could be settled.

In addition we are going to calculate the total cost we are going to face each year in concept of wages and salaries. We will assume that all bonuses will be accomplished. We assume also that the inflation will be close to 3%.

	2014	2015	2016	2017	2018
COST OPT	48.000	90.640	144.282	183.578	288.130
COST NEUTRAL	48.000	90.640	93.359	183.578	189.085
COST PES	48.000	49.440	93.359	96.160	189.085

7.6 FUTURE STRATEGIES IN HR

In this section we will mention how we are planning to grow in the Human Resources aspects.

- In the outsourced management area will be hired up to three people during the three first years if the company success. They will be included based on the different areas that the company has outsourced and not in management positions, it is mean that they will be supervised by the outsource relation manager.
- In the operations department, up to two people during the first three years, if it takes place the same conditions as before will be hired, in order to help the manager with the public tenders and the control over the observance of the contracts.
- The last department that will be reinforce if the company grow enough will be the marketing department, up to 10 employees during the first years. They will be specialized in each function the marketing manager will start doing, and the functions of the manager will be to decide the planning and supervise the performance of the department.

8. ORGANIZATIONAL BEHAVIOR

We consider this part extremely important because defining the correct shape and relations of our company could be a decisive factor in order to implement our model. Organization's structure is crucial for strategy execution and must be aligned with it.

In our particular case, we are going to expose which type of structure we want to build up as well as the values inherent in our company and that would define the relation between the different parts of the organization and to the external world.

One of the first decisions we have made is to choose a flat organization structure in order to create closer relationships between the management positions and the bottom line of the company. This flat structure also will help us achieving the desired grade of efficiency, understood as achieving strategic goals and objectives in time, quality and within certain limited resources.

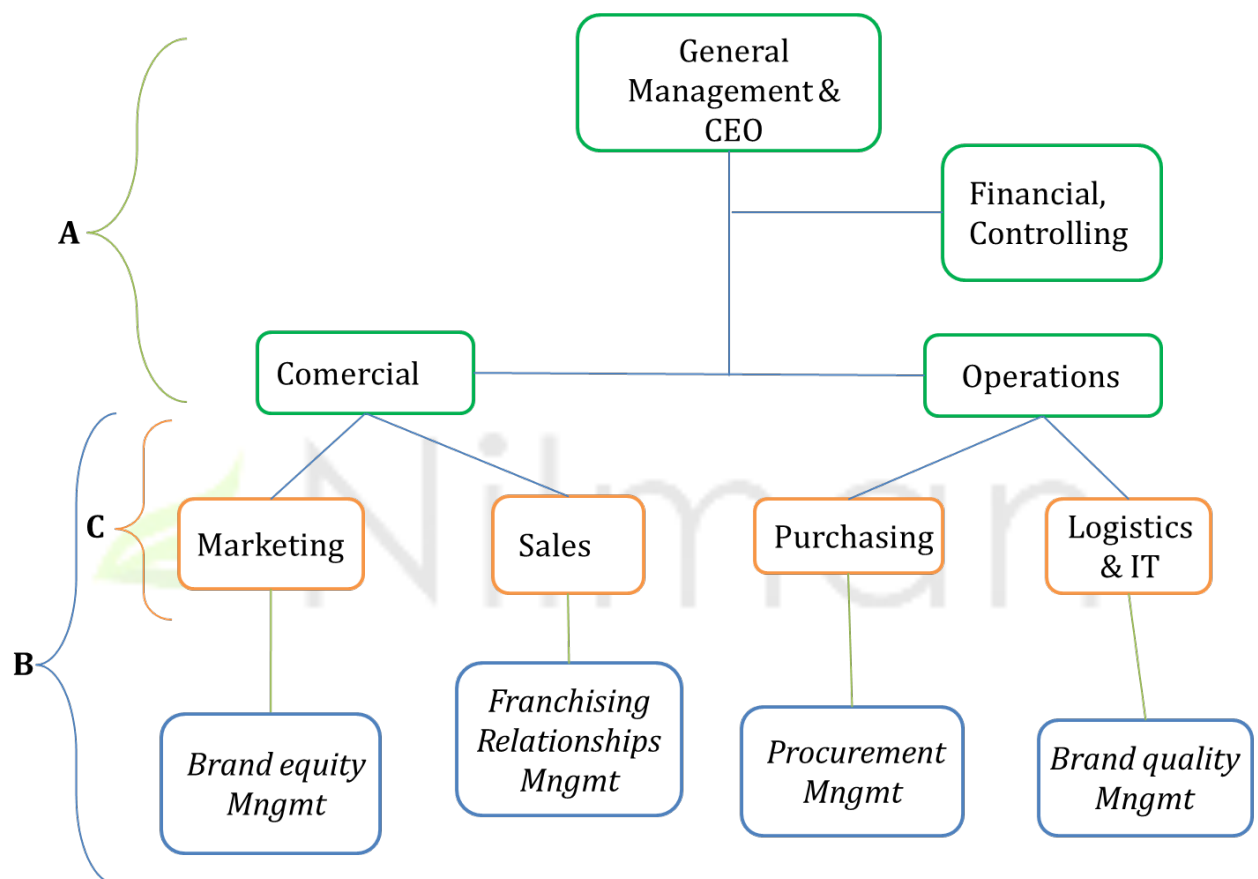
This part of the business model and more precisely the organizational chart we are going to present below is based on the characteristics we have explained in the Operations part. Therefore, we have highlighted the areas we considered core activities for our business in order to represent where they are going to be placed in the organization.

8.1 ORGANIZATION CHART

As we mentioned before, flatter organization tend to foster greater communication between employees and in addition the lack of bureaucracy makes easier to adapt to changes.

We have divided the company in three different levels:

- **A:** Direction and management of the company. In this part is where the strategic decision is made after a “top-down, bottom-up” process. Are concentrated the main areas of the company and they report directly to the board of directors.
- **B:** Core competences and activities we have developed in the operation deliverable, these fields are key for the success of our business. Inside their



respective departments more activities are developed but we have just highlighted these ones because we consider them the core of our business.

- **C:** These departments as marketing or sales, although they are important for our organization, are just intermediaries between the key activities and the management positions.

8.2. CULTURE

Is one of the most important parts in every organization, the culture and values that drive the business are key for achieve the objectives and to implement the strategy.

First we will define the Vision and the Mission of our company and after we will describe a certain set of values that in our opinion will drive our company in a successful direction. Also, they will be the pillars of our CSR policy.

Values, mission and vision must be transparent and shared by all the segments of the company; we want to create a feeling of belonging as well as a strong culture but avoiding rigid structure.

Our mission statement is:

“To provide people a great experience by our excellent natural and rural environment at the same time that helping the communities to develop in a sustainable way”.

And our vision statement:

“We seek for achieve a dominating position inside the market. We want to be a competitive hotel in terms of high quality and cost structure”.

In the vision statement we want to reinforce the idea of what is really a “dominating position” within the market. As we are starting the first stages of our business our objective is to be a leader in a quite saturated market.

The last phase describing the organization culture is the values that are inherent within the company.

1. **Commitment:** We want to provide to both, our customers and the end user a wide range of products and services that will cover all their needs. These services must be reviewed and controlled in all their different stages

and our customers must be aware that we are behind them to provide support.

2. **Cooperation:** As we have to work with many different partners, cooperation will be crucial to get the best output we can from each different relation.

3. **Respect:** From the customer, our partners and all the supply chain to the communities in which we are going to develop our business. These communities must be integrated and aware of our activity and their support is a key success factor for us.

4. **Flexibility:** In this current world almost anything is stable *per se*. We must be conscious that the world, the business and the environment changes quickly and abruptly. Just if we understand this factors and we can adapt fast to any change in the environment we can drive successfully the business.

5. **Responsibility:** Of the organization with our employees, with the communities and the customers. We are responsible for the quality of the results and therefore we must take into account all the stakeholders involved in the decision making process.

9. FINANCIAL PLAN

9.1 INTRODUCTION

Before presenting the financial analysis of our project we consider relevant to explain in detail, which is going to be the development of this derivable as well as explaining some of the initial assumptions we have made.

1.1. Methodology.

We will analyze in detail the financial situation making a forecast for the following 5 years in three different scenarios:

- *Optimistic.*
- *Neutral.*
- *Pessimistic without debt.*

The main differences from one scenario to another one will be explained in detail in the next section, as well as the main sources of financing or the sources of revenues.

In each of the following parts we will present the main assumptions we are taking into consideration, explaining the reasons why we are taking those decisions. We will specify the differences between the three scenarios just when the hypothesis will differ.

Afterwards we will present the different figures for each one of the scenarios regarding mainly the Income Statement, the Balance Sheet, the Free Cash Flows of the Project. In each of these parts we will take a deeper look to the figures by explaining the main conclusions.

Finally we are going to wrap up all the information presented in order to clarify the risk and the benefits of our project.

1.2. Starting Assumptions.

A. Sources of financing: The main difference is that in the 3 first scenarios the funds come strictly from the owners as Equity meanwhile in the fourth one we will apply for a loan to SEGITTUR. This line of credit we are applying for is focused on young entrepreneurs and for the tourism sector.



Although this credit line will be our first attempt in order to capt funds we have more options that could fit with our project as “*Instituto de Credito Oficial*” or “*REINDUS*”.

B. Revenues: Income will come from two different sources; Variable Revenues that we will collect at the end of the year if we accomplish with the objectives set in the initial contract and Fixed Revenues (or quotes) that we will collect quarterly from our customers.

Before exposing the different prices and revenues for each one of the scenarios we are going to present the expected number of customer we want to reach in the next five years.

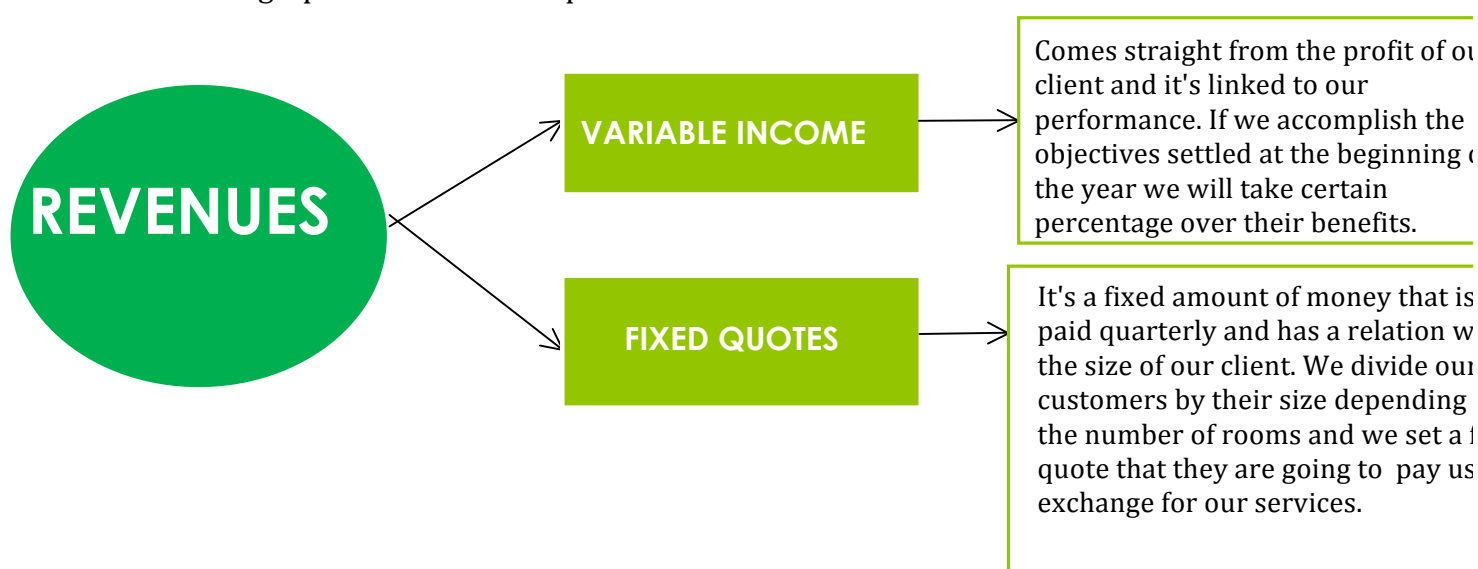
	2014	2015	2016	2017	2018
Number of rural hotels Optimistic	20,00	90,00	180,00	270,00	360,00
Number of rural hotels Neutral	20,00	50,00	120,00	190,00	260,00
Number of rural hotels PES	20,00	40,00	90,00	140,00	190,00

These figures would represent the following market share in the national and regional markets.

Market Share Optimistic Spain	0,13%	0,58%	1,17%	1,75%	2,34%
Market Share Neutral Spain	0,13%	0,32%	0,78%	1,23%	1,69%
Market Share Pesimistic Spain	0,13%	0,26%	0,58%	0,91%	1,23%

North-Western MS Optimistic	0,75%	3,37%	6,73%	10,10%	13,47%
North-Western MS Neutral	0,75%	1,87%	4,49%	7,11%	9,73%
North-Western Pesimistic	0,75%	1,50%	3,37%	5,24%	7,11%

The graph shown below explains in detail both sources of revenue.



Now we will use the price range and the tariffs we are going to charge for our services in order to calculate the estimated revenues in each of the scenarios. This step is the first one needed to calculate the forecast of the financial statements and is crucial to reach an accurate estimation.

Variable Revenue related with the customer's profit	Increase in Profit	Variable Revenue	2014	2015	2016	2017	2018	Probability
	20%	5%	7,795	57,159	106,523	136,141	185,506	65%
	50%	7%	10,912	80,022	149,132	190,598	259,708	20%
	80%	10%	15,589	114,317	213,046	272,283	371,011	10%
	100%	12%	18,707	137,181	255,655	326,739	445,214	5%
TOTAL VARIABLE INCOME PER YEAR AND PER HOUSE			9,74	71,45	133,15	170,18	231,88	

In the Variable Revenue we will charge according with the goals we have set with our customers if we accomplish them we will take a percentage over the profits at the end of the year. These Variable Revenue will be the our only revenue in the first year because as we are a new company unknown and we want to create a brand we will offer our services for free to the 20 first houses we will select. And if we reach our objectives they will be forced by the initial contract to hire our services in the following year.

	Rooms	Number	Quote
Until	20	60%	700
Bigger than	20	40%	1500

		NUMBER OF HOUSES					REVENUES COMING FROM FIXED QUOTES				
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
OP	small	12	54	108	162	216	0	129600	259200	388800	518400
	big	8	36	72	108	144	0	172800	345600	518400	691200
NEU	small	12	30	72	114	156	0	72000	172800	273600	374400
	big	8	20	48	76	104	0	96000	230400	364800	499200
PES	small	12	24	54	84	114	0	57600	129600	201600	273600
	big	8	16	36	56	76	0	76800	172800	268800	364800

These two sources of revenue end with the following estimated sales.

Revenues OPTIMISTIC	195	308.830	628.768	953.148	1.293.078
Revenues NEUTRAL	195	171.572	419.178	670.734	933.889
Revenues PESIMISTIC	195	137.258	314.384	494.225	682.458

Finally and before start presenting the different financial statements we are going to introduce a chart that shows in a brief way the different assumption concerning the income statement and the balance sheet.

	OPTIMISTIC	NEUTRAL	PESIMISTIC
Funds	SEGITTUR Loan + Equity	SEGITTUR Loan + Equity	We don't get the government loan we o the company with equity
Sales	2 Sources of Income depends on the nº of clients	2 Sources of Income depends on the nº of clients	2 Sources of Income depends on the nº of clients
Wages	3 Partners (not salary) Starting with 1 employee up to X in the last year (Explained in detail in Data sheet)	3 Partners (not salary) Starting with 1 employee up to X in the last year (Explained in detail in Data sheet)	3 Partners (not salary) Starting with 1 employee up to X in the last year (Explained in detail in Data sheet)
Marketing	Comes from Marketing plan	Comes from Marketing plan	Comes from Marketing plan
Outsourced services cost	Related with the use we give	Related with the use we give	Related with the use we give
Electricity	Normal use	Normal use	Normal use
Rent	850€/monthly in the center of Oviedo	850€/monthly in the center of Oviedo	850€/monthly in the center of Oviedo
Other expenses	Office material and equipment 1st year(projector, laptops, phone lines) & travel expenses.	Office material and equipment 1st year(projector, laptops, phone lines) & travel expenses.	Office material and equipment 1st year(projector, laptops, phone lines) & travel expenses.
Software Applications	Cloud data server + E-booking system	Cloud data server + E-booking system	Cloud data server + E-booking system
Self-employed quote	Payments to the social security in concept of "autonomos" for the 3 partners	Payments to the social security in concept of "autonomos" for the 3 partners	Payments to the social security in concep "autonomos" for the 3 partners
CAPEX	We will buy 2 cars for sales purposes	We will buy 2 cars for sales purposes	We will buy 2 cars for sales purpose.
Stock & Purchases	As we are a service based company we will assume that both concepts will tend to 0	As we are a service based company we will assume that both concepts will tend to 1	As we are a service based company we will assume that both concepts will tend to 0

9.2 PROFIT AND LOSS ACCOUNT

1. Assumptions & Figures

Once we have described the assumptions regarding the revenues for each one of the different scenarios we will present the four income statements.

The main assumptions and differences are placed in the COGS. The number of employees will differ substantially depending on the number of clients we have and therefore the quantity of effort needed to provide our service.

Regarding the Software applications we will allocate our data in a cloud server and we will need the same intangible asset for the e-booking and CRM processes.

<i>Profit & Loss Optimistic</i>	Predictions				
	2014	2015	2016	2017	2018
Sales	195	308.830	628.768	953.148	1.293.078
Cost of sales	85.700	134.290	195.582	242.528	354.730
<i>Wages</i>	<i>84.000</i>	<i>126.640</i>	<i>180.282</i>	<i>219.578</i>	<i>324.130</i>
<i>Outsourced</i>	<i>1.700</i>	<i>7.650</i>	<i>15.300</i>	<i>22.950</i>	<i>30.600</i>
Gross Margin	-85.505	174.540	433.185	710.620	938.347
General expenditures	109.903	87.464	91.930	96.893	102.399
<i>Electricity light water</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>
<i>Rent</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>
<i>Marketing</i>	<i>67.753</i>	<i>68.314</i>	<i>72.780</i>	<i>77.743</i>	<i>83.249</i>
<i>Other expenses</i>	<i>6.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>
<i>Software applications</i>	<i>26.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>
<i>Self-employed quote</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>
Operating Margin (EBITDA)	-195.408	87.076	341.255	613.726	835.949
Depreciation	0	1.000	1.000	900	1.800
EBIT	-195.408	86.076	340.255	612.826	834.149
Interest expenses	7.070	7.070	7.070	5.792	4.449
EBT	-202.478	79.006	333.185	607.035	829.700
Taxes	0	23.702	99.956	182.110	248.910
Net Profit	-202.478	55.304	233.230	424.924	580.790

<i>Profit & Loss Neutral</i>	Predictions				
	2014	2015	2016	2017	2018
Sales	195	171.572	419.178	670.734	933.889
Cost of sales	85.700	130.890	139.559	235.728	247.185
<i>Wages</i>	<i>84.000</i>	<i>126.640</i>	<i>129.359</i>	<i>219.578</i>	<i>225.085</i>
<i>Outsourced payments</i>	<i>1.700</i>	<i>4.250</i>	<i>10.200</i>	<i>16.150</i>	<i>22.100</i>
Gross Margin	-85.505	40.682	279.619	435.005	686.704
General expenditures	109.903	87.464	91.930	96.893	102.399
<i>Electricity light water</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>
<i>Rent</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>
<i>Marketing</i>	<i>67.753</i>	<i>68.314</i>	<i>72.780</i>	<i>77.743</i>	<i>83.249</i>
<i>Other expenses</i>	<i>6.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>
<i>Software applications</i>	<i>26.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>
<i>Self-employed quote</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>
Operating Margin (EBITDA)	-195.408	-46.782	187.689	338.112	584.305
Depreciation	0	1.000	1.000	900	1.800
EBIT	-195.408	-47.782	186.689	337.212	582.505
Interest expenses	7.070	7.070	7.070	5.792	4.449
EBT	-202.478	-54.852	179.619	331.421	578.056
Taxes	0	0	53.886	99.426	173.417
Net Profit	-202.478	-54.852	125.733	231.994	404.639

<i>Profit & Loss statement Pesimistic</i>	Predictions				
	2014	2015	2016	2017	2018
Sales	195	137.258	314.384	494.225	682.458
Cost of sales	85.700	88.840	137.009	144.060	241.235
<i>Wages</i>	<i>84.000</i>	<i>85.440</i>	<i>129.359</i>	<i>132.160</i>	<i>225.085</i>
<i>Outsourced payments</i>	<i>1.700</i>	<i>3.400</i>	<i>7.650</i>	<i>11.900</i>	<i>16.150</i>
Gross Margin	-85.505	48.418	177.375	350.165	441.222
General expenditures	109.903	87.464	91.930	96.893	102.399
<i>Electricity light water</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>	<i>1.200</i>
<i>Rent</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>	<i>850</i>
<i>Marketing</i>	<i>67.753</i>	<i>68.314</i>	<i>72.780</i>	<i>77.743</i>	<i>83.249</i>
<i>Other expenses</i>	<i>6.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>	<i>3.000</i>
<i>Software applications</i>	<i>26.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>	<i>6.000</i>
<i>Self-employed quote</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>	<i>8.100</i>
Operating Margin (EBITDA)	-195.408	-39.047	85.444	253.272	338.824
Depreciation	0	1.000	1.000	900	1.800
EBIT	-195.408	-40.047	84.444	252.372	337.024
Interest expenses	0	0	0	0	0
EBT	-195.408	-40.047	84.444	252.372	337.024
Taxes	0	0	25.333	75.711	101.107
Net Profit	-195.408	-40.047	59.111	176.660	235.917

9.3 FREE CASH-FLOWS OF THE PROJECT

Using the Profit & Loss accounts presented above we can calculate the free cash flows of the project.

OPTIMISTIC FORECAST

Operating Cash Flow	-202.478	56.304	234.230	425.824	582.590
Purchases	0	0	0	0	0
Operating cash	6.022	4.793	5.037	5.309	5.611
Inventory	0	0	0	0	0
Clients (accounts receivables)	32	50.767	103.359	156.682	212.561
Suppliers (accounts payables)	28.175	41.635	59.271	72.190	106.563
Working Capital	-22.121	13.924	49.125	89.801	111.608
Change in working capital		36.045	35.201	40.676	21.807
Working Capital Cash Flow	0	-36.045	-35.201	-40.676	-21.807
Initial investment	240.000				
CAPEX				10.000	
CAPEX free cash flow	-240.000	0	0	-10.000	0
Loan	140.000				
Repayment of the loan	0	0	25.311	26.589	27.932
Cash flow of the debt	140.000	0	-25.311	-26.589	-27.932
Free cash flow of the equity	-302.478	20.259	173.717	348.559	532.850

NEUTRAL FORECAST

Operating Cash Flow	-202.478	-53.852	126.733	232.894	406.439
Operating Cash Flow	-195.408	-39.047	60.111	177.560	237.717
Purchases	0	0	0	0	0
Operating cash	6.022	4.793	5.037	5.309	5.611
Inventory	0	0	0	0	0
Clients (accounts receivables)	32	22.563	51.680	81.242	112.185
Suppliers (accounts payables)	21.132	21.906	33.783	35.522	59.483
Working Capital	-15.077	5.450	22.934	51.030	58.313
Change in working capital		20.527	17.484	28.096	7.283
Working Capital Cash Flow	0	-20.527	-17.484	-28.096	-7.283
Initial investment	240.000				
CAPEX				10.000	
CAPEX free cash flow	-240.000	0	0	-10.000	0
Free cash flow of the equity	-435.408	-59.574	42.627	139.464	230.434
Cash flow of the debt	140.000	0	-25.311	-26.589	-27.932
Free cash flow of the equity	-302.478	-70.699	61.146	186.927	336.305

PESIMISTIC FORECAST

Operating Cash Flow	-195.408	-39.047	60.111	177.560	237.717
Purchases	0	0	0	0	0
Operating cash	6.022	4.793	5.037	5.309	5.611
Inventory	0	0	0	0	0
Clients (accounts receivables)	32	22.563	51.680	81.242	112.185
Suppliers (accounts payables)	21.132	21.906	33.783	35.522	59.483
Working Capital	-15.077	5.450	22.934	51.030	58.313
Change in working capital		20.527	17.484	28.096	7.283
Working Capital Cash Flow	0	-20.527	-17.484	-28.096	-7.283
Initial investment	240.000				
CAPEX				10.000	
CAPEX free cash flow	-240.000	0	0	-10.000	0
Free cash flow of the equity	-435.408	-59.574	42.627	139.464	230.434

We can appreciate a tendency in all the different scenarios and is that no matter the different considerations we have taken, we start to be profitable between the second and the third year.

It's also quite remarkable the positive effect that the debt has over our profitability. Although the free cash flows of the project are affected by the annual payments of the debt we will see in the next point that the effect on tax reduction due to the loan increases the rate on return by double.

1. Cost of Capital.

In order to calculate the Internal Rate of Return and the Net Present Value to evaluate the feasibility of the project we are going to calculate the Weighted Average Cost of Capital (WACC) that we are going to use as the minimum rate of return we want to get out of the project.

We will present to WACC's; the first one will be in the situation with the SEGITTUR loan and the other one will be without debt.

Concept	Amount		Assumption
	NO DEBT	DEBT	
Cost of Equity			
Risk Free Rate	4,9%	4,9%	10 year Spanish Bond 14/06/2013
Equity Market Premium in Spain + Extra	10,8%	10,8%	Damodaran estimation for the Spanish Market
Re-levered Beta	1,16	1,16	Sectorial Relevered Beta from Damodaran
Cost of Equity	17,4%	17,4%	
Cost of Debt			
Cost of Debt		5,05%	Source: ICO subsidy and SEGITTUR
Tax Rate	30,0%	30,0%	Corporate Tax Rate
Cost of Debt	0,0%	3,5%	
Equity / (Debt + Equity)	100%	42%	
Debt / (Debt + Equity)	0%	58%	
	17,4%	9,3%	Discount Rate
	Weighted Average Cost of Capital		

2. Internal Rate of Return and Net Present Value

Once we have calculated the WACC we use it as discount rate to calculate the viability of the project in each one of the three scenarios.

OPTIMISTIC	NPV	501203,02
	IRR	49,5%
	MIRR	39,6%
NEUTRAL	NPV	62513,77
	IRR	15%
	MIRR	13,71%
PESIMISTIC	NPV	-247910,72
	IRR	-5,3%
	MIRR	-1,8%

We have also calculated the Modified Internal Rate of Return (MIRR). This is because as the IRR estimates that the cash flows are reinvested in the same discount rate the estimation is not as accurate as in the MIRR.

We can appreciate that in all the scenarios unless the Pessimistic one, the results are extremely positive and the investment and the risk taking are totally worthy.

Also, the inclusion of the debt in the project will help us enormously.

9.4. BALANCE SHEET

1. Assumptions & Figures

Assumptions in the Balance Sheets of the four scenarios are few and quite common. For a service based company as us CAPEX is referred to 2 company vehicles needed for reaching our customer.

Regarding the Accounts receivable we collect in average quarterly (each 60 days), and for the Accounts payable we took a reference for tourism market as 90 days to pay suppliers. Inventory exists just for office material so tend to be close to 0.

<i>Balance Sheet Optimistic</i>	Predictions				
<i>Assets</i>	2014	2015	2016	2017	2018
Cash and Banks	238.143	256.173	430.134	779.066	1.311.318
Accounts receivables	32	50.767	103.359	156.682	212.561
Intangible Assets	20.000	20.000	20.000	20.000	20.000
Current Assets	258.175	326.939	553.493	955.747	1.543.878
Net fixed assets	10.000	10.000	9.000	18.000	17.100
Financial investments	0	0	0	0	0
Fixed Assets	10.000	10.000	9.000	18.000	17.100
TOTAL ASSETS	268.175	336.939	562.493	973.747	1.560.978

	Predictions				
<i>Liabilities</i>	2014	2015	2016	2017	2018
Accounts payables	28.175	41.635	59.271	72.190	106.563
Non comercial creditors	0	0	0	0	0
Current Liabilities	28.175	41.635	59.271	72.190	106.563
Long term debt	140.000	140.000	114.689	88.099	60.167
Total Liabilities	168.175	181.635	173.960	160.290	166.731
Capital	100.000	100.000	100.000	100.000	100.000
Reserves	0	0	55.304	288.534	713.458
Retained earnings	0	55.304	233.230	424.924	580.790
Net worth	100.000	155.304	388.534	813.458	1.394.248
TOTAL LIABILITIES	268.175	336.939	562.493	973.747	1.560.978

<i>Balance Sheet Neutral</i>	Predictions				
<i>Assets</i>	2014	2015	2016	2017	2018
Cash and Banks	231.099	213.023	500.146	657.973	934.331
Accounts receivables	32	28.204	68.906	110.258	153.516
Intangible Assets	20.000	20.000	20.000	20.000	20.000
Current Assets	251.132	261.226	589.052	788.231	1.107.847
Net fixed assets	10.000	10.000	9.000	18.000	17.100
Financial investments	0	0	0	0	0
Fixed Assets	10.000	10.000	9.000	18.000	17.100
TOTAL ASSETS	261.132	271.226	598.052	806.231	1.124.947

<i>Balance Sheet</i>	Predictions				
<i>Liabilities</i>	2014	2015	2016	2017	2018
Accounts payables	21.132	31.226	31.897	54.143	55.501
Non comercial creditors	0	0	0	0	0
Current Liabilities	21.132	31.226	31.897	54.143	55.501
Long term debt	140.000	140.000	114.689	88.099	60.167
Total Liabilities	161.132	171.226	146.586	142.242	115.668
Capital	100.000	100.000	100.000	100.000	100.000
Reserves	0	0	225.733	331.994	504.639
Retained earnings	0	0	125.733	231.994	404.639
Net worth	100.000	100.000	451.467	663.989	1.009.279

<i>Balance Sheet Pesimistic</i>	Predictions				
<i>Assets</i>	2014	2015	2016	2017	2018
Cash and Banks	91.099	89.343	291.326	489.599	602.031
Accounts receivables	32	22.563	51.680	81.242	112.185
Intangible Assets	20.000	0	0	0	0
Current Assets	111.132	111.906	343.005	570.842	714.216
Net fixed assets	10.000	10.000	9.000	18.000	17.100
Financial investments	0	0	0	0	0
Fixed Assets	10.000	10.000	9.000	18.000	17.100
TOTAL ASSETS	121.132	121.906	352.005	588.842	731.316

	Predictions				
<i>Liabilities</i>	2014	2015	2016	2017	2018
Accounts payables	21.132	21.906	33.783	35.522	59.483
Non comercial creditors	0	0	0	0	0
Current Liabilities	21.132	21.906	33.783	35.522	59.483
Long term debt	0	0	0	0	0
Total Liabilities	21.132	21.906	33.783	35.522	59.483
Capital	100.000	100.000	100.000	100.000	100.000
Reserves	0	0	159.111	276.660	335.917
Retained earnings	0	0	59.111	176.660	235.917
Net worth	100.000	100.000	318.222	553.320	671.833
TOTAL LIABILITIES	121.132	121.906	352.005	588.842	731.316

9.5. RATIOS AND CONCLUSIONS

Once we have forecast and estimated all the different financial statements and calculated the feasibility of the project and the business model we are going to take a look to some of the ratios we have calculated and that measure the profitability of the business.

Profitability Ratios - Optimistic	2014	2015	2016	2017	2018
Gross Profit Margin	0,0%	56,5%	68,9%	74,6%	72,6%
Operating Profit Margin (EBITD)	0,0%	28,2%	54,3%	64,4%	64,6%
EBIT Margin	0,0%	27,9%	54,1%	64,3%	64,5%
Net Income Margin	0,0%	17,9%	37,1%	44,6%	44,9%
ROA		18,3%	51,9%	55,3%	45,8%
ROE		43,3%	85,8%	70,7%	52,6%
Profitability Ratios - Neutral	2014	2015	2016	2017	2018
Gross Profit Margin	0,0%	23,7%	66,7%	64,9%	73,5%
Operating Profit Margin (EBITD)	0,0%	-27,3%	44,8%	50,4%	62,6%
EBIT Margin	0,0%	-27,8%	44,5%	50,3%	62,4%
Net Income Margin	0,0%	-32,0%	30,0%	34,6%	43,3%
ROA		-20,6%	28,9%	33,0%	41,9%
ROE		-54,9%	45,6%	41,6%	48,4%
Profitability Ratios - Pesimistic	2014	2015	2016	2017	2018
Gross Profit Margin	0,0%	35,3%	56,4%	70,9%	64,7%
Operating Profit Margin (EBITD)	0,0%	-28,4%	27,2%	51,2%	49,6%
EBIT Margin	0,0%	-29,2%	26,9%	51,1%	49,4%
Net Income Margin	0,0%	-29,2%	18,8%	35,7%	34,6%
ROA		-33,0%	24,9%	37,6%	35,7%
ROE		-40,0%	28,3%	40,5%	38,5%

Those figures shown without exception that the business is profitable and sustainable in the long term as well as the margins we have are bigger enough to deal with any possible future competitor.

Numbers seemed to be in line with the assumptions we have taken in the financial statement and what we think is going to be a key activity is to be able to collect during the expected period. This issue is linked with the isolated situation that our customers (the rural houses) are experiencing.

Finally we are going to analyze the figures over the financial structure.

Financial Structure - Optimistic	2014	2015	2016	2017	2018
Current Ratio	9,2	7,9	9,3	13,2	14,5
Debt-ratio	0,6	0,5	0,3	0,2	0,1
Financial Leverage Ratio	1,4	0,9	0,3	0,1	0,0
Interest Coverage Ratio	-27,6	12,2	48,1	105,8	187,5
Financial Debt	140.000	140.000	114.689	88.099	60.167
Equity	100.000	155.304	388.534	813.458	1.394.248
Leverage (D/E)	1,4	0,9	0,3	0,1	0,0
Financial Structure - Neutral	2014	2015	2016	2017	2018
Current Ratio	11,9	8,4	18,5	14,6	20,0
Debt-ratio	0,6	0,6	0,2	0,2	0,1
Financial Leverage Ratio	1,4	1,4	0,3	0,1	0,1
Interest Coverage Ratio	-27,6	-6,8	26,4	58,2	130,9
Financial Debt	140.000	140.000	114.689	88.099	60.167
Equity	100.000	100.000	451.467	663.989	1.009.279
Leverage (D/E)	1,4	1,4	0,3	0,1	0,1
Financial Structure - Pesimistic	2014	2015	2016	2017	2018
Current Ratio	5,3	5,1	10,2	16,1	12,0
Debt-ratio	0,2	0,2	0,1	0,1	0,1

One of the issues that could make the difference between the success and the fail of the project is regarding to the financial structure. SEGITTUR loan or other source of financing could leverage our project into the future.

ANNEX A – PILOT ACOMODATION UNIT

FEASIBILITY ANALYSIS OVER THE CONSTRUCTION OF A SUSTAINABLE RURAL HOTEL

We will present briefly the P&L account for our Pilot Unit in the optimistic scenario, what is linked with the amount of visitors they will have.

We can probe easily that the profitability of this business model in the current times we are facing is almost inexistent.

This was the main reason that made us change the scope of the project into a one that can solve some of the main issues at the same time we are extremely young and with a positive attitude towards work.

<i>(In thousands of euros)</i>	2014	2015	2016	2017	2018
Sales	690.333	814.127	1.007.970	1.089.790	1.179.412
COGS	79.800	81.396	83.024	84.684	86.378
Gross Margin	610.533	732.731	924.946	1.005.105	1.093.034
General expenses	385.200	442.080	510.336	592.243	690.532
Net Margin (EBITDA)	225.333	290.651	414.610	412.862	402.502
Depreciation (initial investment)	110.238	112.238	114.238	116.238	118.238
EBIT	115.096	178.413	300.372	296.624	284.264
Interest expenses					
EBT	115.096	178.413	300.372	296.624	284.264
Taxes	34.529	53.524	90.112	88.987	85.279
Net Profit	80.567	124.889	210.260	207.637	198.985
Operating Cash Flow	156.276	183.603	234.387	234.887	231.944
Purchases	106.400	81.928	83.567	85.238	86.943
Operating cash	198.733	290.119	414.067	412.309	401.938
Inventory	0	26.600	27.132	27.675	28.793
Clients (accounts receiv	0	56.740	66.915	82.847	89.572
Suppliers (accounts pay	0	26.236	20.201	20.605	21.018
Working Capital	0	255.837	363.964	503.983	506.230
Change in working capital		108.126	140.019	5.108	- 2.860
Working Capital Cash Flow	0	-108126	-140019	-5108	2860
Initial Investment	1623567				
CAPEX	10000	10000	10000	10000	10000
capex free cash flow	-1.633.567	-10.000	-10.000	-10.000	-10.000
free cash flows of the project	-1.477.291	65.477	84.367	219.780	224.804

NPV	-1.128.539,02
IRR	-25,13%
MIRR	-16,35%

ANNEX B - BUSINESS CASE

CURRENT SITUATION OF STANDARD RURAL HOUSES

We are going to analyze the current situation of the most part of Spanish rural houses & hotels exposing the main issues they are facing nowadays and how we can help them improve using our business model.

We will take into consideration (as is defined in the business model) the North-Western part of Spain, in which the growth of these market has been an important part for the regional economy and the development of rural areas.

We will structure this business case in the following parts:

- I. External analysis of the market.*
- II. Financial analysis of the business case.*

I. External analysis of the market.

Tourism sector represent one of the pillars in Spanish economy and in the last years the concerns about environmental sustainability and rural depression have encourage the rural tourism market is characterized by a high degree of atomization. Generally are small business with low purchase power, disorganized and with low capability of demand attraction and creation.

In the following chart we can see that the market is characterized by huge amount of small players. These figures and all the statistical and empirical analysis that is going to be presented is based on the “*Instituto Nacional de Estadística*” poll on rural tourism.

		Number of rural hotels & houses														
		2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	2012M04	2012M03	2012M02
Asturias, Principado de	880	849	716	702	887	888	927	972	968	967	956	953	955	885	808	829
Cantabria	123	123	108	90	132	128	139	141	142	140	140	139	138	134	126	123
Galicia	370	367	336	305	361	365	393	405	404	401	397	400	392	377	338	328
País Vasco	224	205	188	186	206	219	223	226	230	230	218	223	231	224	210	205
TOTAL	1597	1544	1348	1283	1586	1600	1682	1744	1744	1738	1711	1715	1716	1620	1482	1485
		Number of rooms														
		2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	2012M04	2012M03	2012M02
Asturias, Principado de	5449	5324	4384	4081	5503	5528	5851	6122	6106	5996	5949	5996	5950	5595	5100	5220
Cantabria	2002	1968	1501	1238	2050	1973	2156	2174	2167	2119	2124	2128	2101	2069	1786	1752
Galicia	4359	4307	3893	3550	4263	4302	4669	4780	4796	4769	4691	4719	4614	4428	3888	3774
País Vasco	2243	2035	1861	1825	2027	2171	2220	2245	2313	2300	2153	2208	2232	2239	2104	2037
TOTAL	14053	13634	11639	10694	13843	13974	14896	15321	15382	15184	14917	15051	14977	14331	12878	12783
		Degree of occupation per space														
		2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	2012M04	2012M03	2012M02
Asturias, Principado de	3,79	8,62	3,36	3,97	7,58	5,09	8,6	11,01	52,14	26,61	7,45	6,01	14,52	2,95	5	3,25
Cantabria	4,56	12,48	5,82	7,52	9,15	9,43	10,04	18,37	51,54	31,06	9,57	10,27	21,91	3,48	5,34	7,07
Galicia	3,4	7,62	4,03	2,13	6,44	5,72	8,95	11	30,95	16,27	8,5	6,75	10,48	4,13	3,72	3,2
País Vasco	11,71	17,71	8,6	6,4	11,22	10,67	16,66	17,95	50,33	32,31	16,72	14,4	22,43	10,9	8,33	6,83
TOTAL	5,865	11,6075	5,4525	5,005	8,5975	7,7275	11,0625	14,5825	46,24	26,5625	10,56	9,3575	17,335	5,365	5,5975	5,0875
		Degree of occupation per room														
		2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	2012M04	2012M03	2012M02
Asturias, Principado de	5,04	10,38	5,16	5,76	9,61	6,44	11,37	14,37	59,22	31,89	9,37	6,77	16,03	3,42	5,66	3,03
Cantabria	6,22	13,96	7,63	4,43	12,3	11,18	12,33	21,88	60,5	38,62	13	11,64	26,53	4,32	6,82	7,61
Galicia	3,45	7,77	4,31	2,1	6,96	5,94	9,54	12,33	32,46	17,99	9,19	7,48	10,7	4,45	4,08	3,5
País Vasco	13,31	19,12	10,48	8,04	12,4	12,26	18,11	19,36	54,14	34,84	18,75	16,55	22,98	12,77	9,92	8,13
TOTAL	28,02	51,23	27,58	20,33	41,27	35,82	51,35	67,94	206,32	123,34	50,31	42,44	76,24	24,96	26,48	22,27
		Number of employees														
		2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	2012M04	2012M03	2012M02
Asturias, Principado de	1006	1034	856	883	969	967	1036	1052	1070	1097	1042	1018	1028	946	878	906
Cantabria	156	151	137	120	162	151	167	181	183	173	169	168	169	163	147	149
Galicia	505	558	486	454	538	545	615	619	657	627	590	578	547	543	500	483
País Vasco	272	262	232	250	254	266	267	273	285	277	268	270	282	276	265	259
TOTAL	1939	2005	1711	1707	1923	1929	2085	2125	2195	2174	2069	2034	2026	1928	1790	1797

In the briefing of all these figures we can see a tendency regarding the market. We are also going to assume for the business case purposes, that the hotel is run by 2 people, both of them are owners of the house.

NUMBER OF RURAL HOTELS IN SPAIN	12.543
NUMBER OF RURAL HOTELS IN NORTHERN PART OF SPAIN	1597
AVERAGE NUMBER OF ROOMS	8,799624
AVERAGE NUMBER OF EMPLOYEES	1,214152

Using the five forces model of Michael Porter we can understand easily how this particular market works.

1 - Degree of rivalry among competitors: It's huge; lots of producers are competing to reach a fixed demand with lots of constraints due to the current situation of Spanish economy. This situation has become into a competition based on prices, with promotions and discount packages in order to correct seasonality problems in demand.

2 - Threat of new comers: Nowadays is not a threat to consider because the excess of supply together with the end of subsidies and financial help by regional governments to this sector.

3 - Threat of substitute products: Also important to consider this force, there exist many products that could be perceived as substitutes by the consumers therefore there's no cost of changing between options for the customer.

4 - Bargaining power of customers: As we explained in the previous point, the existence of many substitutes together with the fact that the market is distributed among small players with no union between them creates a powerful customer.

5 - Bargain power of suppliers: Small business disaggregated as these rural houses have no power at all when we talk about procurement negotiation. Therefore, suppliers have huge negotiation power.

All these facts drives us to conclude that the rural tourism market is a place with huge competition in which an entrepreneur with no knowledge of the market or specific experience is going to have lots of problems to be successful.

From the same poll we can also subtract the average prices and the rate of occupancy.

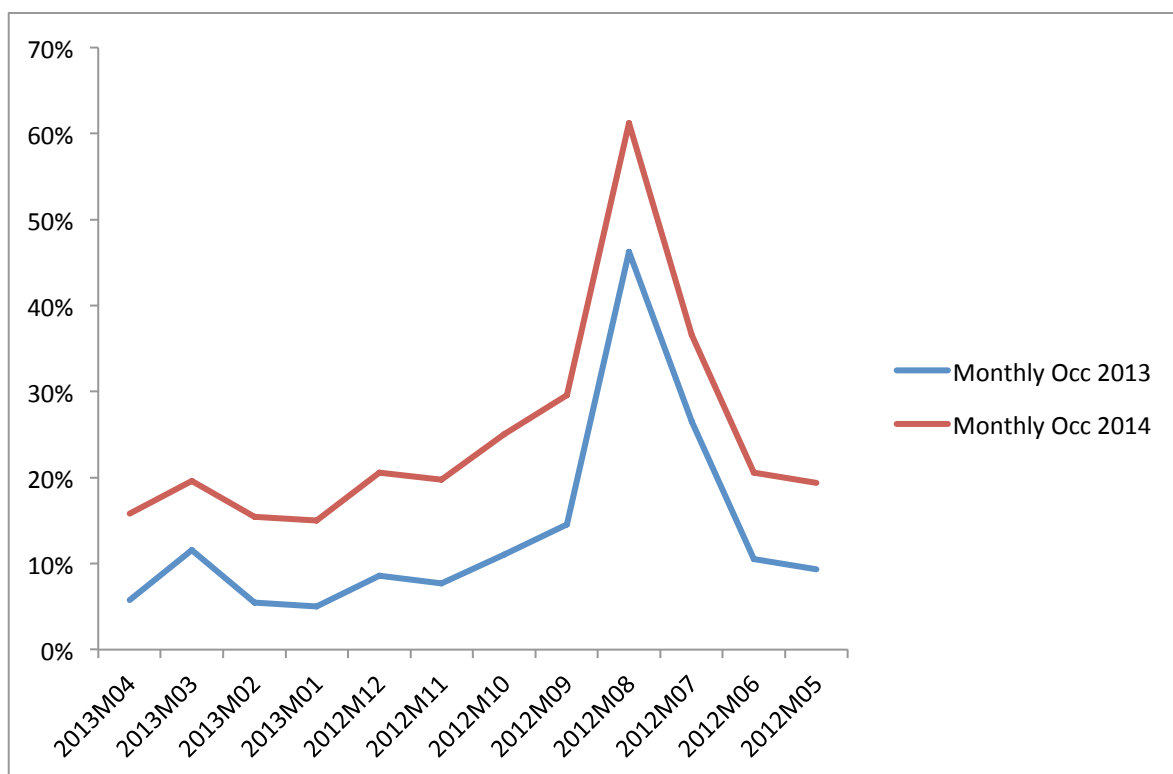
	2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05
Casturias, Principado de	127,62	134,83	134,9	137,63	125,87	128,21	125,36	126	123,77	122,35	129,3	131,89
Galicia	126,89	139,42	136,81	164,77	127,07	129,98	165,32	139,03	123,54	121,45	141,35	126,63
País Vasco	121,95	127,98	130,93	130,09	125,53	118,24	125,01	119,76	120,05	127,35	126,63	119,76
Average	127,3375	131,4225	135,4425	145,46	125,8425	124,935	139,0625	127,535	124,3025	125,1675	131,89	126,63

	2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	AVERAGE
Monthly Occ 2013	6%	12%	5%	5%	9%	8%	11%	15%	46%	27%	11%	9%	14%
Monthly Occ 2014	16%	20%	15%	15%	21%	20%	25%	30%	61%	37%	21%	19%	25%
Monthly Occ 2015	21%	25%	20%	20%	26%	25%	30%	35%	66%	42%	26%	24%	30%
Monthly Occ 2016	26%	30%	25%	25%	31%	30%	35%	40%	71%	47%	31%	29%	35%
Monthly Occ 2017	29%	33%	28%	28%	34%	33%	38%	43%	74%	50%	34%	32%	38%
Monthly Occ 2018	34%	38%	33%	33%	39%	38%	43%	48%	79%	55%	39%	37%	43%

In the last chart is shown the monthly rate of occupancy with the latest figures available and also the forecast for the next 5 years if a standard rural house will hire our services.

In order to reach this positive situation we will use our resources (described in the business model). With these marketing and branding campaigns, administration advise and operations standards we will be able to stimulate the situation by 2 different sources:

- A. **Demand Acquisition:** In the current times, these rural houses have few sources of reaching the customer. Mainly through internet and portals that are quite expensive for the output they provide. The huge degree of competition makes really difficult to reach the potential customer. We want to compensate this situation with our marketing campaign, offering to the customer a new value proposition and a unique experience, being able to trust a brand and decide among a certain supply of houses.
- B. **Demand creation:** Another value proposition is to correct seasonality problems attracting new potential customers as business man or companies. Also we plan to create a network of rural houses that could communicate between them and create packages to visit different places going from one place to another.



II. Financial analysis of the business case.

After analyzing the situation of the market and with all the data gathered we can calculate the present and forecast revenues. We have calculated the number of rooms occupied per month using the occupancy rates shown before, and after taking the average prices per room we get the gross revenue.

	2013M04	2013M03	2013M02	2013M01	2012M12	2012M11	2012M10	2012M09	2012M08	2012M07	2012M06	2012M05	
Revenue 2013	147,71	304,90	147,63	145,75	216,45	193,15	307,61	371,89	1149,55	664,89	278,55	240,96	41
Revenue 2014	402,39	515,18	418,52	436,67	518,47	492,99	696,98	754,50	1522,46	915,22	542,33	498,40	77
Revenue 2015	529,72	646,60	553,96	582,13	644,31	617,93	836,04	882,03	1646,76	1040,39	674,22	627,12	92
Revenue 2016	657,06	778,02	689,40	727,59	770,16	742,86	975,11	1009,57	1771,06	1165,56	806,11	755,84	108
Revenue 2017	733,46	856,87	770,67	814,87	845,66	817,82	1058,54	1086,09	1845,64	1240,66	885,25	833,08	117
Revenue 2018	860,80	988,30	906,11	960,33	971,50	942,76	1197,61	1213,62	1969,95	1365,83	1017,14	961,80	133

The next chart represents the Income Statement. As main assumption we have consider that the propriety of the house if of the owners and that they have no liabilities among their structure. Also we have considered that they don't perceive a monthly salary (otherwise they are incurring in huge losses every year). They pay the monthly quote to the social security "autónomos". The rest of the data, as the COGS, are estimated from a study of the Carlos III University about rural

	2013	2014	2015	2016	2017	2018
Sales	4169,05	7714,11	9281,23	10848,35	11788,62	13355,73
COGS	416,90	771,41	928,12	1084,83	1178,86	1335,57
Gross Margin	3752,14	6942,70	8353,11	9763,51	10609,75	12020,16
General expenses	7920,00	6720,00	6720,00	6720,00	6720,00	6720,00
<i>self-employed quote</i>	5280,00	5280,00	5280,00	5280,00	5280,00	5280,00
<i>Electricity, water supply</i>	960,00	960,00	960,00	960,00	960,00	960,00
<i>Other expenses</i>	480,00	480,00	480,00	480,00	480,00	480,00
<i>Advertisement</i>	1200,00	0,00	0,00	0,00	0,00	0,00
EBIT	-4167,86	222,70	1633,11	3043,51	3889,75	5300,16
Interest expenses	0	0	0	0	0	0
EBT	-4167,86	223	1.633	3.044	3.890	5.300
Taxes	-1250,36	66,81	489,93	913,05	1166,93	1590,05
Net Income	-2917,50	156	1.143	2.130	2.723	3.710

houses.

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