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HOW TO FOUND A HOSTEL IN FUENGIROLA, SPAIN

Bachelor's thesis
Degree programme in Tourism


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KUVAILULEHTI

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Tekijä(t) Janne Vähämäki ja Nelly Wahlroos	Koulutusohjelma ja suuntautuminen Matkailun koulutusohjelma				
Nimeke Hostellin perustaminen Espanjan Fuengirolaan					
Tiivistelmä <p>Tämän tutkimusluontoisen opinnäytetyön aiheena on selvittää pienen majoitusyrityksen kannattavuutta ja markkinarakoa Espanjan Fuengirolassa lähitulevaisuudessa. Aiheen taustalla on tekijöiden halu perustaa oma hostelli Espanjaan ja näin työllistää itsensä. Tutkimuksessa pyrittiin selvittämään Espanjan taloustilanteen vaikutuksia matkailuun ja majoitusyrityksen kannattavuuteen sekä sen mitä kuuluu majoitusyrityksen liiketoimintasuunnitelmaan. Markkinatilanteen kartoittamiseen käytettiin apuna matkailullisia tilastoja ja puolistrukturoituja teemahaastatteluja. Majoituspalveluiden kilpailu on alueella kovaa ja siksi onkin hyvä tehdä taustatutkimusta siitä onko alueella yrittäminen kannattavaa.</p> <p>Opinnäytetyössä keskeisiä käsitteitä ovat Espanja, hostelli, majoitusalan yrittäminen, liiketoimintasuunnitelma ja kannattavuus. Näiden käsitteiden avulla työssä on käsitelty majoitusalan yrityksen toimenpiteitä Espanjassa. Työssä käsitellään Espanjan talousvaikeuksia sinne yrittäjäksi haluavan silmin. Teemahaastattelut tehtiin kesällä 2010 Fuengirolassa, majoitusalan yrityksille ja niissä käsiteltiin: hostellien hintaeroja, asiakasprofiileja, markkinointia, kannattavuutta sekä hostellien vahvuuksia ja heikkouksia. Haastatteilla selvitettiin markkinarakoa uudelle yritykselle Fuengirolassa.</p> <p>Tämän tutkimuksen johtopäätöksissä tuli ilmi, että yrityksen perustamistoimenpiteet ovat oletettua helpommat ja että asianajo-toimistot eli "Gestorat" auttavat yrittäjää Espanjan byrokratian koukeroissa ja myös että Espanjan huonon taloustilanteen vaikutus on nyt suuri. Ilmeni myös että Espanjan yleinen ajattelutapa on vanhanaikainen, mutta modernisoitumiselle on tilaa. Tutkimuksessa ilmeni myös, että uudella ja toimivalla liike-idealla sekä matkailutilanteen kartoittamisella on merkitys majoitusyrityksen perustamisen kannattavuuteen Espanjassa.</p> <p>Jatkotutkimusaiheita voisi olla Espanjan talouden vaikutuksia yrittäjiin, jo aloittaneen majoitusyrityksen liiketoimintasuunnitelman kehittäminen sekä miten talouskriisi vaikuttaa matkailuun ja majoitusalan yrittämiseen Espanjassa.</p>					
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DESCRIPTION


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Abstract <p>The goal of this thesis is to find out how profitable a small accommodation business can be and if there is room in the market in near future in Fuengirola, Spain. The topic was chosen because the authors wanted to employ themselves by starting a hostel in Spain. The research intends to find out how the economic situation in Spain affected tourism and the profitability of accommodation businesses and what is contained in a business plan of an accommodation business in Spain. Tourism statistic and semi structured interviews were used to map the current market situation. Because of Fuengirola's high competition situation it is smart to conduct research if it can be profitable to start a business there.</p> <p>The important concepts of the thesis are: Spain, a hostel, accommodation business, business plan and profitability. Emphasis lies on how the current economic situation affects entrepreneurs who want to start up a new company in Spain. The interviews were conducted in the summer of 2010 and they concentrated on: price differences, customer profiles, marketing, profitability and strengths and weaknesses of the local hostels. The interviews were used to find out the market opportunities for a new accommodation business.</p> <p>The conclusions of this study show that the start-up formalities are easier than the authors expected and organizations called "Gestorias" help the entrepreneurs with the bureaucracy of Spain and that the crisis affects the economy at the moment. It shows as well that Spain is becoming more modernized but still traditional way of thinking is strong. In the results of this thesis it is observed that creating a new and functional business idea and background research of the tourism situation affects to the profitability of starting an accommodation business in Spain.</p> <p>Possible themes for follow-up research could be: How has the economic situation of Spain affected entrepreneurs, development of business plan for already existing businesses and how is the economic situation affecting the tourism and accommodation businesses.</p>			
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1 INTRODUCTION

The purpose of this thesis is to conduct a research into starting a hostel (small hotel) and how profitable it can be in Fuengirola, Spain. The idea for the thesis evolved from the authors' interest to start their own business in Spain. The authors were working in a Spanish real estate company together and the idea of making this thesis about founding a hostel became stronger. Because the authors were studying in a different carriers (Bachelor of Business administration in English and Degree programme in Tourism) in a different Universities of Applied Sciences (Seinäjoki and Mikkeli) some arrangements had to be done before starting this project such as getting an approval from the professors to start the work and to decide to write this thesis in English.

Fuengirola became the main focus of their thesis because the authors were working there. According to INE statistics (2010) Costa del Sol is a highly popular destination for tourists from all over the world and especially from Scandinavia, which raised a question of the opportunities in the accommodation sector. Spain as a country interests the authors because of linguistic and cultural factors. The authors are interested of Spain's warm climate, outgoing cultural and easy way of living and because they learned Spanish the language became interesting and eager them to learn more. Having lived in Spain almost a year, the authors now wish to settle down in Fuengirola and work in the tourism industry.

The aim of this research is to establish a business plan for the hostel and draw a realistic picture on whether the hostel is going to be profitable in these times. This is achieved through studying relevant statistics and doing background research. The researchers seek to find out the current situation with regard to tourism and competitors in Fuengirola. As said before, the aim is to found a hostel business and therefore the main objective of this research is to create a plan on how to establish an accommodation business in Spain. The researchers are willing to use this process as a learning curve, since the process will also provide them and the reader an insight into the current economic situation, the state of tourism in Spain and the existing accommodation businesses in the area of Fuengirola.

The research question

The research question is: How to found a hostel in Fuengirola, Spain and how profitable can it be?

When establishing any kind of business, a plan is required. Profitability can be measured in many ways such as by calculations or by analyzing niche or customer volume. These are the subjects among others relating subject to be researched on this thesis.

To frame the subject, hotels and other forms of accommodation businesses are not taken into account in this thesis and neither are the other locations in Costa del Sol. The thesis includes a business plan for a hostel and a view of competitors in the area of Fuengirola. First, there is an outline to the tourism in Spain, the economic situation in 2010 and future developments. Secondly, the research employs a theory on business start-up formalities in Spain in a form of a business plan. By interviewing the personnel in existing hostels the researchers wanted to learn if there is a niche for a new hostel. By analyzing the competitors it is possible to define the potential clientele for the new hostel. The business plan is designed in accordance with the theory of starting a hostel; however, this paper also presents another business plan comprising a short description of the researchers' own hostel.

Previous researches on starting a business in Spain

When beginning with this thesis in May 2010 the authors looked for relevant previous research. Finding similar research about starting a hostel or business in Spain was challenging. There were various researches on founding a hotel in Finland or in another country and some of those were read to obtain ideas. Some good researches that were supportive of the subject of this thesis were found in the end through internet media library and were considered interesting background for this study. Some other researches as for example statics of Spanish institution and documents of the economic outlook of Spain were also used to discover the reality of the current situation of Spanish economy and tourism in Spain.

One of the most useful researches was Rodima (2009) on: The measures to start a business in Spain - Entrepreneurs in Costa del Sol. In this thesis the author has carried out a qualitative research on how to actually start a business in Spain, Costa del Sol from a Finnish entrepreneur's point of view. The most difficult issues in Rodima (2009) were raised by Spanish bureaucracy and its tendency of prolonging business start-up formalities. The present authors think that this could be a point to be observed and reassessed in this work to find out whether the situation still is the same.

The thesis by Rodima (2009) has an interesting way of conducting interviews and provided some ideas for conducting the interviews. Rodima's study includes various research points which coincide with the present study. As Rodima's research reported on founding a hostel in Spain, area of Costa del Sol, the present study raises the question from a Finnish entrepreneur's point of view, interviewing the entrepreneurs in Spain. The thesis of Rodima (2009) gives the authors a good background for their study but the challenging part is to take this research to the next level and furthermore to make it stand as an individual research.

Another interesting and relevant research is thesis by Heikkinen and Karjalainen (2007): Setting a business in Spain, Case: Accommodation company. A closer look into the thesis revealed that it was also about founding a hostel in Fuengirola, Costa del Sol. As for the topic Heikkinen et al. (2007) is rather similar to the study at hand, but in contrast to the present study Heikkinen et al. (2007) emphasized the analysis and management of risks and used different research methods and no interviews.

Some issues about founding an accommodation business were stated in the actual business plan as: how to stand out in a competitor situation in Fuengirola, how starting up a business can take such a long time in Spain and how to achieve a well-planned marketing strategy. Therefore the researchers will chart the competitor situation by using the interviews that were conducted on the personnel in other hostels in the area. The researchers also want to include the marketing point of view and its importance. As Rodima (2009) reported on the difficulties with the Spanish bureaucracy (see chapter 3.1) when starting a business, the present researchers are interested to look into the problem of the slowness of starting a business in Spain and find ways of solving or anticipating this problem.

2 SPAIN AND TOURISM

The researchers are interested in starting an accommodation business in Spain and getting to know whether it is profitable in these times. First this study will present some facts based on tourism statistics in Spain and Fuengirola. Background information on the economic situation in Spain and the environment in an accommodation entrepreneurial point of view is given as well.

TABLE 1. Facts about Spain

SPAIN, ESPAÑA	
Official name	The Kingdom of Spain
Location	Southwest Europe, Iberian Peninsula
Inhabitants	46.7 million (2009)
Capital city	Madrid
Political system	Constitutional monarchy
King	Juan Carlos I
The Prime Minister	José Luis Rodríguez Zapatero
Main official languages	Spanish and Catalan
Currency	Euro

(Ministry of foreign affairs of Finland 2010.)

Spain is divided into 17 autonomous provinces that have their own rule and the biggest provinces are Basque Country, Galicia, Catalonia and Andalucía. The strongest trades of the country are service and manufacturing industry, which means that farming and tourism bring an important part of income to the country. The culture of history, art and food is very rich in Spain. (Unofficial translation, Europa 2010.)

Spain is well known, among other things, for its excellent quality of life, the open-minded character of its people and the wealth of opportunities on offer, both in the fields of education and culture and in the worlds of sports and leisure. Spain has a wide range of public and private hospitals and a buoyant housing market. All of

which, when combined with the assurance provided by a system of law enforcement that works, make Spain an ideal country in which to live and work. It comes as no surprise that Spain has been ranked among the top world list of tourist destinations, not only in terms of visitor numbers but also in terms of revenues generated. (Invest in Spain 2010.)

The government of Spain includes Ministry of industry, tourism and trade (Ministerio de Industria, Turismo y Comercio 2010). The government has various programmes and research on tourism. Instituto de turismo en España (TURESPAÑA) is the administrative unit of the central government in charge of promoting Spain abroad as a tourism destination. The new Spanish Tourism Plan “Horizon 2020” recently came into force and began to be applied under the Spanish Tourism Plan 2008-2012. The objectives of the Spanish Tourism Plan “Horizon 2020” are to increase the social and economic benefits of tourism, to achieve a social/territorial rebalance which boosts the tourist business at new destinations, and to improve the quality of the national and cultural environment by reducing the potentially negative impact of the tourist business. (Invest in Spain 2010.)

2.1 Entrepreneur in Spain

Some foreigners who have started their own business have made a great success, but certain cautiousness is still recommended. While Spain is cosmopolitan in many ways, it is also a traditional country. This means that they are open for new ideas and changes but only if they are really convinced that the new idea is worth trying. When starting a business in Spain it is good to keep in mind some important facts, such as: how much capital you will need for starting a business and how long will you subsist without a profit? Then it is important to think about the location and if there is a market for that kind of business. It is good to figure out how many employees you will have and calculate the costs. Most people underestimate the expenses of starting a new business and they overestimate the profits as well. To be cautious it is recommended to consider these issues well before starting a business and make plans for how to last in that business without any profit at least over a year. (Weinstein 2004, 114-115.)

Being a citizen of a European Union (EU) country such as Finland it is easy to start a business in another EU-country. The freedom of investment principal in the EU gives the opportunity to start a business in any other EU-country with conditions equal to those of that country's own citizens. It obliges the entrepreneur to achieve the same qualifications as the country's own citizens. The entrepreneur needs to follow the professional ethics, obtain the appropriate permits and prove his competence. The EU wants to make it easier, faster and more economical through centralized service points offering help with the formalities of starting a business. The rules and deadlines are observed better but there are still big differences between the EU member countries. (European commission 2010.)

According to Global Entrepreneurship Monitor's research of Entrepreneurial activity among foreigners resident in Spain (2008), Spain, just like other countries, has been a country generating migratory movements. However, over the last few decades it has been witnessed that instead of suffering great emigrations of its native population, the country has become one of the EU countries which have undergone the phenomena of receiving foreigners coming from other countries. The research also reveals that the difference of percentage of Spanish entrepreneurs (7.2%) and foreign entrepreneurs (11.5%) was 4.3% in the year of 2007. A higher percentage of foreign entrepreneurs was explained in this research by their education, training and cultural background which are fundamental for the creation of a competitive entrepreneurial mentality, capable of assuming risks and with the capacity to make sacrifices and take control of one's own life. (Global Entrepreneurship Monitor 2010.)

2.2 Accommodation business in Fuengirola

Hostal and Pension are both Spanish words for accommodation systems. According to Real Academia Española dictionary (2010) Hostal is "a house offering accommodation and food at a medium price" and Pensión is "a house where guests come and stay at a medium price that has been agreed on up front" (Unofficial translations).

According to Visit Costa del Sol website (2010) there are 48 different kinds of accommodation businesses in Fuengirola, all from hotels to camping sites. In the following table the accommodation businesses in Fuengirola are presented.

TABLE 2. Numbers and types of accommodation in Fuengirola

Accommodation type	Rating	Number
Hotels	*****	4
Hotels	***	10
Hotels	**	3
Apartment Hotels	***	4
Hostals	**	11
Hostals	*	4
Pensions	**	2
Pensions	*	4
Camping sites	-	2

(Tourist board of Costa del Sol 2010.)

These accommodation businesses in the area are considered as competitors but the researchers think that the customers are divided into different groups according to the customer needs. The one and two star hostals and pensions are considered as the accommodation systems that are similar to the hostel this research is about. According to the table above there are all together 21 hostals and pensions in Fuengirola.

With the help of hostelbookers.com (2010) there will be an overview of what kind of hostals and pensions are active in Fuengirola at the moment. The hostals or pensions in Fuengirola are smaller than most of the hotels and more economical for their prices. Hostals and pensions also offer simpler facilities and most of them just offer room and basic amenities (such as television, bed linen, bathroom or toilet and cleaning). Hostel and pension rooms are for 2 – 4 persons and they are priced by room or by bed. Almost all of the hostals in Fuengirola are located near the coastline and therefore within walking distance from the beach. (Hostelbookers 2010.)

2.3 Tourism situation in Costa del Sol and Fuengirola

Costa del Sol has been an international tourist destination from the early 1950s to these days. Costa del Sol is situated on the south coast of the Iberian Peninsula and it makes up the 161 kilometers of Malaga coastline but the western part of it is known more internationally as the cities Torremolinos, Benalmádena, Fuengirola and Marbella. The overall climate in the Malaga province allows year-round tourism and it is said to have more than 300 sunny days per year. (Tourist board of Costa del Sol 2010.)

Fuengirola started out as a small fisherman village, but nowadays it has increased into being a huge tourist destination for both Spanish and foreign tourists. Fuengirola is located 30 kilometers southwest of Malaga and it lies along the coast in the area of Costa del Sol. It is part of the autonomic area of Andalucía and the province of Malaga. Fuengirola is the home of 63 000 residents, of which 40 % foreigners and most of the nationalities are first English then Swedish and Finnish (20 000 Finns come to stay in Costa del Sol every winter). The area of Fuengirola is international and therefore it is easy to get services in English and even in Finnish. Therefore it is a popular tourism destination for Finns and other nationalities. (Unofficial translation. Espanja-info 2010.)

By investigating hotel occupancy rates in the area the researchers are going to learn about the current situation of tourism in the area of Costa del Sol. According to Ehow Inc. (2010), hotel occupancy refers to the percentage of rooms occupied in a hotel at a given time. The occupancy rate helps the administrators of a hotel to evaluate their business and determine whether the hotel has a vacancy for letting out rooms to walk-in guests. The hotel front-desk clerk or manager should know the information required to determine the hotel occupancy. (Ehow Inc. 2010.)

These statistics presented in INE (2010) show the monthly hotel occupancy until March 2010. The information was studied by paying special attention on the changes in the number of travelers and the occupation rate that happened during a three-year period. The particular month was chosen as an example because it is the time of the annual Holy week (Semana Santa). Semana Santa is a religious celebration in catholic

countries and it is held during the Easter week and it attracts a lot of tourists into Spain. Many people in the hospitality industry say that the summer season in Fuengirola and in the whole province of Malaga starts at Semana Santa. The choice of the month for studying hotel occupancy rates was also influenced by the fact that the latest statistics available at the time of this research were those of March 2010.

This research takes into account the INE rating on both Spanish residents and foreign residents during the three-year period of 2008 - 2010. The survey was made within the province of Malaga, considering the number of hotel establishments and the number of beds. The following table gives the reader a review of hotel occupancy and the changes during the years 2008 - 2010.

TABLE 3. Review of the hotel occupancy in the province of Malaga

	March 2008	March 2009	March 2010
Number of hotels	724	738	757
Number of beds	92 136	93 347	94 822
Travelers	390 108	287 217	267 200
Overnight stays	1 306 656	1 014 188	985 119
Average overnight stay percentage	3,35 %	3,53 %	3,69 %
Hotel occupation rate (per/bed)	50,35 %	41,19 %	42,02 %

(INE 2010.)

The numbers of hotels and beds tell that the hotels and their capacity have multiplied over these three years. Otherwise the numbers of travelers and overnight stays have gone down annually. The percentage of the occupation rate has gone down in March 2009 but it has increased slightly in year 2010.

The price competition in Costa del Sol has become a big issue among hotels and hostels. According to Sur in English (2010), at the beginning of July there was a general fear among hoteliers in the province of Malaga that the seasonal demand would be lower than expected. Because of this, first the hoteliers said to the world that the hotels will not start the price war in Costa del Sol area and that they will compete with quality, not with prices, anyhow they dropped the prices to get more customers.

Only weeks later the hotels regretted dropping prices at the beginning of summer because at the end of summer the results were better than all forecasts. Now the cold weather has left hotels with too many empty rooms and a new price battle has started as the establishments try to get rooms filled in order to cover for the minimum costs. This process is, however, sacrificing all the changes to improved profitability. Three to four star hotels book their rooms from 20 to 30 Euros in the area of Fuengirola and it has caused controversy between those who do not believe that the Costa hotels should mess up the prices and with the hoteliers who are just trying to survive. (Sur in English, Martinez 2010.)

2.4 Economic situation in Spain 2010 and in the future

Living in Spain from autumn 2009 until autumn 2010 for a year and working in a Real Estate company there have given the researchers a realistic picture of the economic situation of Spain at the moment, including hearing from the entrepreneurs (for example Bars and Real Estate's) that the situation is not stable at the moment. In the news and the local media it also came up so often that the researchers could not avoid hearing about it. The people (native and foreign residents) said that they were also generally struggling through their everyday life and so the crisis and its influences became strong topics of daily conversations. This captures well what the current economic situation and the future outlook is in Spain.

An article in Spainexpat.com dating back in year 2007 reviewed the Spanish economic situation in that time: Only in 30 years the Spanish economy has raised spectacularly from stagnation to a high status. The economy is a solid bet and it is actually one of the most dynamic economies in the world (Spainexpat 2007). The article has been updated in November 2010 with the following: The world economy has taken a dramatic turn for the worse and the Spanish economy is no exception. The economy of Spain has gone down to half of what it used to be when it was one of the highest economy growths in the world. (Spainexpat 2010.)

According to Garicano, a Spanish professor of economics and strategy in a article in Guardian (2010) Spain is now facing a credibility crisis, as property prices are crashing and the wealth of many families is going down, leaving banks with billions of

Euros in loans. It looks dreadful in a country where up to 1.5 million houses are not sold. Garicano states that “Spain’s credibility problem isn’t just economical, it’s political”. The writer continues that Spain has to show that it can diagnose the extent of its financial problems in order to win back the trust of the market (Guardian 2010).

Halinen (2010) continues with the same subject: the unemployment rate in Spain is the highest in the European Union and it has mostly affected the young Spaniards. The Minister of Labor has said that it would take 3 - 4 years to stabilize the unemployment situation in Spain. Over half (55%) of the Spanish say that their economic situation is worse than last year. Despite the economic recession the costs of living have increased by 2.1% from last year. When the Greek economy crashed, the world believed that Spain will follow. It did not, but the economy is not improving, either. The socialist party had to cut and reduce budgets, reform the labor markets and plan to bring down the pension age. All these facts led to a general strike all over Spain in September 2010. (Unofficial translation, MTV3 2010.)

Valkea-Marina real estate (2010) has published a guide for people who want to invest in Spain and gathered information from international and Spanish media. According to the guide, the public finance indicators remain stable at the moment. It was suspected that in spring 2010 some of the Euro countries like Italy, Portugal, Spain and Ireland will be facing serious economic difficulties. On the one hand, few of the biggest credit rating companies have decreased the rating level of Spain, Standard & Poor’s in April and Fitch in May 2010. On the other, Moody’s definition of Spain has stayed on the same Aaa level which is the highest one, whereas the definition of Greece has decreased to the lowest of B-levels, according to Moody’s. (Unofficial translation, Valkea-Marina Real estate 2010.)

In the following we will shortly explain what Moody’s definition is all about. This system of rating was invented by John Moody in 1909 and it has become one of the world’s most highly appreciated grading systems for evaluating creditworthiness. The purpose of Moody’s ratings is to provide investors with a simple grading system for assessing the relative creditworthiness and security. The rating symbols illustrate the grading of creditworthiness and in each group the symbol is defined by the credit characteristics and told which are broadly the same. (Moody’s Investors Service Inc.

2010.) Nine symbols from Aaa down to C are shown below with an example of how to designate least credit risk of denoting greatest credit risk with Spain and Greece.

TABLE 4. Example of Moody's rating symbols

Highest						Lowest		
Aaa	Aa	A	Baa	Ba	B	Caa	Ca	C
Spain			Greece					

The definition (Aaa) that Moody's has given to Spain gives hope for the future. The overall review of the studies and articles on the economic situation in Spain now gives the conclusion that the situation is unstable at the moment. In the following paragraphs we will review some economic aspects in the future of Spain. An article in Knowledge@Wharton (2010) reveals that Spain's economic outlook for 2010 is grim because of the unemployment that is nearly double the European average. In 2007, the unemployment rate in Spain was 8.3% and it has increased dramatically up to 19.4% by the end of November. Most experts say that Spain should boost its economy by 2 to 2.5% annually to increase the unemployment. (Knowledge at Wharton 2010.)

Organisation for Economic Co-operation and Development (OECD) has a more realistic Spain's economic outlook and it is focusing to the near future which is relative in this research. OECD's (2010) outlook for economic of Spain is expected to remain flat until end of the year 2010 and to grow by 1% in the year 2011 and 1¼ per cent in 2012. The unemployment rate is planned to decline to 16.5% by the end of 2012 while consumer price inflation would decrease below 0.5%, once the effect of VAT rates drop down. Budgetary consolidation at all levels of government is projected to result in a decline of the government deficit from 9% of GDP in 2010 to 6¼ per cent in 2011 and to 4.5% in 2012. Pension reform is necessary to put public finances on a sustainable basis. The recent labour market reform is useful if the effectiveness of the public employment services will be raised. (OECD 2010.)

According to a Finnish economic magazine, Taloussanomat (2010) Spanish gross domestic product (GDP) is in line with the Government's year-end forecast or even slightly better, OECD estimates. According to the statement in CNN news made by

the Finance Minister of Spain, Elena Salgado, “The Spanish Government has predicted a decline of 0.3 per cent in the country’s gross domestic product this year” (Unofficial translation, Taloussanommat 2010).

Based on the various articles and documents the economic situation of Spain is critical, which is good considering this research. It gives some perspective to the authors on how seriously the crisis really affects Spain and how it affects the other European Union countries at the same time. These articles and documents give the impression that the outlook of Spanish economy is well planned and that the government of Spain is trying to improve the situation by different kind of actions. The conclusion of the authors is that Spain is in a difficult situation right now and the threat of a slow increase in the economy is out there but that the outlook for Spanish economy is still quite positive.

3 BUSINESSPLAN FOR A HOSPITALITY BUSINESS

One of the most important phases of starting a new business is the construction of a business plan. The plan must include the goals of the enterprise, both short and long term; a description of services and products, an outline of market opportunities that have been researched and an explanation of the resources and means that the company will employ to achieve its goals in the face of competition. Preparing a comprehensive business plan takes time and effort but once completed it will serve as a blueprint to follow which improves the organizational chances of reaching its goals. There are many benefits arising from a business plan such as: The systematic approach to planning allows the organization to make its mistakes on paper instead of real marketplace, once completed the business plan will make the entrepreneur to feel more confident to set up a new business, the business plan will show how much capital is needed, what is it needed for and when is it needed. (Barrow, Barrow & Brown 2008, 6-7.)

A business plan is required whenever an organization seeks investments from banks, finance houses or private investors. To raise the investors’ interest the business plan needs to be clear, brief, logical, truthful, and contain figures to back up the words if

possible. The layout of the business plan is essential to keep the readers focused; the information in the business plan must follow a logical pattern. (Blackwell 2008, 5-7.)

The figure below illustrates all the elements that should be taken into account when making a business plan to make optimal decisions. The recommended entry point to the planning process is a review of the market proposition (Where are we now?). Then followed by analysis of internal operations, in this process SWOT-analysis is crucial. The second phase is to determine the future of the organization. The main focus in the second phase (Where are we going?) is to find out whether the company is financially viable and profitable. The final phase is about finding out how to reach the goals set by the organization. The operational components of the plan describe how the different business functions can contribute to the delivery of aims and strategy. (Chaston 2009, 21-22.)

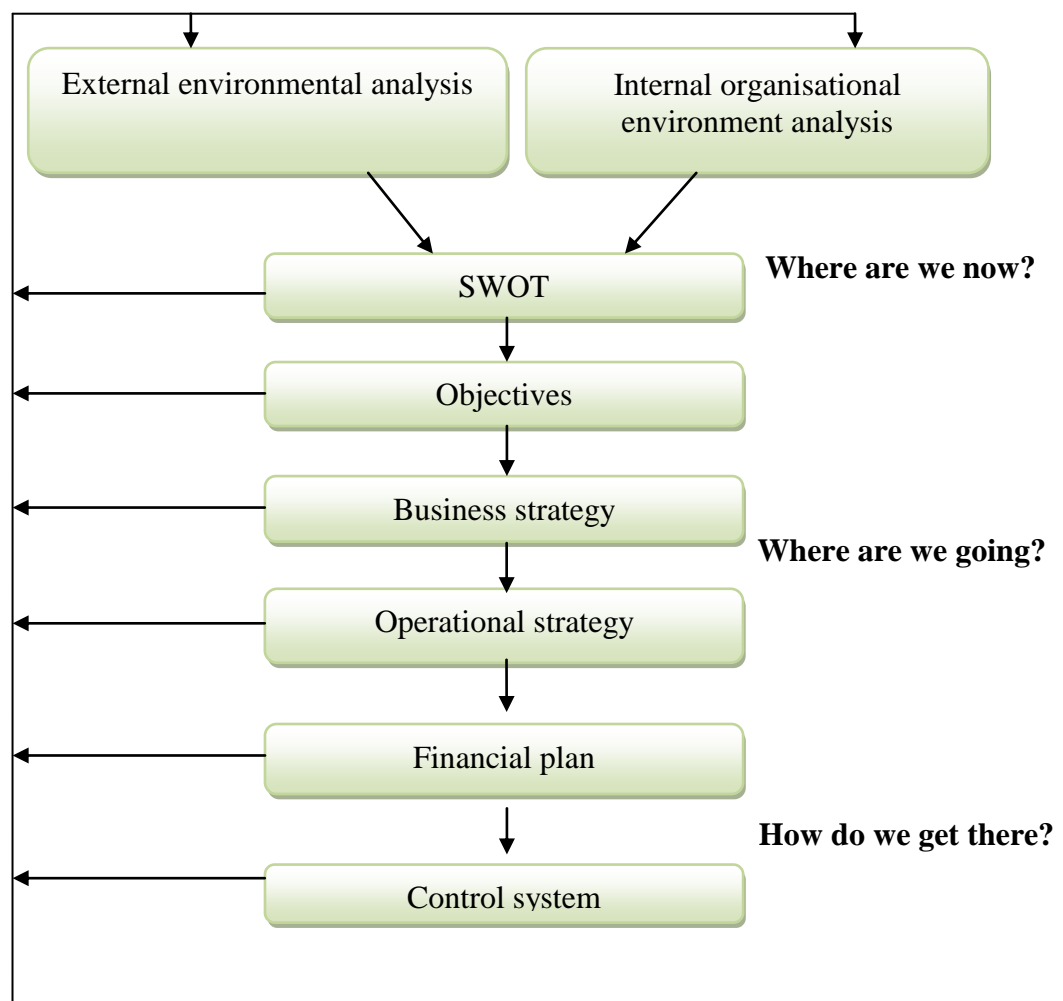


FIGURE 1. Standard business planning model (Chaston2009, 21.)

3.1 Bureaucracy of Spain

Setting up a business in Spain is straightforward, but it can be time-consuming to make sure you have all the correct forms and licenses. When living in Spain and starting a business, certain kind of ID numbers and document are needed. The following table presents the steps to gain the necessary ID numbers for foreign individuals before starting work in Spain. (Spanish-living.com 2010)

TABLE 5. ID numbers needed for foreign individuals

Term	Explanation
NIE- number	This is Número de Identidad de Extranjero which is applied from nearest immigration office. It is needed for filing taxes, property purchase, establishing a business and opening a bank account
NIF- number	This is the term for Número de Identificación Fiscal which is tax ID number. For foreigners it is the same number as the NIE-Number.
Social Security Number	The employer of an individual applies this number to the employee when starting a first job in Spain. The number stays the same in subsequent jobs.
CCC-number	This is the employer's social security numbers which may be needed when filling applications in immigration office.

(Spanish-living.com 2010.)

There is an organization called Gestoria which has been created because of the complicated Spanish bureaucracy. The main purpose of the organization is to act as an interface between the public and the public administration. Usually Gestoria administers and organizes lower-level bureaucracy issues such as taxes or starting a company. One of the key issues why Gestorias are used is that they are specialists in knowing how to work around the Spanish bureaucracy and they know who to speak to in order to get everything handled quickly. Gestorias are especially helpful to foreigners who have zero or little experience in Spanish laws and regulations. The fees of Gestoria depend on what kind of services one wishes to use and some of the services of Gestorias are accounting, solicitor or layer services, tax advice,

establishing a company and the payment of salaries. The Gestorias are not licensed professionals so they are not suited for large corporations but for small companies they are a good option instead of licensed accountants, lawyers etc. because of their affordability. (Spainexpat 2008.)

Business start-up formalities in Spain

Setting up business in Spain is simple and there are many forms of business entities to choose from that are in keeping with the OECD countries. Barriers for foreign direct investment have been removed, with few exceptions, in line with the EU legislation.

The most popular forms of company in Spain are:

- Corporation (S.A.)
- European company (S.E.)
- Limited liability company (S.L.)
- New business limited company (S.L.N.E.)
- Professional company (S.P.)
- Branch
- Representative office

Selecting the correct form of company is important for the success of the company, and all the forms have their requirements. This section concentrates on the limited liability company (S.L.) because it is best suited for a small sized company such as a hostel. Flexibility is one of the key advantages of limited liability company, giving the shareholders a considerable leeway to define the rules and bylaws of the organization. Minimum startup capital is 3005€ and it must be paid when forming the company and then divided into shares among the owners. The main managing body is the shareholders' meeting and it has the authority to control the organization. The reason why this form of company is best suited for small business is its low startup capital requirement and its managerial functions are simpler than other forms of company. (Investinspain.org 2010.)

The start-up formalities for this type of business are as follows:

- 1) Issue by the Spanish Central Mercantile Register of certificate of clearance for use of name of the new company.
- 2) Execution by the future shareholders of an agreement to set up the new company. Minimum terms of this agreement are; The type of company to be set up, purpose of the company, the initial share capital and the registered office.
- 3) Assignment of a provisional N.I.F. to the new company which is needed to pay the transfer taxes and to register in the Mercantile Register.
- 4) Execution of the public deed of incorporation of the company before a Spanish notary public.
- 5) Evidence of the identity of the founder shareholders.
- 6) Bank documents must be delivered to the acting notary public as evidence of payment.
- 7) Payment of transfer tax, a special form needs to be filed within 30 days from the act of incorporation.
- 8) Registration with the Mercantile Register.

Once these steps have been taken, the company's public deed of incorporation is filed at the Mercantile Register for its formal registration.

- 9) Registration of the company for I.A.E. (Business activity tax). Newly formed companies are exempt from this tax for the first two tax periods. This step needs to be accomplished before the company starts operating.
- 10) Registration of the company for V.A.T. purposes

- 11) Obtainment of an opening license at relevant municipal council

- 12) Registration of the company for Spanish social security and occupational accident insurance purposes, and the registration of the employees for social security purposes.

- 13) Compliance with certain procedural formalities at the local office of the ministry of labor and social affairs.

Formation of company takes 6 - 8 weeks to complete and it may be longer if a N.I.E. number must be obtained for the foreign directors. (Investinspain.org 2010.)

Taxation

There are a lot of taxes in Spain but this section will concentrate on the most crucial ones when starting and running a business. The main direct taxes in Spain are:

- 1) Corporate income tax

- 2) Personal income tax

- 3) Non-resident income tax

Corporate income tax applies to organizations that are residents in Spain. If an organization is formed under the Spanish laws, has an office in Spain, or has a management unit in Spain, it is considered a resident of Spain. General rate of corporate tax is 30% but in some cases it may be lower if the entities are of small size. Profits from business activities, income from investments not relating to the regular business purpose and income derived from asset transfers are included in the taxable income. (Investinspain.org 2010.)

Personal income tax applies to residents of Spain who are taxed based on their worldwide income. Resident of Spain is considered to be an individual if he or she spends more than 183 days in Spain during a calendar year or if his or her centre of

business is located in Spain. Taxable income consists of two parts, General base and savings base. Savings base includes positive balance from movable capital and the positive balance from capital gains and losses, and the amount of tax is 19% for the first 6 000 € and 21% thereafter. The general base consists of the balance from salary income, income from business activities, rental income, etc. The tax rate at a minimum rate for an income up to 17 707.20 € is 24% and the marginal rate for income of 53 407.20 € is 43%. (Investinspain.org 2010.)

Non-resident income tax applies to individuals and organizations that are not residents of Spain but their income and gains originate from Spain. The tax rates for non-resident income are shown in the following Table 6.

TABLE 6. Tax rates for non-resident income

Type of income	Rate (%)
General (Including royalties)	24
Dividends	19
Interest	19
Gains from transfer or redemption of units/shares in the capital or equity of collective investment institutions	19
Income from reinsurance transactions	1.5
Income from air or maritime shipping entities	4
Capital gains	19
Seasonal foreign workers	2

(Investinspain.org 2010.)

And the most important indirect taxes are:

- 1) Value added tax
- 2) Transfer and stamp tax

The standard rate of value added tax is 16% and it is applicable to most goods and services, however, there are a few exceptions with a lowered rate of 7% such as food-stuffs intended for humans and animals, water, housing, transportation of passengers, hotel services, restaurants, tickets to the theater and cinema. (Investinspain.org 2010.) Transfer and stamp tax normally applies on limited number of transactions as in the following table.

TABLE 7. Rates of transfer and stamp taxes in Spain

Type of transaction	Rate (%)
Corporate transactions, such as formation of companies, and capital increases or reductions at companies, contributions made by shareholders that do not imply a capital increase	1
Transfer of real estate	6
Transfers of movable property and administrative concessions	4
Certain rights in rem	1
Certain public deeds	0.5

(Investinspain.org 2010.)

3.2 Frame of a business plan

The frame of the business plan may vary a lot depending on the type of business, size of business and the purpose of the business. There are different variations of the business plan template by different authors. One of the templates is presented according to Rissanen (2001, 32-33) in the following table.

TABLE 8. Frame of a business plan

Basic information of the company	Name, founding, ownership, area of business, size, personnel
History of the company	Important points in history of the company and its products/services
Description of the business environment	The markets, competitors, possible future development
Vision and business idea	Current operating methods, future plans of the company and profitability of the company
Ownership, strategies, leadership and personnel	Usage of strategic skills, development plans, and rewards
Market analysis	Development of market, competitors, marketing strategies, services, products, prices, profitability, marketing, development of services/products
Production and logistics	Quality of services/products, development of services/products, and networking
Economy of the company	Profits and losses of the company, aims of the company, budget, investments and funding
Risks of the company	Business environment, markets, internal risks

(Rissanen 2001, 31-32.)

3.3 Business idea

An organization must always have a purpose and a business idea, and they need to be introduced. The organization needs to explain how it arrived at the business idea, why does the organization think people have a need for its products or services and what are the goals and aspirations for the business. If funding is needed some preliminary idea can be given how much is needed and what it is needed for. All the ideas are likely to be significantly modified later on, but an organization needs an initial idea what it wants and where is it going. (Barrow, Barrow & Brown 2008, 25.)

Stating of the mission and objectives are important in two ways: To concentrate on the organizations and its employees efforts and to concentrate attention on problems to be solved. Mission statement and objectives are intertwined and are used to focus the organizations attention on the essentials, to encapsulate the specific competences in relation to the markets the organization plans to serve. The mission should be narrow to give clear direction and guidance to all employees in the business; this is how a small business can differentiate itself from larger competitors. It should also open up a market large enough to allow the organization to grow and realize its potential. Lastly, there should be something unique about the organizations business idea that makes people want to buy from the organization. (Barrow, Barrow & Brown 2008, 25-26.)

Organization and capabilities

A business plan must not only include the purpose or mission of the firm but also details about the experience and suitability of the employees. One needs to explain the name of the company, why was it named so and the legal form of the company. General information about the company such as amount of employees, tasks of employees, location, short description of services or products, working hours and language of the company are described in this section of the business plan. (Barrow, Barrow & Brown 2008, 34-52.)

To gain organizational capabilities a company must adapt to customer and strategic needs by establishing internal structures and processes that affect it's all its employees to create organization specific capabilities. Those capabilities are based on the fact that people in the company are ultimately the source of competitiveness in the business. (Organizational capability 1991.)

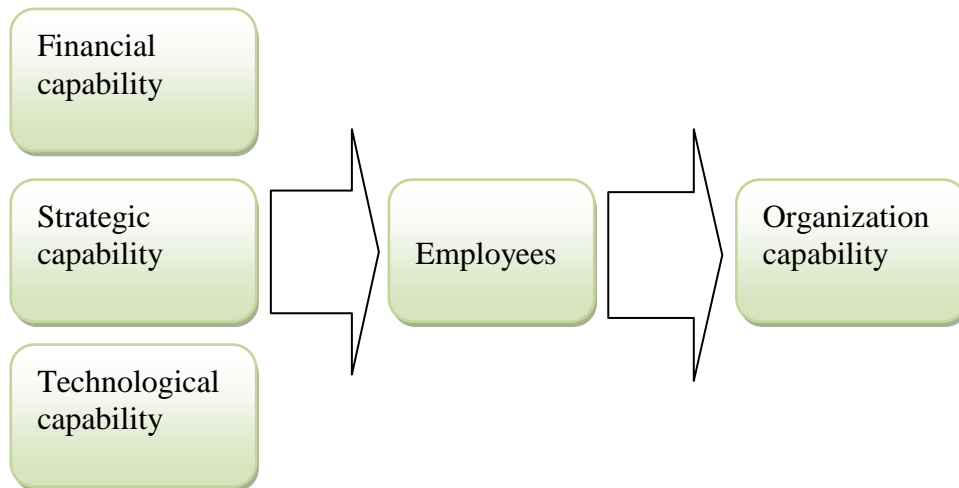


FIGURE 2. Organizational capability as a source of advantage

Services and products

In this section of the business plan one should describe the products and services that the organization offers, how developed are they and why they are competitive with existing sources of supply. The explanation should be clear so anyone who reads the business plan can understand it, some products and services do not need detailed explanation but others may need it. Organization might expect that the reader can easily understand the products and services and does not give enough details about them and leaving the reader with a vague idea of the concepts. One should also note any applications or uses for the products or services that are not apparent for the reader. (Barrow, Barrow & Brown 2008, 53-54.)

In this section organization should describe how ready the products or services are, are they available for market now, if not how long will it take to develop them, what needs to be done to develop them. If an organization offers a service it needs to explain does it have the skills and technical capability to provide it and if not what needs to be done. Special competitive advantages are also to be described in this section, what are the advantages and how long are they likely to last. All advantages should be described even though it is not protected by law or other methods. (Barrow, Barrow & Brown 2008, 55-56.)

Comparison with competing products is also needed, it show that the organization has looked into the existing market and come to conclusion that there is room for it services. First the company needs to identify existing competitors and their products and services, then compare the organizations own products and services with competing ones. Then the organization needs to explain why its products and services are competitive, if they are not competitive it needs to explain what needs to be done to make them competitive. (Barrow, Barrow & Brown 2008, 63.)

Swot-analysis

The evaluation of a company's strengths, weaknesses, opportunities and threats is called SWOT analysis. It is a tool used to monitor the external and internal marketing environment. It is great tool for starting companies to find out their capabilities. External environment (Opportunities and threats) is the macro- and microenvironment factors that can affect company's ability to earn profits. (Kotler & Keller 2009, 91-93.)

Marketing is the art of finding, developing, and profiting from marketing opportunities which are an area in which the company has a high probability of profitably to satisfy buyer's needs and interests. There are three main sources of marketing opportunities; the first is to supply something that is short of supply. The second is to bring existing product with new or greater way in to the market. The third is product improvement or superior product. Opportunities can take many forms and they need to me spotted early on. To evaluate opportunities companies can use market opportunity analysis (MOA) to find out their attractiveness and probability of success. (Kotler & Keller 2009, 91-93.)

Some developments in the external environment cause marketing threats. The definition of environmental threat is: a challenge posed by unfavorable trends or developments that would lead to sales or profit deterioration. Threats should be graded according to their seriousness and probability of occurrence. By assembling overall view of major threats and opportunities facing a business unit, it is possible to characterize its overall attractiveness. There are four possible outcomes; an ideal company is high in opportunities and low in threats, a speculative business is high in both opportunities and threats, a major business is low in opportunities and threats, a

troubled business is low in opportunities and high in threats. (Kotler, Bowen & Makens 2003, 94.)

Internal environment includes the strength and weaknesses of the company. SWOT analysis should not list all the features of the company only the most critical to the success of the company. Strength and weaknesses are relative to the goals of company but not absolute. Company should aim to correct its weaknesses but doesn't have to correct all of them. Strengths are important when a marketing opportunity arises and a company wants to know whether it should pursue it or not. (Kotler, Armstrong, Wong & Saunders 2008, 138.)

TABLE 9. The frame of SWOT-analysis

	Positive	Negative
Internal	<p>Strengths: Internal capabilities that may help company reach its objectives.</p>	<p>Weaknesses: Internal limitations that may interfere with a company's ability to achieve its objectives.</p>
External	<p>Opportunities: External factors that the company may be able to exploit to its advantage.</p>	<p>Threats: Current and emerging external factors that may challenge the company's performance.</p>

(Armstrong, Kotler, Harker & Brennan 2009, 58.)

Business environment

The current and expected future size of the market is an important part in determining potential revenue. The larger the markets, the greater the opportunity is because they generate higher total sales. It is necessary to recognize that markets exist at two levels. The inner market is made up of customers who are buying the products or services and the outer market contains both active purchasers and prospective buyers who have not yet entered the market. Most organizations concentrate on the inner market when

evaluating a new market but it is also important to assess the outer market to see whether the market is decreasing or increasing in size. According to Chaston (2009, 73-74) such changes can happen because the number of clients may alter over time and these variations in purchasing activity are the outcome of the following influences:

- 1) Economic preference: the need which is based on whether customers feel they can afford the potential purchase, for example economic crisis.
- 2) Benefit preference: the need which reflects the degree to which the customer perceives whether a product or service offers greater purchase satisfaction than alternative expenditure on some other product or service.
- 3) Practicality preference: the need which is an indication of the degree to which the customers decide whether the proposed purchase is a practical proposition at a specific point in time.

Competitors

Another important factor when determining business environment is the research on competitors. It is important to make an accurate analysis of the competitors of the new organization. If another business sells the same products or services it does not necessarily make it a competitor because it might have a different target market. Once the competitors have been found they need to be classified as: primary, which means organizations with the same business idea, target market and strengths; secondary, entailing firms that operate in the same markets but do not hold a lot of market share, and potential; the businesses with future prospects of entering the market for the following reasons, that is, because the organization needs to limit the number of firms that it will research and because marketing strategy may be different for each group. (Barrow, Barrow & Brown 2008, 91-101.)

Finding out the size and profitability of the competitors might be hard because the information they release for public use may be inaccurate or incomplete, especially small businesses are secretive about their finances. After the organization has found

the basic information about its competitors it needs to analyze the most important ones. The following information should be included in the competitor analysis:

- 1) Description of competitors; short description of the competitors, where they operate and what they offer and their target markets.
- 2) Size of competitors; the assets and sales volume need to be determined in order to establish whether the organization is facing similar sized businesses or larger corporations.
- 3) Profitability of competitors; the organization needs to try to determine how profitable its competitors are.
- 4) Operating methods of the competitors; the relevant operating methods such as pricing strategy, quality of service, hours of operation and so on. (Barrow, Barrow & Brown 2008, 91-101.)

Spanish working culture

Present-day Spanish culture is rooted in tradition which has been created by many outside influences that the country has endured during many centuries. Appropriate business etiquette in Spain can be achieved by understanding the developed and elaborate culture. Some key concepts and values of the Spanish culture are as follows:

- 1) Face: Spaniards place high value on personal pride. Loss of face through criticism or embarrassment should be avoided at all costs. In business meetings the presentations and language should be very clear to avoid misunderstanding and embarrassment. Competence and control are very important for Spanish workers and they might insist that everything is fine even though it is not.
- 2) Individualism: Individualism is highly valued in Spain along with personal character and social status. However, because of Spain's collectivist past, family values, a sense of identity and belonging to a group are a very important

part of Spanish culture. Personal relationships are very important when doing business in Spain and they are highly valued. In management, individualism is predominant because managers are making decisions alone instead of group work.

- 3) Uncertainty avoidance: Spaniards are very cautious towards new ideas and it is a vital part of Spanish culture. New risk situations are avoided and familiar situations are accepted easily. In business life managers prefer precise answers to questions and give clear instructions. Spaniards may at start seem very agreeable but later on start to be tentative towards final decisions. (CIA The World Factbook 2007.)

Working hours in Spain are from 9 a.m. to 2 p.m. and then there is a three-hour break called the siesta, in the afternoon the offices open at 5 p.m. and stay open until 8 p.m. but lately in the northern areas of Spain working hours have become more European. One should arrange meetings beforehand and also confirm the meeting closer to the agreed time. Punctuality is expected from foreign visitors but the Spaniards themselves might arrive up to 30 minutes late. Hierarchy is important in Spanish business culture and one should work with those with equal rank. An important part of doing business in Spain is personal contacts because Spaniards prefer to do business with people they are familiar with. It is also important to have small-talk in the beginning of meetings for 30 minutes or so before getting down to business. Personal space in Spain is close, hugs, kisses and pats on back are given a lot and when entering or exiting a meeting men do a handshake and pat on the back, while women get two kisses on the cheeks. Decision-making is slow in a Spanish company because each decision goes through different levels of the company and for this purpose it is important to have personal relationships on different levels to ensure success in business deals. Business cards should be presented at the start of the meeting and it is good to have both English and Spanish business cards. (Spainexpat.com 2008.)

Power Distance Index (PDI) is the extent to which the less powerful member of organizations accepts and expects that the power is distributed equally. Individualism (IDV) is the degree to which individuals are integrated into groups. Masculinity (MAS) shows the roles between genders. Uncertainty avoidance index (UAI) measures

the society's tolerance for uncertainty and ambiguity. (Geert Hofstede Cultural Dimension 2007.)

It is important to know how to speak Spanish because it is highly valued and most of the Spanish businessmen prefer to do business in their own language to avoid misunderstandings and embarrassment. The following figure illustrates Hofstede's cultural dimensions of Spain which supports the points presented above. (CIA The World Factbook 2007.)

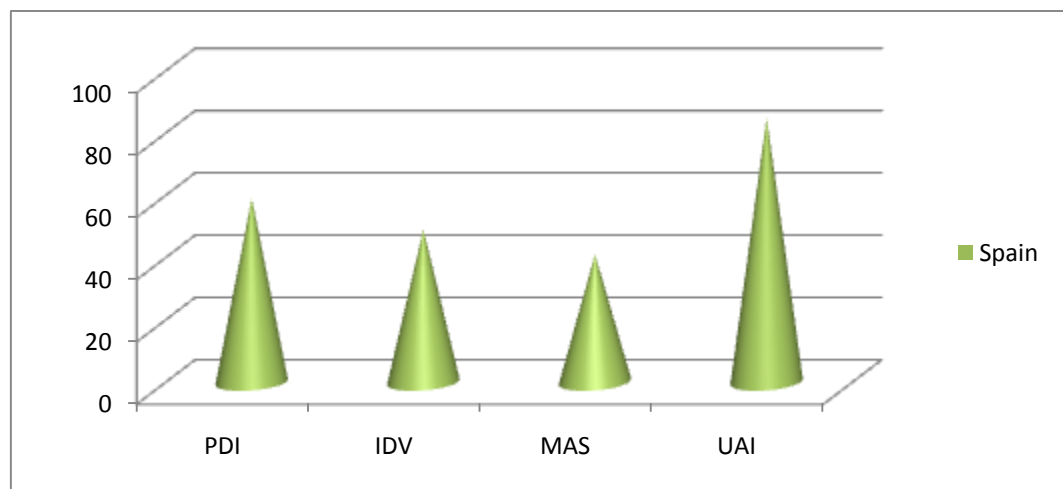


FIGURE 3. Hofstede's cultural dimensions of Spain (Geert Hofstede Cultural Dimension 2007.)

Threats and risks

Organizations traditionally have failed to assess and control risks because interactions and potential correlations between risks are often ignored or not seen. Risk management should be done holistically throughout the organization and by linking risks to the objectives of the company. This begins by first defining the potential risks that affect certain areas of organization and then measuring, managing and controlling them. Corporations face many kind of risks such as market risk, credit risk, operational risk and business risk. Market risk is uncertainty caused by changes in market prices, credit risk means that the organization is unable to receive back the funds which it has loaned, operational risks are caused by the company's way of

operating in a certain market and business risks are uncertainty with the key business drivers. (Labbi 2003, 3-5.)

A risk holds a potential loss of profits and nowadays there has been an increasing recognition of risks and how they affect the organizations. Potential risks such as climate changes or natural disasters have a great impact on tourism businesses. Tourism has an impact on economic and social situation and environmental consequences. The greenhouse gases emitted by different means of travelling are acknowledged more and they are causing unprecedented consequences on global climate. The organizations in the field of tourism need to consider how to make the customers feel they are not harming the environment by travelling. (Becken & Hay 2007, 2-4.)

3.4 Finance and profitability

When establishing a new business, money is needed. The financial plan proposes how much start-up capital is needed and how it is arranged. Financing as a term designates loans and other possible public financing. If taking a loan is unnecessary the capital is taken from the entrepreneurs' own savings and equipment. A part from what kind of financial means are used it is important to evaluate precisely the financing that is needed. It is necessary to define the amount of financial risk to oneself to know how much of his own capital the entrepreneur is willing to lose. (Unofficial translation, Uusyrittämiskeskukset 2010.)

By the Invest in Spain's guide of financing (2010) Spain has a modern diversified financial system which is competitive and fully integrated with the international financial markets. With respect to the Spanish loan and credit market, the deregulation of capital movements in the EU has made it much easier for Spanish companies to obtain financing from abroad.

Own capital

What is deposited in the amount of capital, which kind of collateral securities are available, and what is the money to pay (interests) are the key factors on planning the financing for the company to be established. It is good to find out whether there is public financing available for the project. The investors find it important to know the amount of capital that is deposited to the company because of the reliability of the project. The deposited capital should be at least 20% of the total need of capital. (Unofficial translation, Holopainen 2010, 157.)

According to Spaincorp.com and Firm of solicitors Prius abogados (2011) the minimum capital required to establish a business is 3005 €. This money is put directly into the new bank account for the company. The money can be withdrawn from the account as soon as the bank account is fully set up.

Public support and other funding

The ways of getting capital include bank loan, financial support from investors or public financial support. Start-up business loans are frequently an essential aspect of being a business proprietor. Whether business is big or small, the entrepreneurs know what they are doing; they can get a business loan for the amount needed. There are a number of methods for obtaining approval for business loans. If the entrepreneurs have a concrete business plan with a financial forecast, they need not have to work too hard to obtain the necessary funding. If the entrepreneurs want a start-up loan, they must have a credit history that is clean. As a new business, the entrepreneur may be able to achieve a business plan and a financial forecast, if offered some kind of collateral. It could be any property that will offer the lender a guarantee that the loan will be repaid. As long as the entrepreneurs can establish themselves as a worthwhile lending choice and can produce the necessary guarantee to assure the lender of their security, it is possible to get qualified for a start-up business loan. (Ezinemark.com 2010.)

The European Union offers financial support to small and medium enterprises through financial intermediaries as loans and via various EU programmes. The EU financial support for small companies is two-fold: indirect and direct. Indirect support means better access to regular business investments and working capital, while direct support mostly co-finances project activities. This support is provided through financial intermediaries, which combine EU funding with their own products and services. Though it is not given directly to individual businesses, it helps small companies to finance investments. Types of indirect support include guarantee schemes, equity and mezzanine finance. Indirect support is channeled through the EU's Competitiveness and Innovation Framework Programme (CIP), and more specifically the Entrepreneurship and Innovation Programme (EIP). The CIP is managed on behalf of the European Commission by the European Investment Fund, which directly cooperates with financial intermediaries such as guarantee societies, risk capital funds and financiers specializing in mezzanine finance. These bodies have to demonstrate that they are taking an additional risk in comparison with their usual practices. (European commission 2010.)

To apply for a loan, there is a need to be an eligible Small and Medium-size Enterprise (SME) under the terms defined for CIP by the European Commission. An SME has fewer than 250 employees. It has a turnover of less than 50 million and/or a balance sheet total of less than 43 million in Euros. In Spain the financial intermediaries which grant EU-supported loans are Micro bank Banco social de la “Caixa” and Compañía Española de Reafianzamiento (S.A). Furthermore, companies can apply for direct support which generally comes in the form of subsidies covering a part of a project's cost, from a single point of contact. Companies apply by responding to a call for proposals. Projects are then evaluated, and successful applicants are granted funding. Funding for direct support comes from various EU programmes which are held up. (Acess 2 Finance 2010.)

Profitability

Every company has to be profitable for its survival. All individuals “get along”, if their earnings are sufficient to cover expenses. Companies have to calculate their profitability differently because they calculate returns and expenditures. If the return in a given year is higher than the costs of the company the outcome is positive. If the entrepreneurs think that the annual return is satisfying, the company is profitable. On the other hand, if the outgoings are higher than the incomes, the company makes loss. (Unofficial translation: Andersson, Ekström&Gabrielsson 2001, 21.) Frame of the exact profitability calculation is given in APPENDIX 2 (1).

TABLE 10. Simple idea of profitability

$$\text{Incomes} - \text{Expenses} = \text{Outcome (profit or loss)}$$

The key indicators of accommodation business are used to measure scale of function, profitability, financing, solvency and efficiency. These indicators can be calculated from accounting. All of the key indicators are not taken from the accountancy, especially in accommodation businesses. These key indicators are important to be followed in every day activity of the business. To calculate and observe these key indicators for an accommodation business, certain patterns are needed such as hotel and bed occupancy rate, double occupancy rate, hotel room/bed average price and average stay of clientele. (Asunta, Brännare-Sorsa, Kairamo & Matero 2003, 188.) These patterns are demonstrated in the following figure.

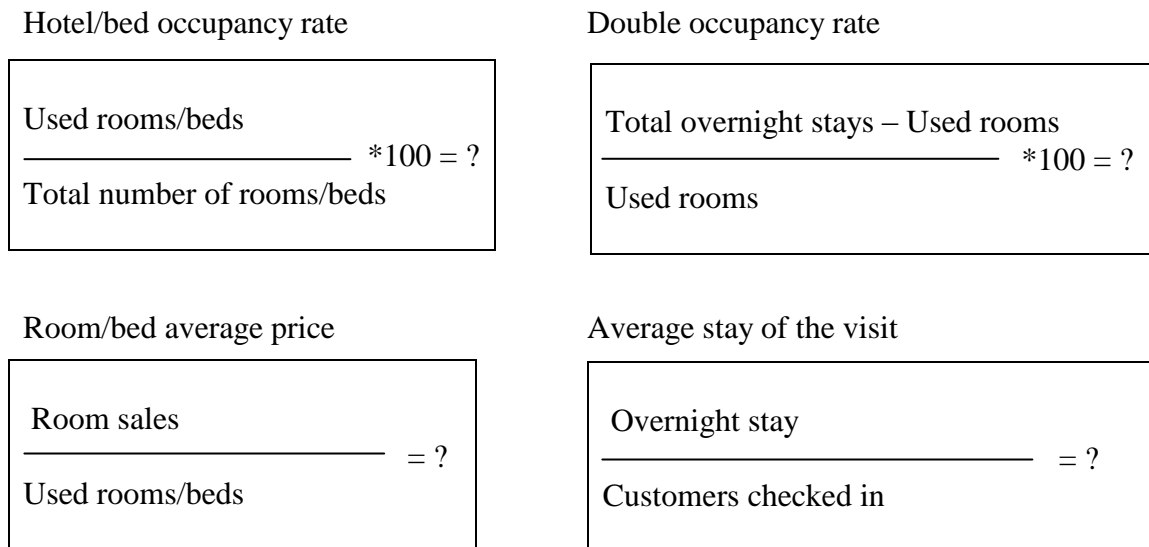


FIGURE 4. (Unofficial translation, Asunta, Brännare-Sorsa, Kairamo & Matero 2003, 189-191.)

3.5 Marketing

Marketing is more involved with customers than any other business function. Perhaps the simplest definition is this one: marketing is about managing profitable customer relationships. The goal of marketing is to attract new customers by offering greater value and in the meantime hold on to the current customers by delivering promised satisfaction. Marketing is a set of varied practices, whereas many people think that marketing is only selling and advertising. But this is not the case; selling and advertising are only a very small part of marketing. Today, marketing is understood in a new sense of satisfying customer needs instead of just ‘telling and selling’. If the marketer understands consumer needs and is able to offer products of greater value, if he prices, distributes and promotes them well, his products will sell easily. (Armstrong, Kotler, Harker & Brennan 2009, 6-7.)

Thus selling and advertising are only a part of a ‘marketing mix’ – which is a set of tools that aim to satisfy customer needs and create customer relationships. In fact, marketing is defined as the process by which companies create value for customers and establish customer relationships in order to get value from customers in return.

Figure 5 below presents a simple model for the marketing process. In the first four stages the companies try to understand consumers, create value and create strong customer relationships. In the final stage, companies get the rewards of creating greater customer value. (Armstrong, Kotler, Harker & Brennan 2009, 6-7.)

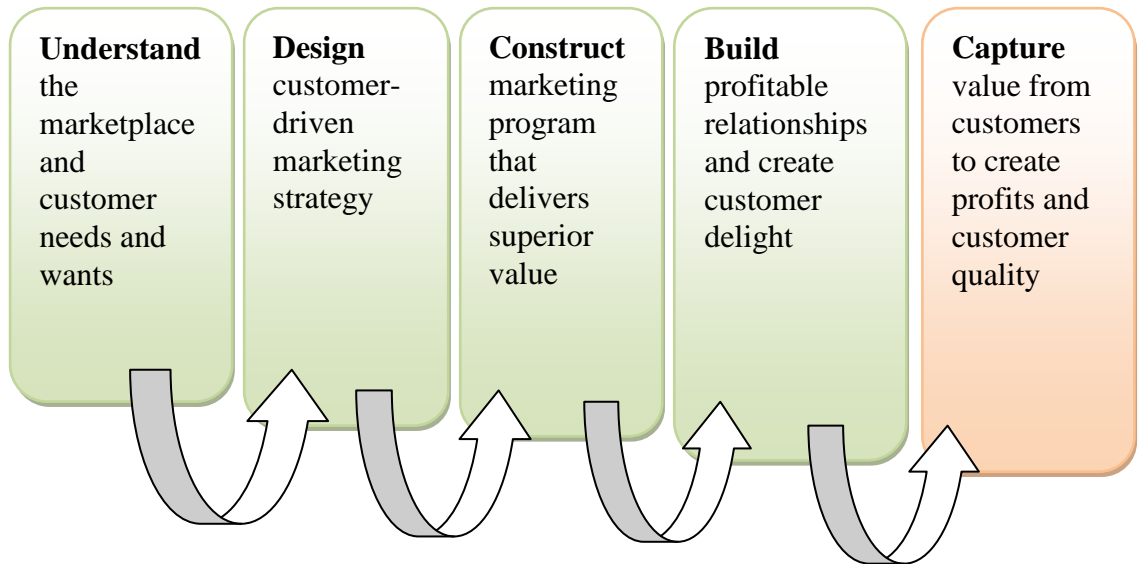


FIGURE 5. Simple model of the marketing process

Tourism marketing

Marketing is very important in travel and tourism because it is the main management influence which can be delivered to bear on the size and behavior of global market. Travel and tourism market is of interest in many countries because of its growth in the future and current size, it can be considered as the 'largest industry'. Within the market there are many submarkets, or segments and products designed and provided by a large range of companies. These main sectors will be shown in the following Figure 6. (Middleton 1994, 3-5.)

In the hospitality industry, marketing and sales are usually thought to be the same. Even though sales department is the most visible in the organization by offering tours to clients in the organizations food and beverage outlets and therefore being highly noticeable whereas the marketing functions take place behind closed doors. Advertising and sales promotion are very often confused with marketing. In reality

selling and advertising are only two marketing functions and in most of the cases not the most important ones. These two functions are only a part of the promotional element of the marketing mix. Other elements are product, price, distribution, research, information systems and planning. (Kotler, Bowen & Makers 2003, 9-10.)

Marketing today has become more important because of the entrance of corporate giants and hotel chains in hospitality industry. These chains force the organizations to do aggressive marketing campaigns where skills are needed to retain customers. Successful hospitality marketing relies heavily on the entire travel industry. Travel-hospitality packages assembled by wholesalers and sold through travel agents are in the favor of the clients. By participating in packages arranged by wholesalers the organizations in the hospitality industry eliminate competitors. Cooperative relationships between hospitality industry and travel industry are key issue in today's tourism marketing. For example, hotels usually arrange for a possibility to rent a car or offer tours in attractions centers. Few industries are as interdependent as travel-hospitality; this dependency will increase in complexity because of the changing needs, desires and demands of the consumers. The industry needs marketers that can respond rapidly to these changes and offer products that satisfy the consumer demands. (Kotler, Bowen & Makens 2003, 10-13.)

Accommodation sector: Hotels/motels, Guesthouses/Bed & Breakfast
Farmhouses, Apartments, Villas, Flats, Cottages, Gites, Condominiums, Time-share resorts, Vacation villages, Holiday centers, Conference, Exhibition centers
Touring caravan and Camping sites

Transport sector: Airlines, Shipping lines, Ferries, Railways, Bus, Coach operators and Car rental operators

Attraction sector: Theme parks, Museums & Galleries, National parks, Wildlife parks, Gardens, Heritage sites & centers, Sports and Activity centers

Travel organizers' sector: Tour operators, Tour wholesalers, Brokers, Retail travel agents, Conference organizers, Booking agencies and Incentive travel organizers

FIGURE 6. Different sectors of tourism (Middleton 1994, 4.)

Companies in travel and tourism are part of the service sector of the economy. Understanding the characteristics of travel and tourism service marketing helps to explain the way marketing decisions are made in this sector. (Middleton 1994, 25.)

Current definitions of marketing provide good guidelines for companies in travel and tourism but there is a need to consider four additional and salient factors:

1) Anticipation of market changes:

The changing desires of existing tourists must be anticipated. Visitor retention is a key concept but normally tourists want added value and new experiences. It is more expensive to attract new customers instead of retaining an old one.

2) The highly competitive market:

Companies need to understand the highly competitive structure of the market. Customer satisfaction while making profit can only occur when the tourism offering is greater to the other substitutes available. In some tourist attractions there is an excess supply, and in those regions this point is not a concern

3) Social and environmental considerations:

The underlying social and environmental considerations must be absorbed by tourism marketing at a fast pace. A framework of societal and environmental responsibilities is needed to achieve customer satisfaction.

4) Consumer power:

The market has become more sophisticated as education and information are more available. There is an ongoing fragmentation in the market as it exhibits patterns of change. Some consumer trends point out the increasing concern about the environment and the effects on host communities. The ways customers are treated by the company has become more important for tourism marketing and interactive marketing is gaining ascendancy. (Lumsdon 1997, 24.)

Relationship marketing

Relationship marketing has been accepted as an important part of long-term business success and is believed to be well-suited for services because of the personal contact between customers and service providers. (Liljander & Roos 2002, 580.) The concept of relationship marketing has evolved against a background of fast change in purchasing behavior. Increasing consumer consciousness, availability of information technology, databases and a backlash against the traditional marketing methods have led to the development of strategies in marketing which pay attention to customer action rather than passiveness of consumers. Relationship marketing can be identified the following way:

- 1) Building sustainable long-term relationships with customers.
- 2) Creating mutual benefit through interaction and individualized contact.
- 3) Developing value added and profitable relationships with customers.

Some of the key benefits of relationship marketing are, for example, revenue growth because of repeat purchase and increased purchase during long time, and increased income because of referrals from current to new customers. Costs of attracting and acquiring new customers decrease and increase in employee retention because job satisfaction grows, costs of hiring and training decrease and productivity and speed of service increase. (Lumsdon 1997, 206-210.)

Relationship marketing can be described as a series of interactions between buyer and seller which can be compared to a personal relationship. There are different stages in the relationship which are; initial discovery, courtship, investment and interaction in the relationship, then bonding and forsaking of others. In relationship marketing the main objective is to encourage customer loyalty and profitability. To achieve those goals two main tools are used; focus on the firm's markets and on a firm's quality procedures which involve all elements of augmented marketing mix. (Lumsdon 1997, 206-210.)

TABLE 11. Relationship marketing compared with traditional marketing

Relationship marketing	Traditional marketing
Orientation to customer retention	Orientation to single sales
Continual customer contact	Episodic customer contact
Focus on customer value	Focus on product features
Long-term horizon	Short-term horizon
High customer-service emphasis	Little emphasis on customer service
High commitment to meeting customer expectation	Limited commitment to meeting customer expectations
Quality concerns all staff members	Quality concerns only production staff

(Kotler, Bowen & Makens 2003, 391.)

The goal of relationship marketing is not only to get the customers to return but also to get them to tell their friends about the organization, especially about the good aspects. Word-of-mouth marketing is one of the most effective ways to promote an organization; mind you it might lead either way, good or bad. The goals of loyalty marketing include two more items; to have the customer spend more money while on the property and to have customers tell when things go wrong, instead of just walking away. When a customer reports a problem, the management not only needs to solve it but also ensure that the same mistake will not happen again. (Shoemaker, Lewis & Yesawich 2007, 89-90.)

International marketing

The company which the authors want to found will operate in a highly international environment and therefore international marketing is a key issue. Although the company will probably not have an international campaign it is more likely that it will just E-Market which will be explained in this section.

Companies' activities designed to plan, price, promote, and direct flow of a company's goods and services to consumer in more than one country is called international marketing. The difference between domestic marketing and international marketing is that marketing activities take place in different environments in which the marketing

plans need to be implemented. This requires international marketers to pay attention to cultural differences, unfamiliar problems and the level of uncertainty encountered in foreign markets. Uncertainty is created by the uncontrollable elements of all business environments, but each foreign setting in which a company operates adds a new unique set of problems. (Cateora, Gilly & Graham 2009, 9-10.)

There are many reasons why companies want to internationalize:

- Small or saturated domestic market or better opportunities abroad
- Shortening of product and technology life cycles
- Excess capacity and resources or unique competence within the firm
- Desire to follow competitors or customers abroad
- Growth aspirations and international orientation to unsolicited order or request from abroad
- Backward or forward integration to reduce costs and increase control

Generic international marketing strategies include many ways of entering a foreign market which normally are similar to the one used in the domestic markets. The figure below reviews why companies follow either the same or the different strategy when entering foreign markets.

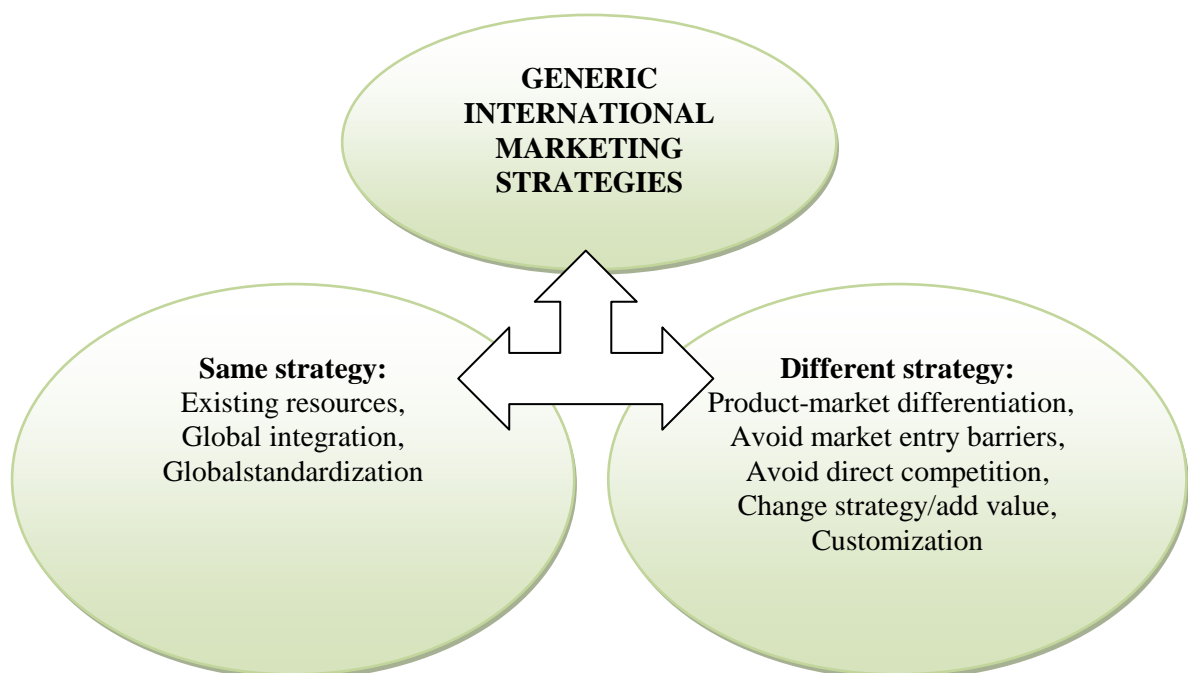


FIGURE 7. Generic international marketing strategies (Bradley 2005, 4.)

For smaller companies it is especially important to adapt to the foreign markets and avoid direct competitors which are active in the market. It is wise to choose a market segment which is different from the one in which the larger companies are operating. (Bradley 2006, 2-3.)

Marketing tools in hospitality business

Distribution systems provide a steady flow of customers. A good distribution system can affect a company's revenue a lot. Many hospitality businesses are making more effort to use marketing channels available to them. In today's competitive environment companies need to develop more complex distribution networks because it is not enough to rely on your own sales force. A distribution channel is a set of independent organizations involved in the process of making a product available for consumers. Distribution networks in the hospitality industry consist of agreements and loosely organized alliances between organizations. In the hospitality industry distribution channels are there to take the customer to the product in contrast to the normal distribution channel where products are taken to the customers. (Kotler, Bowen & Makens 2003, 499-500.)

The communication mix is also known as the channels of traditional marketing. It includes all communication between the company and the target market that increase the tangibility of the product.

The communication mix contains five elements:

- 1) Advertising
- 2) Sales promotion
- 3) Merchandising
- 4) Public relations and publicity
- 5) Personal selling

Each of these are in an important role when marketing products to the target market. Advertising is mass communication that can be the most expensive component of the communication mix. Advertising is the most visible element and it possesses the most potential group of all the components in the communication mix, as it can reach the largest number of prospects very quickly. Advertising includes all those media that consumers receive daily through newspapers, magazines, television, radio, transit displays, outdoor boards and online. Also collateral advertising such as brochures, flyers, pamphlets and direct mail are included in advertising. The internet offers vast possibilities and it is one of the most important tools to reach customers in today's hospitality industry. With many travel-related internet sites to choose from free of charge customers are more likely to use online reservation instead of wholesalers. The role of advertising is to inform, create awareness, attempt to persuade, and reinforce the buying behavior of the present customers. (Shoemaker, Lewis & Yesawich 2007, 412-424.)

Sales promotions are short-term incentives to encourage the purchase or sales of a product or service. It includes a variety of promotional tools designed to stimulate earlier or stronger market response. A well-planned sales promotion can result in great publicity. Sales promotions tools are used by most organizations and in today's markets it accounts for 60-70 percent of all marketing expenditures. Sales promotions are most effective when used with advertising or personal selling. In using sales promotions, an organization needs to set objectives, select the right tools, develop the best program, test-run and implement it. Sales promotions objectives are to increase short-term sales or they can also be used to help build long-term market share. The objective may also be about enticing consumers to try new products, luring consumers from competitors, or holding and rewarding loyal customers. (Kotler, Bowen & Makens 2003, 614.)

Merchandising is an in-house marketing technique designed to stimulate immediate purchase behavior through means other than personal selling or the media. In a sense it is marketing to the captive customer once the customer comes into the organization. Many costumers only buy the basic products and the goal of merchandising is to provide opportunities for the customer to purchase related or auxiliary products and services. The goals of merchandising should not only be to stimulate sales; it also has

a long-term goal of increasing customer satisfaction. (Shoemaker, Lewis & Yesawich 2007, 445.)

Public relations is perhaps the most misunderstood part of the communication mix but it can be the most effective tool. The definition of public relations is the process by which a positive image and customer preference are created through third-party endorsement. Public relations is an important marketing tool that is in today's market moving into an huge growth rate because of its cost-effectiveness compared to advertising and other marketing tools. The usage of news events, publications, social events, community relations, and other public relations techniques offers companies a way of distinguishing themselves and their products from their competitors. (Kotler, Bowen & Makens 2003, 593.)

Personal selling is the direct interaction between a seller and prospective buyer for the purpose of making a sale. It is one of the most challenging aspects of the communication mix. Organized personal selling is not very common in the hospitality industry but every employee should be a salesperson in the organization. In a very large hospitality organization personal selling is needed in some cases but in the smaller organizations it is not cost-effective to hire a salesperson. Personal selling is found to be most appropriate in these situations; with the products require that the customer receives assistance, or the final price is negotiated, or distribution channels are short and direct, or advertising media does not reach all of the intended markets and the market requires personal selling. (Shoemaker, Lewis & Yesawich 2007, 466.)

4 RESEARCH

The research method of this thesis is qualitative. This method was chosen because the aim of this research is to gain current and precise information about the competitors and the current market situation in Fuengirola, Spain. Quantitative research method could not be used because the number of interviewees was small and therefore the results would not have been reliable and they would not have given enough information about the current situation. Qualitative research method is better suited for this research because it gives more precise and closer view to the competitors and the market situation via face-to-face interviews. First there will be a short introduction to

the theory of qualitative research method and then background information on how the interviews were conducted.

4.1 Research methods

Qualitative research is a field of inquiry in its own right. It crosscuts disciplines, fields and subject matter. A complex, interconnected family of terms, concepts, and assumptions surround the term qualitative research. These include the traditions associated with positivism, post structuralism, and the many qualitative research perspectives, or methods, connected to cultural and interpretive studies. Qualitative research is multi method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings attempting to make sense of, or interpret, phenomena in terms of the meanings that people invest in them. Qualitative research, as a set of interpretive practices, privileges no single methodology over any other. As a site of discussion, or discourse, qualitative research is difficult to be defined clearly. It has no theory, or paradigm, that is distinctly its own. The researcher has several methods ranging from the interview to direct observation, to the analysis of artifacts, documents, and cultural records, to the use of visual materials or personal experience. (Denzin & Lincoln 1994, 1-3, 14.)

Qualitative work aims to represent social processes and because of that it is based in observation of the interviewee. Different sequences in thought, actions, and general atmosphere of the interview have to be taken into account when conducting qualitative research. The researcher has core responsibilities in this type of methodology because it is easy to lead the interviewee to different opinions especially in face-to-face interviews, therefore damaging the reliability of the research. (May 2002, 9.)

Interview

The most common way to gather qualitative data is probably by conducting interviews. The aim of the interview is to find out what someone has in his mind. Interview is some kind of conversation that happens from the initiation of the researcher and is carried out by the researcher. Interview is interaction where both

parties affect each other. Interviewing has a wide variety of forms and a wealth of uses. The most common type of interviewing is individual, face-to-face verbal interchange but it can also take the form of face-to-face group interview, mailed or self-administered questionnaires and telephone surveys. Interviewing can be structured, semi structured or unstructured. (Unofficial translation, Eskola & Suoranta 2003, 85; Denzin & Lincoln 1994, 361.)

Structured interview refers to a situation in which an interviewer asks each respondent a series of pre-established questions with a limited set of response categories. Unstructured interview provides a greater breadth than the other types, given its qualitative nature: open-ended ethnographic (in-depth) interview. Semi-structured interview differs from the previous interviews in a way that the questions are the same to all respondents but the response categories are not limited and respondents can answer with their own words. (Denzin & Lincoln 1994, 363, 365; Unofficial translation, Eskola & Suoranta 2003, 86.)

Semi-structured interview method was chosen for this research because it was the best suited option to gain in-depth information about the facts that were important for this thesis. The interviews were conducted using an interview frame.

4.2 Implementation of the interviews

The aim of this research was to find out the current market situation and competitors for a new hostel in Fuengirola, Spain. Therefore interviews were conducted to the current competitors of the area. The hostel is planned to be founded in the area of Los Boliches which is a part of Fuengirola. The locals often say that the area of Los Boliches is like a little village inside of a bigger village. It is home for a great number of foreign residents and there are many tourists and hotels as well. The authors were living in that area and therefore this part of the town became the main focus as for finding a location for a hostel. Some interviews were conducted to the personnel of hostels in Los Boliches and some to the personnel of the hostels in the center of Fuengirola. As wanting to target the interviews to the right interviewees the realistic way was to omit hotels with four to one star from this research. Therefore only hostels (Spanish, hostals and pensions) were taken into account when selecting the

interviewees. The authors wanted to get as many interviews as possible in the area of Fuengirola although various personnel of the hostels refused to give an interview.

The interviewees were found from the internet, from local tourist guides and from maps of the city. The interviewees were contacted first by e-mail and telephone in May 2010. The e-mails were written in English and Spanish with information on who the authors were, why they were asking for these interviews and with the frame of the interviews attached to the e-mail APPENDIX 1 (1). When the authors called to the personnel of the hostels, the respond was mostly the same: "The owner was not present and that it is best to try to call again next week". Because of the lack of response the authors started to make in-person visits to the hostels and conducted interviews right away or made an appointment for later on with the personnel. This seemed to be the best option to reach the owner or manager of the hostel and get the interviews done. Spanish were generally not comfortable on using e-mail as a communication tool, as one of the interviewee said that he saw the sent e-mail but he thought that it is better to come to ask in person for the interviews.

The interviews were conducted during July - September 2010 which is the busiest tourist season in Fuengirola and therefore the interviewees did not have much time to give interviews at first. Because of the busy tourist season, especially from July to August, some of the hostel's personnel had to refuse to give interviews because of lack of time. Even though the busy August had gone by and some hostel's personnel had informed us that they would have time for the interview in September, the personnel of the hostels then told the authors that they do not want to give the interview after all. Sometimes the authors experienced this as the hostel personnel way of getting rid of interviews by telling to come back some other time. This made the authors wonder why it was so hard to say straight on if they wanted to refuse to do the interview.

Besides the difficulties of accomplishing the interviews to the hostels personnel altogether the authors got six interviews around the area of Fuengirola. The interviews were conducted in Spanish, English and in one case in Finnish. In the interview situation there were two interviewers: one of the interviewers asked the questions and the other one observed the interviewee and wrote down the answers. All of the interviews were conducted face-to-face and the interviews lasted from 20 minutes up

to one hour. After every interview the authors went to write down all the information that they had in fresh memory about the interview.

4.3 Reliability and validity

In all researches the aim is to avoid errors but still the reliability and validity of the results can change. Because of that in every research the aim is to evaluate the reliability of the research. Reliability of the research means that results of the survey are repeatable and that the results are not random. Reliability can be achieved in many ways, for example if two researchers end up in the same results the result can be defined as reliable. Validity of the research means that the measuring the subject or the research method evaluates what is supposed to be evaluated. (Unofficial translation, Hirsjärvi, Remes & Sajavaara 2000, 213.)

Trustworthiness of a qualitative research means that the interviews are carried out fairly and that the results represent the situation as closely as possible. The whole process must be based on valid methods of research and ethical principles. The term trustworthiness includes the following aspects: credibility, transferability, dependability and confirmability. (Margot 1991, 93-95.)

4.4 Data analysis and implementation

Miles & Huberman's (1984, 1994) definition of data analysis contains three linked sub processes: data reduction, data display, and conclusion drawing/verification. These processes occur before data collection, during study design and planning; during data collection as interim and early analyses are carried out; and after data collection as final products are approached and completed. (Denzin & Lincoln 1994, 428-429.)

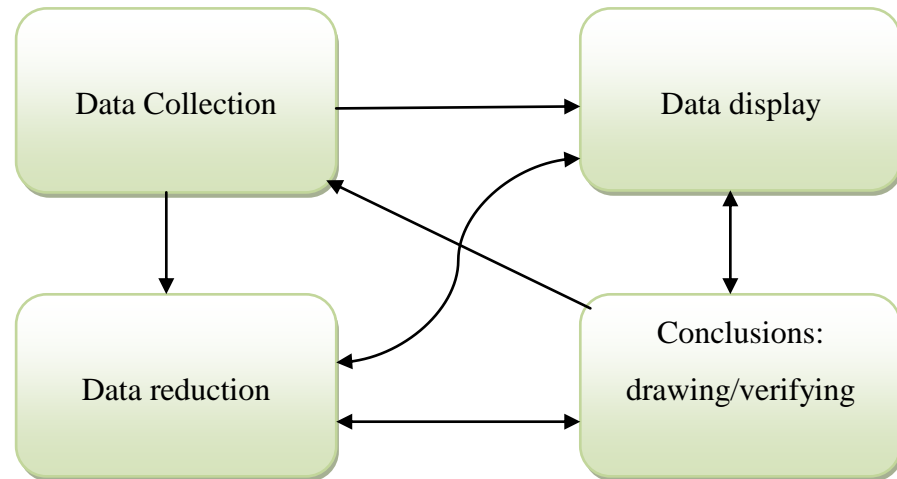


FIGURE 8. Components of data Analysis: Interactive model (Denzin & Lincoln 1994, 429.)

When the data has been saved the data will be written. Transcription of the data can be done the following ways: 1) From the whole interview or 2) it can be done from parts of the interview for example only from theme-areas or interviewees' answers. (Unofficial translation, Hirsjärvi & Hurme 2008, 138.) In this research only the interviewees' answers were taken into account.

5 RESULTS

In beginning of the interviews the respondents were asked some basic information about the hostel and themselves. The hostel's name was the first question and then the name and title of the interviewee and the date of the interview were recorded as well. All of the interviewees were working in the reception of the hostel, two were hostel owners, two were senior receptionists and two were receptionists. The aim was to interview the owners or the senior employees but they did not have time and therefore two interviews were conducted with the employees. One of the interviews was made in July, two were made in August and three were made in September. Questions about the hostels were basic information such as: hostel name, location, number of rooms, founding date and number of employees. The hostels wanted to stay anonymous and therefore the answers are processed anonymously. The following table contains some basic information about the hostels and the interviewees are named from hostel 1 to 6.

TABLE 12. Basic information of the interviewed hostels

Interviewees	Location	Founded	Rooms	Employees
Hostel 1	Center	1950	40	4
Hostel 2	Center	1985	21	5
Hostel 3	Center	1970	30	4
Hostel 4	Los Boliches	no information	24	4
Hostel 5	Center	1970	45	15
Hostel 6	Los Boliches	1958	14	3

5.1 Room prices

The room prices of these hostels gave the authors an idea of the competition in prices in the area of Fuengirola. Although the hostels are nearly the same size and all located in the area of Fuengirola, there was a big difference between the prices and defining the seasons and the prices in that time. In the interviews the respondents were asked how much a night costs by person or room and if they have prices for people who stay by weeks or months. The respondents were also asked what was included in the price of a hostel room. The respondents understood the question “what is included in the price?” in various ways as one can tell by their answers. The following tables contain the prices in order to give the reader a better picture. All of the hostels had different pricing criteria, and they are presented in the following table.

TABLE 13. Seasons and prices of the interviewed hostels

Room price/per night	Low season	Middle season	July	August	September	High season
<u>Hostel 1:</u>						
<i>Single</i>	29 €	30 €	39 €	40 €	39 €	□
<i>Double</i>	39 €	45 €	50 €	60 €	50 €	□
<u>Hostel 2:</u>						
<i>Double</i>	30 €	□	□	□	□	41 €
<u>Hostel 3:</u>						
<i>Double</i>	45 €	□	□	□	□	60 €
Room price/per night	All seasons					
<u>Hostel 4:</u>						
<i>Room</i>	40 €					
<i>Apartment</i>	50 €					
<u>Hostel 5:</u>						
<i>Single</i>	25 €					
<i>Double</i>	35 €					
<i>Triple</i>	45 €					
<i>Quadruple</i>	55 €					
<u>Hostel 6:</u>						
<i>Single</i>	15 €					
<i>Double</i>	30 €					

There was a question about what is included in the room price and if there is some special offer to the room price per week or month. Hostel 1 did not have a weekly price and they had monthly price only in the low season. Only the necessary was included in the price such as room amenities. Breakfast was served for an extra fee. Hostel 2 did not have any weekly or monthly offers and there was no breakfast in the hostel. Room price included air-conditioning, television and bathroom. Hostel 3 had breakfast included in the price, laundry service, room service and cleaning every three days. In Hostel 4 breakfast and basic room amenities were included in the price. Hostel 5 did not have offers for monthly prices but if there were vacant rooms a weekly price could be arranged. Air-conditioning and fans in some rooms were included in the price. Hostel 6 offers weekly price if paid in advance but no monthly stays are available. The price includes air-conditioning, wireless internet, television and 24-hour reception service.

Security and Cleaning

The authors were interested in how the cleaning of the hostel is arranged and how the security issues are solved. One of the hostel had own cleaner and two of them had their cleaning service outsourced. The other three hostels arranged their cleaning with their own employees, and in one of the hostel only the female employees cleaned. The capacity of the hostel was a common factor within the hostels that outsourced their cleaning.

“We had a cleaner lady but then the crisis came and we had to let her go and now we clean the place by ourselves.” (Unofficial translation) –Hostel owner

The question of how the hostel organizes their security gave the impression that these hostels have paid attention about their security. Could be that the interviewees did not understand first what was meant by this question and the researchers had to explain the question. Five out of six hostels lock their doors by nights and one hostel has a 24-hour reception. Besides that, two of the hostels have security cameras and two other hostels have so called “panic buttons” for the customers in their rooms for case of emergencies and the alarm comes to the reception. All six of the hostels personnel said that the local police do rounds near the hostels every night and day but most of them said that this system does not work very well.

“The experience and knowledge helps when choosing customers, and most of the customers are old customers or their friends. We have never had problems with the customers in 50 years.”(Unofficial translation) – Hostel owner

5.2 Customers and the niche

Knowing about customers and their needs is extremely important when running a hostel. Therefore the authors wanted to know about already existing customers and by doing so find a niche. Because of the high competition in the area it is crucial to find the fact that differs from the other hostels in the area. The customers can be

demanding and it can be hard to satisfy these demands, which is why this was one of the questions of the questionnaire.

Four out of six interviewees said that cleaning and tranquility are the main demands of the customers. Other demands of the customers were linked mostly to the room's amenities and facilities such as television, wireless internet, fridge, water boiler, and air-conditioning. The customers' demands to have breakfast came up in the hostels where breakfast was not served. There were demands about things that were impossible to implement such as room with sea view and to have a prostitute in the room. On the other hand two of the interviewees said that in this level of accommodation the customer's demands usually are not that overwhelming. Half of the interviewees said that they think that the customer's demands are satisfied. One of the interviewee said that he hopes the customers are satisfied. The other interviewee thought that the demands of the customer's are not implemented. And the third interviewee said that their hostel cannot satisfy all demands and wishes of the customers.

“Customers have so different kind of demands, one customer even asked once if we could arrange him a prostitute, but of course we didn't and we cannot satisfy all needs, especially now with the crisis.” (Unofficial translation) – Hostel owner

“The Moroccans have special wishes such as praying carpet and shisha to the rooms and they are satisfied 'cause they come back.” – Senior receptionist

TABLE 14. Customers' overnight stays and profile

	<i>Average length of stay</i>	<i>Customers in groups or alone</i>	<i>Number of groups</i>	<i>Nationalities of the customers</i>	<i>Average age of the clientele</i>	<i>Target group</i>
Hostel 1	1-2 nights or 1-2 weeks	Both	4-10 persons	Spanish, Moroccan, USA, Canadian, Asian, South American	35 years	Everybody
Hostel 2	1-2 nights	Alone	4-10 persons	Spanish and other Europeans	50 years	No target group
Hostel 3	3-11 nights	Alone or families	Do not want groups	Spanish, Finnish, English, All	40-50 years	Couples and young people
Hostel 4	4-7 nights	Alone or families	2-4 persons	Scandinavian Finnish, English, Spanish	All ages	Finnish customers
Hostel 5	2-3 nights	Alone	-	English, Moroccan, Spanish, Finnish	30 years	Spanish customer
Hostel 6	2 weeks	Couples	-	Spanish, Moroccan, Danish	All over 18 years	Students, retired

The question about incoming travelers within a year and which season is the busiest one was the next subject. All of the six interviewees of the hostels said that summer is the busiest season, especially July to August when there are more Spanish travelers in the area. One hostel had a comment that now with the crisis there are fewer travelers.

“Before our hotel occupancy was 80% all year round but now with the crisis this year 2010 it has been only 50%, it is a difficult time now for all of us.” (Unofficial translation) – Hostel owner

There was also another hostel that had a percentage of hostel occupancy rate, the owner said that in winter the occupancy is 70% and in summer it is 90%. One of the interviewees told that there are four different seasons, which specify the customer flow. Two of the interviewees did not have information about the customer flow or of the occupancy because these hostels had started to run only few months prior to this interview.

The authors wanted to know if there was a niche for a new hostel and asked the opinion from the personnel of the hostels if there are enough hostels to meet travelers' demand in Fuengirola. The opinion of five interviewees was that there are enough hostels for customers demand and one interviewee argued to the contrary by saying that there is a need for more hostels. Although two of the interviewees changed their point of views when the interviewers clarified that if perhaps there could be a need for more hostels in different seasons. They said that in the summertime there is a niche for more hostels in the area. Some thoughts about the threats of the main competitors was given by one hostel; there is such a strong supply of rental apartments for holidays that now during the crisis people rent apartments with big groups and save money by doing that. Also other accommodation businesses such as five star hotels have cut their prices and the price competition has made the smaller accommodation businesses struggle. The target group of students and young people have the least supply in the market.

“No need for more hostels, Fuengirola is overloaded.” – Senior receptionist

“There aren't enough Finnish speaking hostels here.” – Receptionist

5.3 Marketing

As was defined in title 3.6 Marketing; Armstrong, Kotler, Harker & Brennan (2009, 6) marketing is involved with customers more than any other business function. They continue that perhaps the simplest definition is this one: marketing is managing profitable customer relationships. Therefore the researchers wanted to know how the hostels arrange their marketing and what the effects are to the customer relationships.

The opening question of this section was how interviewees' hostel arranged their marketing. Three interviewees' hostels that were family businesses said that they do not have marketing, they trusted on mouth-to-mouth marketing and they felt the reputation of the hostel would speak for itself. Some of these family businesses had internet pages, and one of those was made by a customer – otherwise they would not have it. This was a surprising fact for the authors at first but on the other hand it makes perfect sense as proved by going through this project and learning that the Spanish business culture is modernizing but still follows conservative mentality. The other three hostels that were not family businesses had a marketing strategy and they used multiple marketing channels such as local media, internet, booking systems, tourism office and hand-out leaflets. One of interviewed hostel's receptionist told that they had a marketing department in Germany, so their marketing had a strategy and it was well organized.

“No, we don't advertise, it is a family business and everybody knows already that it's here.” (Unofficial translation) – Hostel owner

The authors wanted to know how the hostels differed from the other hostels and what their weaknesses and strengths are in the marketing point of view. The following list presents how the interviewees thought about differing facts:

- Family atmosphere, big terrace, elevator, restaurant
- Good service, family business
- Cheap prices and good location
- Special services to Arabic people

Weaknesses of the hostels were mostly about lack of services such as breakfast or air-conditioning in the rooms. Also stress and lack of personnel was mentioned in the weaknesses. Strengths were listed abundantly, such as multinational language skills, family business, good price/quality ratio, good service and good location.

The authors have an idea of tempting the customers with special offers and activities and therefore questions on those were included in this survey. Four of the hostels had special offers for weekly or monthly prices. One of the hostels had a special price for customers who bring new customers. None of these six hostels organized activities but they all had flyers to activities and sights in the area of Fuengirola.

The last question was about the company's opportunities and threats. The threat that was listed the most was the crisis and the increase of renting holiday apartments was mentioned as well. The opportunities were about the increasing tourism in the area and Finnish and Scandinavian market. One of the interviewee even said that they just live day by day and prefer thinking only this moment.

5.4 Profitability and permits

As the mayor interest were the costs and expenses of running a hostel there were various questions considering this subject. The respondents were asked questions about the volume of the hostel and the monthly expenses in general and expenses of electricity, water and taxes for example. There were questions of which permits are needed when founding a hostel and how the accounting for the hostel was arranged. The answers to this kind of questions were roughly similar. None of the interviewees knew what the expenses were per month, they said that this part is only known by the "Gestoria" accounting company. For the profit per year, almost everyone said that only "Gestoria" knows that as well. There was one exception, one of the owners of the hostel said that they had not counted their total sales yet.

"We would like to tell you but it's the thing that even we don't know what our profit is per year and what our expenses are. All bills go straight to the Gestoria and to be honest in this time of the crisis I don't even want to know if I have been working for nothing." (Unofficial translation) –Hostel owner

This gives the idea of Spanish bureaucracy and that they have to have special firms of solicitors (Gestoria) to take care of the accounting and all paperwork. By these interviews the researchers learned that most of the hostel owners do not know their profitability or their expenses by month or by year. Could be that they just were trying to be polite and did not want to tell it, even if they knew about the profits and costs. The researchers had their doubts about this part of the interview, and that the interviewees would not give answers to all of the questions. On the other hand it came as a surprise that the interviewees did not actually know about the profits and expenses.

About the permits most of the interviewees did not even remember anymore which permits were needed to start a hostel because the business had been in the family for over 50 years or the interviewee did not have knowledge of that. One of the hostel owners knew that the business start-up license (licencia apertura), social security and taxes are needed to be sorted out when starting a hostel. There was a question if the hostel was owned or rented and most of the hostels were owned, as those were family businesses and only one was rented with a 15-year rental agreement. No information was given about how much the rent was or the prices of the hostels were.

“The hostel has been in the family in three generations, the time has changed and we don’t even remember how much the price of the hostel was originally.”(Unofficial translation) –Hostel owner

Results of the profitability calculations

Because of the lack of information that was given in the interviews considering the profitability, the numbers for the calculations of profitability was searched from other sources. These numbers of the calculations are based on the e-mail conversation of firm of solicitors Prius Abogados, personal conversation with Jacky Holliwell, owner of the Costaonline Real Estate in Fuengirola, prices of the competitors, INE’S statics about hotel occupancy in Costa del Sol and the research about the business start-up fees. The need of sales for 20 roomed hostel in Fuengirola, Spain is 10 509.60 €/per month and 126 115.20 €/per year and it is calculated in APPENDIX 2 (2).

To evaluate of the incomes for first year, the latest hotel occupancy rate of the area of Costa del Sol, amount of hostels rooms and an average price of the hostel room are needed. First of all the price range with the interviewed hostels was from 30 € to 60 € depending on the season. Therefore the average price of this price range will be 45 €. The hotel occupancy rate in Costa del Sol was in March 2010, 42.02% and the hostel of the authors will have 20 rooms.

TABLE 15. Profitability calculation per month/year

20 rooms * 42.02 occupancy rate	=	8.4 rooms are used/per day
<hr/>		
100		
8.4 used rooms/day * 45 € room price	=	378.00 €/per day
378 €/per day * 30 days (1 month)	=	11 340.00 €/per month
11 340 €/per month * 12 months (1 year)	=	136 080.00 €/per year

Sales per year		136 080.00 €
Need of sales per year	-	126 115.20 €
Profit/per year		9 964.80 €

Sales per month		11 340.00 €
Need of sales per month	-	10 509.60 €
Profit/per month		830.40 €

The profitably calculation above shows that by these key indicators, the hostel would be profitable. The outcome and profit is not very big but it gives the authors positive image about company's profitability. Although the numbers are more evaluations than

actual expenses of a hostel, these calculations can be point out the direction of profitability of the hostel. In these calculations the need of startup capital is not taken in to account because the main interest was long-term profitably. The need of own and other capital and finance will come in to better knowledge, when the right hostel is found and budget is drawn up for the start-up costs such as renovating, company's taxes, guarantee rent, business license, use of Gestoria, and firm of solicitors.

6 BUSINESSPLAN FOR THE HOSTEL

A company offering an alternative accommodation possibility and services with youthful atmosphere and economical prices to tourists in Fuengirola, Spain.

By marketing and offering economic prices we plan to offer superior option to tourists in Fuengirola compared to other hostels. We offer private rooms which include beds, toilet and every day facilities with breakfast. Also we plan to offer entertainment such as roof-top terrace, hammocks, and activities for tourists and of course general information about the city. From our point of view we would prefer to have younger clientele in our hostel and this group will be our main target group but we are going to market for every possible group. We are going to create youthful and relaxed atmosphere where tourists can feel like home and meet new people all around the world.

Business environment

As seen in the theoretical part the occupancy rate of hostels in March 2010 has been around 42.02% which is quite a lot considering that it is not high season. In the high season our research shows that most of the hotels were nearly fully booked and there was still room for another accommodation business. However the current economic situation has affected the hostels in that area and will continue to affect because of Spain's difficulties with the crisis therefore the Spanish do not have money to have vacations.

There are already many accommodations businesses in Fuengirola and they will be a big threat to our business. We have in our research found out their prices of rooms and

other services. We also mapped their special offers, occupancy rates, marketing channels, target markets, customer base, size and etc. We now have a picture of what the competition is like in the area and can plan our marketing and other operations to gain clients from them.

Bureaucracy in Spain

As shown in the theoretical part the bureaucracy in Spain can be difficult especially for foreigners who do not have experience. Because of that we will most likely turn to the services of Gestorias to ensure that everything is handled according to Spanish laws and there are no mistakes because of our lack of experience.

Form of company will be the Limited Liability Company (S.L.) because it only needs 3005 € startup capital and its freedom of managerial laws. In the case of one of the owners leaving the business it is easy to transfer the shares without any problems. The taxation of the company and personal income will be handled by the Gestorias.

Services and products

Hostels services and products are habitation, food and beverage, tourist information, and activities. We offer rooms from one to four people and hammocks over night at the roof-top terrace. The average price of the hostel room for all year has been evaluated already in Chapter 5.4 (Profitability and permits) and the average room price is 45 €. In a habitation the following facilities are included; bed(s), bed linen, bathroom, and bathroom facilities, television, air-conditioning, heating, refrigerator, and wireless internet. For an extra charge there is also a possibility to rent a towel, water heater, infantile bed, and a hair dryer. During the summer time there is a possibility to rent a hammock over night to that is included pillow, blanket and toilet services. It is possible to buy basic products from the reception such as hygiene products, beverages, snacks, earplugs, and etc.

The hostel has a lounge area, a roof-top terrace, laundry room, and a communal kitchen. In the lounge area there is television, sofas, and there is a possibility to watch movies, sports and etc., play games, read magazines and newspapers. At the roof-top

terrace there is a bar, hammocks, chairs and tables. The customers can use the laundry room for extra charge and the communal kitchen is free for all to use. Breakfast, cleaning and other services are included in all habitation prices. Tourist information is available to all customers at the lounge area and it includes a board with information about sights, activities and restaurants. The hostel will arrange some weekly activities such as tapas and bar rounds, movie and game nights, roof-top terrace parties, Spanish lessons, and much more.

TABLE 16. SWOT-analysis

	Positive	Negative
Internal	Strengths: <ul style="list-style-type: none"> - Knowledge about the industry - Customer service - Friendly atmosphere - Linguistic skills 	Weaknesses: <ul style="list-style-type: none"> - Lack of experience - Shortage of employees - Unknown to the customers
External	Opportunities: <ul style="list-style-type: none"> - Finnish customer growth - Spanish economic growth - European Union's support for entrepreneurs 	Threats: <ul style="list-style-type: none"> - Economic crisis - Competitors - Bureaucracy of Spain

Organization and capabilities

The hostel will be a small accommodation business with about 20 rooms. The maximum capacity will be about 45 people. It is located in the centre of Fuengirola, Spain near all services and activities. The two owners will be working with cleaner, night receptionist and practical trainers. Because of the multinational staff the working language will be English. The property where the hostel is located is rented to avoid high investment risks. The personnel of the hostel will be well educated to their work and informed about the company policies. The hostel will have an ecological approach in everyday business activities.

The hostel is open from 9 a.m. to 12 p.m. and during the night the doors are locked customers can come in with their own keys. If there are problems night portiere will help the customers. That will ensure that there will be security during the whole day and night. Breakfast is served at 9 a.m. until 11 a.m. and cleaning of the rooms will begin at 12 a.m. and after the cleaning customers can check-in to their rooms.

The official business hours during labor days in Spain are from 9 a.m. to 2 p.m. during which time all the errands of the hostel must be done. The Spanish siesta is during 2 p.m. until 5 p.m. and in that time most of the services and shops are closed. Most of the paperwork of the hostel will be done by Gestoria (Accounting office). The daily errands such as orders of supplies, mail, bills, reservations, and so on will be handled by reception or by the owners. Because of the cultural differences and Spanish mañana mentality there could be problems with daily errands since Finnish people are punctual.

Threats

- Competition situation in Fuengirola is demanding. There are various accommodation businesses in the area.
- Because of the economic crisis the amount of tourists has been declining therefore starting a hostel now is risky.
- Because of the Spanish bureaucracy it takes time to start-up a business therefore the opening of hostel might be delayed. During that time entrepreneurs do not have incomes and that could be a problem.
- The profitability calculations might be incorrect and the hostel might not make profit as assumed.
- The owners might get into a dispute over the hostel and because of the disagreements they are unable to work together.

Financing

We do not have a lot of own capital therefore we need most of the capital from loans and investors. We plan to rent the hostel, renovate it if needed, furnish it, and hire employees. We also need money for start-up formalities, supplies, water and electricity contracts, Gestoria, initial marketing, reservation sites in the Internet, and insurance. Because we are not going to buy the hostel the need of other capital is not that large. We need to take into account that the business will make it through the first year with the initial loan. Different kind of EU funding programs and public supports will be taken into account when we are planning our financing for the hostel.

Marketing

We will make a marketing plan for the next couple of years. From our point of view marketing is very important and through the interviews we noticed that most of the hostels do not market that much. We want to differ from the other similar hostels in the area therefore we will take advantage of our internal strengths in our marketing. The most important marketing channel for our hostel will be the Internet. We will create web-site for the hostel and use several booking systems such as Hostelworld.com and Tripadvisor.com. We will create a customer database and direct market by email with special promotions to retain existing customers. Already existing customers might advertise the hostel to other people therefore creating image for the business. This marketing might be good or bad depending on their experience of the hostel. In the beginning it is important to build image and to do so we will use sales promotions to attract new customers and print out pamphlets and distribute them to tourist offices, bars, restaurants and other hostels. We will also advertise in Finnish, Spanish and English newspapers in the area. In our yearly budget marketing will have a big part to maintain customers and attract new ones.

TABLE 17. Competitors strengths and weaknesses in Fuengirola

Competitor	Strengths	Weaknesses
Hostel 1	Good location on the center, Air-condition, capacity 21 rooms	Personnel's weak language skills, lack of marketing
Hostel 2	Good location on the center, big capacity 40 rooms, familiar atmosphere, looks like a hotel, air-condition	Personnel's weak language skills, lack of personnel, lack of marketing
Hostel 3	Familiar and Spanish atmosphere, capacity 30 rooms, friendly service, good location near the beach, air-condition	Weak language skills, no marketing, the owners do not want to prevent effects of the crisis
Hostel 4	Good lounge area, capacity 24 rooms, breakfast and food facilities, good language skills	Closed during "siesta", no 24 hour reception, marketing mostly for Finnish customers
Hostel 5	Economical prices, capacity 45 rooms, centrally located, recently renovated	Weak language skills, no marketing, no lounge area, no air-condition, no marketing
Hostel 6	Located in the center, good language skills, capacity 30 rooms, economic prices all year, special services to Arabic guests, breakfast buffet, good marketing strategy	Lack of personnel, it is hard to found, hostel is inside of an old shopping center, reception small and not in the same entrance than the hostel

7 CONCLUSIONS

The researchers wanted to find out how to start a hostel in Fuengirola, Spain, how profitable can it be and to find out the current market situation for that purpose this thesis was made. Particularly the researchers are interested in Spain because they have been living there and it is very popular tourist destination. This thesis helped the researchers to gain better picture of the different phases of forming a business and to gain a picture of the current market situation. To gain background information and guidelines about setting up a business in Spain, previous researches were used. Some of the researches are similar to this thesis but they have different points of interests.

Spain has many different provinces which have their own autonomy and the culture is very rich. Tourism has been an important part for Spanish economy for a long time and the people have become accustomed to tourists and usually the Spaniards are described as open, kind and helpful. The government of Spain has programs to support the tourist business market in Spain and to help individuals form companies linked to tourism.

More specifically the tourism business in Fuengirola is very competitive; there are many hostels and hotels in the area. Main competitors such as other hostels in the area do not offer many additional services or products to their clients and that creates an opportunity for competitive advantage for new businesses. Because of that competitor analysis is very important from the researcher's points of view to find out what products and services the competition offers and how profitable they are. It is also important to be aware of the customer base and its potential. The area of Fuengirola is highly international with 40% of its residents being foreigners and high amount of Finnish people living and visiting there.

The amount of accommodation businesses in Malaga, Spain has been growing during the last years but the occupancy rate of those has gone down, the reason for this most likely is the economic crisis. Because of that the large hotels in the area are dropping their prices to the same level as small hostels in the area therefore leaving the smaller business unable to compete with three to four star hotels. The economic situation is

recovering in Spain but slowly and there will be a change of government this year which has promised to take drastic actions to improve the economy. Spain has over the years improved its economy steadily and is still very secure place to invest in.

The most important part of forming a business happens when creating a business plan and because of that in the theoretical part there are different steps of a business plan. The researchers want to make detailed preparations before starting a business in the current economic situation and because of that in the thesis there is a business plan for the hostel which includes the data that the theoretical part classifies to be important. Most important fact about a new business is its business idea and its purpose. New businesses need to clear on their purpose and mission and state them to all employees so there will be a unified picture of the goals and methods of reaching them.

All organizations have services or products which need to be described in detail but simply. It is also good to compare ones products with the competing ones to create better picture of the market and it can create competitive advantages. New organizations should make a SWOT-analysis to determine their internal and external marketing environment. Based on these environments the company can make decision how to operate in the market and what are its major opportunities and threats. Major threats for the new accommodation company are its competitors and the lack of tourists in the area, from this point of view the timing of opening the hostel is crucial. During the high tourist season hostels are booked full and at that time the hostel should already be operating.

The working culture in Spain has an affect the new business because the researchers need to use services such as bank, Gestoria and etc. and these are all operating under the Spanish regulations. But most the personnel in the hostel will likely be Finnish therefore the working culture of Finland will prevail inside the business, however the language of the company will be English and Spanish. Bureaucracy, even though it is straight forward, can be difficult for foreigners to understand and to cope with. Because of that the organizations called Gestorias have appeared to help individuals with their problems regarding all the bureaucratic tasks, such as taxes, and setting up small companies is one their main duties. There are many possible forms of businesses

but the limited liability company is best suited for a small sized organization because of its low capital need and flexibility in managerial tasks.

Every company needs funds and start-up capital to function and for that reason the researchers have looked into different possibilities to have funding. For that reason the researchers calculated the need of start-up capitals which includes the essential costs to set-up a company. Profitability calculations have also been done to show the future investors what the situation looks like. There are many different mean of public support from the European Union to establish a company abroad and also in the Spanish banks there are some programs available.

The main tools to gain awareness for a company is marketing, because of that the researches think that it is important to have different kind of marketing tools at usage. When conducting the research it was noted that most the hostels in the area of Fuengirola do not have any or little marketing, that creates an opportunity of the researches succeed in creating functional marketing plan to separate themselves from competitors. It is essential to be visible from the other hostels and also from the big hotels in the area, according to the research the impact of not doing any marketing is almost 20% to the occupancy rate. The marketing plan should take in notice the different tourist seasons for example by having more marketing before the high season to gain awareness of the travelers and continuing it during the high season. One of the key aspects is to create a personal relationship with customers, offer them special prices and staying in touch with promotions. This creates word-of-mouth marketing which is free publicity for the business. Advertising online and in the local media will be the biggest tools the researchers plan to use. There will also be seasonal offers to prompt more customers to come and being present in social events and fairs with public relations.

The research method of this thesis was qualitative because the researchers wanted to gain deep information about the current market situation and about the competitors in the area. This method allowed the researchers to lead the interviews to a direction where the most data could be taken and to follow up with interviews if they had ideas that separated them from other hostels. The local hostels in Fuengirola were found by internet, some of the hostels did not want to participate in to the research and the

financial information about the hostels such as expenses were left blank because the hostel owners did not know or did not want to tell those. That impacts the reliability of the research but the researchers got sufficient amount of responses for the other sections for reliable results.

As seen from the results of the study the economic situation in Spain is difficult especially from tourism point of view. The amount of accommodation businesses has grown but the amount of tourists has gone down. It is not impossible to be profitable in the current situation but it will be difficult to gain profitable results, as the hostel has to have more than 40% occupancy rate during the whole year with an average price of 45 €.

During this thesis the researches have gained important information about how to set up a business in Spain, how the bureaucracy works there, current market situation and the profitability possibilities. The results are not very attracting for new entrepreneurs with no experience but it is not impossible to start a hostel and develop it to be profitable. However the economic situation is improving and that offers possibilities and the researchers are confident that the market size will grow.

Some follow up researches suggestions that came up to when working with this thesis could be; how the crisis affects on entrepreneurs in Spain, how to make a development plan for a business plan in Spain and how the economic situation will affect to the tourism and accommodation business in Spain.

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APPENDIX 1 (1).

E-mail and interview frame (Spanish and English).

E-mail was sent on 19.07.2010 and it was sent to 10 hostels in Fuengirola and the e-mail contained Spanish and English interview frame which are included in to the appendix.

Hola buenas tardes.

Somos dos estudiantes del turismo y economia de la universidad de Finlandia. Vivimos aqui en Fuengirola ahora y hacemos nuestro Thesis sobre los Hostales en Fuengirola.

Queremos hacer una entrevista en vuestro hostel y por eso nos envio el cuestionario en el español y en inglés como preferáis. Queremos hacer la entrevista en la semana que viene si eso es posible para ustedes? Si hay algunas preguntas sobre el cuestionario, podeis pregunta a mi. Y también sino querais responder en todos los preguntas, no hay problema. Y todos resueltos estan confidenciales y solo se van en nuestro universidad por estudios. Y puede ser que vamos a registro entrevista que podemos recordar todos los respuestas si lo permiteis.

Que esteis muy amable y podeis decir cuando podemos venir y hacerlo? Todos los días despues a las 14.00 (menos miercoles) esta bien para nosotros.

Muchisimas gracias por su tiempo.

Un saludo

Nelly Wahlroos y Janne Vähämäki

Universidad de Mikkeli y Universidad de Seinäjoki

APPENDIX 1 (2).

E-mail and interview frame (Spanish and English).

Dear hostels owner or chief.

We are two University students from Finland and we are studying tourism and business administration. We are living in Spain in Fuengirola because we are doing our Thesis about hostels in Fuengirola.

Therefore we would like to make an interview in your hostel next week. That is why I have attached both questionnaires to this e-mail that you can look at it before. If there are some questions in the interview you don't want to answer it doesn't matter.

And if you have any questions about the questions do not hesitate to ask about it from me. All the results are taken confidentially and it will only be for our research of studies. And if it would be possible to record our interview that we won't forget any detail from the interview, but only if you give a permit for that.

As you would be very friendly to help us with our study, when it could be possible to meet up for the interview? Every time after 14.00 o'clock (only not Wednesday) would be just fine for us.

Thank you for your interest.

Kind regards,

Nelly Wahlroos and Janne Vähämäki
University of Mikkeli and University of Seinäjoki

APPENDIX 1 (3).

E-mail and interview frame (Spanish and English).

1.Questionnaire for the other hostels in Fuengirola

NAME OF HOSTEL:

Name and title of person:

Time:

1. Basic information about the hostel:

- 1.1 Amount of rooms:
- 1.2 Location:
- 1.3 When has the hostel been founded?
- 1.4 Amount of employees:

2. What are your prices for the rooms?

- 2.1. Per person/room
 - 2.1.1. Per day
 - 2.1.2. Per week
 - 2.1.3. Per month
- 2.2. What does it include?

3. How much are your expenses and profits per month?

- 3.1. Approximately how much are the expenses per month?
 - 3.1.1 What do the expenses include?
- 3.2 How do you arrange the cleaning of the hostel?
- 3.3 How do you arrange the accounting of the hostel?
- 3.4 What permits do you need to run a hostel?
- 3.5 Do you rent or own the hostel?
 - 3.5.1 Amount of rent?
 - 3.5.2 How much did the hostel cost?
 - 3.5.3 Why?
- 3.6 How much are you making profit per year?
- 3.7 How much is your turnover per year?
- 3.8 Optional questions: Amount of expenses
 - 3.8.1 Water?
 - 3.8.2 Electricity?
 - 3.8.3 Gas?

APPENDIX 1 (4).

E-mail and interview frame (Spanish and English).

- 3.8.4 Taxes?
- 3.8.5 Wages?
- 3.8.6 Permits?
- 3.8.7 Other?
- 3.8.8 Cleaning?
- 3.8.9 Repair costs?
- 3.8.10 Accounting?

4. How do you arrange security in your hostel?

5. Customers

- 5.1 How long does on average a customer stay in this hostel?
- 5.2 What are the demands/wishes of the customers who stay in the hostel?
 - 5.2.1 Do you think those demands/wishes are satisfied?
- 5.3 How much customers do you have per year?
 - 5.3.1 On different seasons?
 - 5.3.2 Are they typically alone or in groups?
 - 5.3.3 What are the sizes of the groups usually?
- 5.4 Where are the customers typically from?
 - 5.4.1 What is your target group?
- 5.5 What age are the customers typically?
 - 5.5.1 What is your target group?
- 5.6 What is your target group from the marketing point of view?
- 5.7 Do you get customers through tour operators? (Travel agencies)
 - 5.7.1 Is it a significant portion of your customers?
- 5.8 Do you think there is sufficient amount of hostels in Fuengirola to meet the customer demand?
 - 5.8.1 In different seasons?
 - 5.8.2 To which target group do you think there is the most/the least market?
 - 5.8.3 Do you think there is need for more hostels in Fuengirola?

APPENDIX 1 (5).

E-mail and interview frame (Spanish and English).

6. Marketing

- 6.1 How do you market your hostel?
- 6.2 What do you consider to be your weaknesses and strengths?
- 6.3 What kind of special offers do you have?
- 6.4 How do you differ from other hostels in Fuengirola in your opinion?
- 6.5 What kind of activities do you arrange for your customers?
- 6.6 What do you see as threats and opportunities at the present time?
 - 6.6.1 And in the future?

APPENDIX 1 (6).

E-mail and interview frame (Spanish and English).

1. Cuestionario para los hostales en Fuengirola

NOMBRE DEL HOSTEL:

Nombre de la persona y título:

Fecha:

1. Información básica

- 1.1 Cuantos habitaciones hay?
- 1.2 Locación:
- 1.3 Cuando el hostel ha fundado?
- 1.4 Cuantos empleados tiene?

2. Los precios de los habitaciones

- 2.1 Por la persona/habitación
 - 2.1.1 por la noche?
 - 2.1.2 por la semana?
 - 2.1.3 por el mes?
- 2.2 Que es incluido en el precio?

3. Que es los gastos y beneficios por el mes

- 3.1 Aproximadamente cuanto es los gastos por el mes?
 - 3.1.1 Que es incluido en los gastos?
- 3.2 Como organizáis limpieza del hostel?
- 3.3 Como organizáis contabilidad del hostel?
- 3.4 Que permitas necesitáis para el hostel?
- 3.5 Alquiléis el hostel o eres dueño del hostel?
 - 3.5.1 Cuanto es el alquiler?
 - 3.5.2 Qué precio el hostel tenia?
 - 3.5.3 Por qué?
- 3.6 Cuanto beneficio tenéis por el año?
- 3.7 Cuanto es el volumen de negocios?

APPENDIX 1 (7).

E-mail to the hostels about to interview.

3.8 Opcional cuestiones: cantidad de los gastos

3.8.1 Agua?

3.8.2 Electricidad?

3.8.3 Gas?

3.8.4 Impuestos?

3.8.5 Salarios?

3.8.6 Permitas?

3.8.7 Otros?

3.8.8 Limpieza?

3.8.9 Renovación?

3.8.10 Contabilidad?

4. Como organizáis el seguridad del hostel?

5. Los clientes

5.1 Cuanto tiempo el promedio cliente está en el hostel?

5.2 Que es los deseos/las demandas de los clientes?

5.2.1 Creéis que los clientes está satisfecho?

5.3 Cuantos clientes tenéis por el año?

5.3.1 Temporadas diferentes?

5.3.2 Por lo general están los clientes solo o en el grupo?

5.3.3 Por lo general que es tamaño del los grupos?

5.4 Por lo general de donde los clientes son?

5.4.1 Que es su grupo objetivo?

5.5 Por lo general que edad los clientes tienen?

5.5.1 Que es su grupo objetivo?

5.6 Que es su grupo objetivo para el punto de vista del marketing?

5.7 Tenéis mucho clientes vía a gentes de viaje?

5.7.1 Es muy importante sobre de la cantidad de los clientes?

APPENDIX 1 (8).

E-mail and interview frame (Spanish and English).

5.8 Piensas que en Fuengirola hay suficiente cantidad de los hostales para satisfacer los clientes?

5.8.1 Temporadas diferentes?

5.8.2 Para que grupo objetivo hay más/menos mercado?

5.8.3 Piensas que hay necesidad por más hostales?

6. Marketing

6.1 Como hacéis marketing?

6.2 Que es sus debilidades y fuerzas?

6.3 Que ofertas especiales tenéis?

6.4 Como difieren comparado de los otros hostales?

6.5 Que actividades tenéis para los clientes?

6.6 Que es las amenazas y oportunidades en su opinión?

APPENDIX 2 (2).

Profitability calculations.

CALCULATION OF NEED OF SALES:**RETURN TARGET (own need of net income)**

+ Business loans payment

NET INCOME

+ Taxes from own income

NEED OF FINANCING (own gross income)

+ Interest of business loans

A = TOTAL

Per month	Per year	
3000 (2*1500)	36000	+ €
250	3000	+ €
2250	27000	= €
450 (20% Spanish)	5400	+ €
2700	32400	= €
250	3000	+ €
3950	47400	= €

BUSINESSES FIXED COSTS (VAT not included):

Entrepreneur's pension insurance

Other insurances

Employees salaries

Salaries labor costs

Rents + electricity

Marketing

Telephone + internet

Travel/car costs

Accounting

Office expenses

Education

Magazines and others

Repairs

Entrepreneurs unemployment insurance

Other expenses

B = FIXED COSTS TOTAL

200	2400	+ €
100	1200	+ €
1000	12000	+ €
200	2400	+ €
2000	24000	+ €
50	600	+ €
100	1200	+ €
100	1200	+ €
500	6000	+ €
50	600	+ €
10	120	+ €
100	1200	+ €
100	1200	+ €
100	1200	+ €
200	2400	+ €
4810	57720	= €

A+B NEED OF SALES MARGIN

+ Purchases (without VAT) trade, manufacturing

TURNOVER

+ Value- added tax (16% Spanish)

TOTAL NEED OF SALES

8760	105120	= €
300	3600	+ €
9060	108720	= €
1449,60	17359,20	+ €
10509,60	126115,20	= €

Numbers of calculation are from various sources from using data from the research and some are pure valuations.