



Business Plan: The Dairy

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<p>Abstract:</p> <p>The Bachelor thesis in question has been composed to help the founders of a small start-up company, in the holiday rental industry, succeed in running a sustainable business. The purpose was to create a practical plan for setting up and running the Dairy, a two-bedroom holiday rental in the rural Devon countryside. The business plan discussed the location and facilities of the holiday rental along with a comprehensive account of its competitors. The Dairy's marketing activity and risk assessment is clarified along with an overview of financials.</p> <p>The theoretical framework for which the basis of the plan was constructed was based on a number of books and industry reports. Key elements of the theoretical framework focused on the structure and content of a business plan. Internet research proved to be a helpful resource in particular when defining the businesses key competitors.</p> <p>The thesis is an example of a basic model of business planning, taking into account as much practical details as possible, resulting in a plan that is as close to reality as achievable. The author's intentions for the business plan are not to draw investors' interest, but to provide a practical guide for the inexperienced owners.</p>	
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1. INTRODUCTION

1.1 Purpose of the Thesis

The overall purpose of this thesis was to make a realistic business plan for a start-up enterprise that my family back in the UK will be venturing into. There were two main reasons, which made me choose this topic as my bachelor thesis. Firstly is due to the fact that I would like to help my parents, who are the co-owners of the start up enterprise, to get the project up and running. Both with little business experience, it was an ideal opportunity for me to put my skills that I have learnt throughout my bachelors degree into practice. Working on a project where I will be able to follow its progress and see first hand my work being put into action has been a huge motivation for me. Secondly I would like to start my own company, when the time is right, so creating this business plan for a start up enterprise has given me greater confidence for future plans.

The objective of the thesis was to create a practical business plan for a holiday rental on the South coast of the UK. Statistics relating to tourism, in this region of the UK, as well as market and financial analysis of the venture were used in order to ensure the feasibility of the plan.

1.2 Research Method

Research is the backbone to any business plan. Research methods are split into two categories, secondary and primary, this business plan was built around the use of secondary research. Secondary research sources include reports, articles, journals, magazines, newspapers and various statistics that have been previously conducted. Secondary research is a good starting point when carrying out extensive research as it highlights what data exists and what new information is required.

The initial section of the business plan, which comprises of the company summary and products and services, was written in accordance to the information given by the founders of the business. The research for the remainder of the business plan was made using secondary data located on web pages, books, newspapers and other publications. All market research conducted in order to complete the competitive analysis was found via the Internet. Valuable information regarding the

Dairy's competitors, such as their strengths and weaknesses was achieved through visiting their webpage and by reading online customer reviews.

1.3 Theoretical background overviews

Concerning the theoretical background to support the thesis, the first aspect to cover was the structure of the business plan. This was an important factor, which gave a precise view of what the business is about and how to make the business profitable. Areas such as the business summary, market analysis, competitor analysis and financial planning were the key elements included in the business plan. Each of these areas required theories that were involved to explain the content further.

Benchmarking was used to help discover the best performance achieved in the holiday rental industry and to learn from competitors performance to achieve a competitive advantage (Patterson 1995, 4).

A SWOT analysis was conducted to evaluate the holiday rentals strengths and weaknesses and to discover what opportunities and threats the business may encounter (Jobber 1998, 37).

The concept management theory of core competency was used to define the businesses principle distinctive capabilities in comparison to that of its competitors (Jobber 1998, 686).

The principles of accounting for financial planning (Gillespie, Lewis & Hamilton 2000) was the basis for creating the profit & loss, balance sheet and break-even analysis held within the financial plan.

2. THEORETICAL FRAMEWORK

2.1 Business Plan

“A business plan is a written summary of an entrepreneur's proposed business venture, its operational and financial details, its marketing opportunities and strategy, and its managers' skills and opportunities” (Zimmerer and Scarborough 1998, 282).

A business plan in its simplest form is a written document that illustrates an entrepreneur's business idea in detail. The business plan gives the reader the what, where, why and how the business will meet its objectives and become a viable business (Hatten, 1997, 94), it describes what you intend to do and how you intend to do it.

According to Corman and Lussier (1996, 112-114) the business plan is the single most important element in either starting or running a business. A business plan need not be created for start-up businesses alone, it can also be used for all types of small businesses.

The role of the business plan is to clearly visualize the intentions of the entrepreneur, by outlining how they will turn their business idea into reality. As well as assessing if this idea is commercially viable it also highlights any issues that need to be addressed, it will also help the entrepreneur:

- Apply for finance from a financial institution
- Secure investors
- Clearly define goals and long-term vision;
- Determine the commercial viability of the business idea
- Analyze the business idea from a variety of angles;
- Test the commitment and motivation of the entrepreneur;
- Identify strengths, weaknesses, opportunities and threats;
- Develop strategies in operation and marketing

2.2 Structure of the plan

A logical necessity is to first grasp what a good business plan consists of. There are extensive resources discussing the topic and there are many common elements that can be found through different resources. A business plan is of great importance and of extreme interest to anyone who is going to read it, it's readers may cover a wide audience therefore it should be kept clear, to the point, logical, honest and clarify with figures wherever it is possible to do so. The language should be simple and uncomplicated with one sentence logically following the last. A well-structured layout helps keep the reader interested (Blackwell 2004, 3-7).

It has been noted that Sahlman (2008, 5-7) believes that a business plan should assess four interdependent factors critical for a new venture, the people, the opportunity, the context and the risk and reward. The people refer to the personnel within a company as well as outside parties for example accountants and suppliers. The opportunity defines what you are selling and to whom. The context refers to the economic macro/micro environments and the risk and reward is an assessment of all aspects that could go right or wrong within the company.

Generally speaking a good business plan should clearly and concisely communicate to the reader how the products and services of the business meet the customers specific wants and needs whilst at the same time identifying which target markets most exemplify these needs.

In the following figure (Figure 1) introduced are three examples of business plans content.



Figure 1: Business plan content examples

The content of the business plan for ‘The Dairy’ (Figure 2) was constructed by combining elements from the resources mentioned above.



Figure 2: The Dairy Business plan content

- **The cover page** alternatively known as the title page. This is the first page of the business plan. Items that should be included on this page are; the businesses name, the period of the plan, details of the founding directors and the date. (Longenecker et al. 1997, 123.)
- **The executive summary** this gives an overview of the business plan in its entirety. Although this summary is at the beginning of the plan it should be written last. The executive summary should be written clearly and concisely and give a round up of the proposed venture. This can be decisive for attracting the attention of the one-minute investor, therefore it should create a sense of intrigue and excitement in regards to the ventures prospects. (Longenecker et al. 1997, 123.)

- **The main body** of the business plan begins with a brief description of the company. This area of the plan notifies the reader as to what type of enterprise is being proposed, the objectives, location and whether it is a local or international business. It may also be necessary for this section to contain legal issues related to the enterprise. (Longenecker et al 1997, 124.) Furthermore, this section describes how the company will be formed, the organizational structure and the duties of individual roles within the company. The founder's background and summary of their resume should be stated. The company's history and reasons for its creation should be mentioned to build a relationship with the reader/investor and to help them relate to the enterprise. The main body of the plan should also present the current status of the company; employee count, sales and profits, products/services, facilities and so forth. To summarize this section should portray the businesses strategy and detail the way in which it should run to reach its goals. (Stevenson et al. 1999, 45.)
- **Products and Services** outline the products and/or services that will be offered to the business's customer. If a new or unique physical product is to be offered and a working prototype is available, there should be photograph included in the portfolio. (Longenecker et al 1997, 124.) Comparisons made between the service/product provided and those of competitors should be included in this section. The product/service's position in the marketplace and its unique selling points (USP) should be capitalized. (Jewell 2003, 31.)
- **The market analysis** is based on market research data. This area of the plan should establish the size of the market, market trends and describe the target customer. (Jewell 2003, 31.) It is of vital importance to identify the businesses state of existence in the market and to provide evidence to show that potential customer groups are willing to purchase the companies offerings. (Longenecker et al. 1997, 124).
- **The marketing plan** consists of a breakdown of detailed strategies relating to pricing policy, advertising and other forms of promotion, sales and distribution and product launch and development. (Longenecker et al. 1997, 124.)

- **The operating plan** can vary from business to business. It details how the product will be produced or the service supplied. (Longenecker et al. 1997, 124.) Information on the location, production facilities, techniques and capital equipment are present in this section of the plan (Jewell 2003, 31.) Outsourcing, quality control and inventory are areas that should be included within the operating plan.
- **The financial plan** includes; balance sheets, income statements, cash flow statements and cash budgets to determine how the enterprise will afford to achieve its goals and objectives. Depending on the business type, if it is an existing or a start-up business, information will vary, however all information present should be justified. (Longenecker et al. 1997, 126.)

3. BUSINESS PLAN

3.1 Executive Summary

The Dairy is a two-bedroom countryside located holiday rental offering luxury quality holiday accommodation in a popular tourist location on the south coast of England. Its founders are Jane and Jim Wilson who share joint ownership in the enterprise. The Dairy will require a start-up capital of 52,500. The sum of the capital will be raised from two sources, the owner's equity will be 14,000 and the remaining will be acquired through a loan from a commercial bank.

The vision of the Dairy is to become the number one choice of holiday rental accommodation in the Axminster/Kilminster area and to create a financially successful holiday rental business resulting in 80% occupancy by year 5.

The main target group has been identified as families and the property will be fully equipped to satisfy a families needs whilst on vacation.

Daily operations of the Dairy including bookings and marketing will be dealt with via a holiday letting agency, Milkbere Holiday Cottages Ltd, for the first two years who will charge a commission rate of 20%. After this period the owners will take over full reigns of the company.

Once in charge of marketing the owners will use a number of marketing communication tools to generate business. A webpage will be created, the property will be listed on two holiday letting online directories and the owners will be active on a number of social media platforms.

Industry competition is high in the surrounding areas; a competitor analysis resulted in 11 direct competitors. Benchmarked amongst these competitors the Dairy scored highly and its standard and facilities offered stand out amongst its competition. Due to these high levels of competition the Dairy needs to maintain its excellent standards and a key to success is to retain customers, repeat bookings will be a main focus in future marketing strategies.

The Dairy estimates profits of approximately £15,000 by year 5 with a net profit margin of 68%. The company plans to invest a majority of 1st year profits to increase its competitive edge by creating a games room and laundry area. The Dairy does not anticipate any cash flow problems arising with the company always able to pay its current liabilities.

3.2 Company Summary

The riches of the Devon countryside have always drawn a significant number of tourists to the area; creating a “home away from home” in this charming detached ground floor holiday rental is the mission of the proprietors Jane and Jim Wilson.

The long-term goal of ‘The Dairy’ is to become the best choice, in the South West region, for holiday letting accommodation by creating a differentiated experience capitalizing on personal service, the historic nature of ‘The Dairy’ building, and its unique location in one of the most attractive areas of the South coast of England.

The South West of England is the UK’s leading holiday destination, with 19.2 million overnight visitors per year, who spend more than £3,606 million (UK Tourism Statistics 2012, Tourism Alliance). The South West’s beautiful landscape is a key asset in attracting visitors to the area, boasting two National Parks, 12 Areas of Outstanding Natural Beauty, more than two thirds of England’s historical heritage coast and a high percentage of the UK’s rarest and most endangered

habitats. This idyllic area of the country also includes 32% of the countries monuments, 26% of all listed historical buildings and four World Heritage sites, therefore making an ideal location for a holiday rental.

The Dairy and other existing buildings on the site were originally built at some point within the 12th century. The building sits within four acres, of which there are an acre of buildings/yards and three acres of pasture. The building has undergone a number of restorations, as the name indicates the building was once an old working milking parlor, it has recently been converted into one 90 square meter rental unit. With the restoration completed, it now has the potential to accommodate an occupancy of four. The unit is self contained, comprising of open plan kitchen/living space, dining room, master bedroom with en-suite bathroom, bedroom 2, bathroom, parking and outside patio area.

3.2.1 The Ownership

The Milking Parlor will be a general partnership, which means the two owners Jim and Jane Wilson will share equally in the responsibility for managing and financing the business, thus equally in the liability (Pinson and Jinnett 2006, 68).

Jane and Jim have renovated a beautiful milking parlor to accommodate one family's holiday needs. This is a start-up enterprise for the Wilson's who both have a 50% share in the business. Jim and Jane first purchased the property, a disused farm, in 2000, after seven years the conversion of the main barn, where the owners permanently reside, was completed. They have worked this past year renovating the milking parlor on the site, preparing to open as a holiday rental. In the spring of 2013 the renovation was completed and 'The Dairy' is now fully equipped and ready to be rented.

The Wilsons are hands-on owners who oversee every aspect of the holiday rentals operations. Jane will oversee the day-to-day operations of the rental, whilst Jim will oversee the maintenance of the holiday cottage and grounds. The owners will be the only personnel working at the Dairy; therefore there will be no staffing expenses due to salaries. The owners will not take a salary from the business consequently all profits will be fed back into the enterprise.

3.2.2 Objectives

The Dairy will launch as a holiday rental in the autumn of 2013. Over the first three years ‘The Dairy’ has the following objectives:

- To share the beautiful, idyllic, quiet but not isolated environment and living experience of the property with others who are interested in the East Devon nature and exploring the South West of England
- To offer a comfortable, clean, luxury furnished and equipped, newly renovated rental so that guests feel ‘at home’
- To offer guests as much information about the area and places of interest
- To become the leaders in holiday rental accommodation in the local area
- To steadily increase occupancy year on year resulting in 80% occupancy by year 5
- Achieve a 20% retention rate of return customers
- To obtain a 95% positive feedback rate on online review websites
- To maintain its current 4* Gold status from the ‘Quality in Tourism’, the assessment service for VisitBritain

3.3.3 Keys to Success

Keys to success in the holiday rental business include

- Impeccable upkeep of ‘The Dairy’ to maintain the luxury of the newly renovated accommodation
- Seasonal pricing to encourage all year utilization

- Provide a flawless service, which make customers feel content with their choice of accommodation
- A clear understanding of The Dairy's unique selling points and communicating these to potential and existing customers.
- Maintain concise financial management of the venture

3.4 Products and Services

The dairy is a superb, quaint detached 90-m² ground floor recently renovated milking parlor, which is set in the idyllic and peaceful Devon countryside. The detached building is located in a quiet courtyard on the property of Studhayes Barn, located 1 km from the village of Kilmington. The property is completely renovated to an exceptionally high standard and attractively furnished with modern quality fixtures and fittings. This holiday rental has stunning features, which make it stand out from other rentals in the area; these include the high vaulted ceilings, which offer a light, bright spacious open plan living space.

On entering the Dairy there is an entrance hall comprising of two cupboards, hanging area for coats and a seating area. This leads to the open plan lounge with wood burner and very well equipped kitchen area with bespoke oak wood surfaces and breakfast bar with stools. Attached is a dining area that sits four comfortably. The Master bedroom offers a king size bed with dressing area, large wardrobe and en-suite shower room. The second bedroom has twin beds. The main bathroom has a bath equipped with handrail, basin and toilet.

Facilities:

- Bed linen.
- Towels
- Electric hob and oven
- Microwave
- Fridge Freezer
- Dishwasher
- Travel baby cot
- Highchair and other baby facilities (upon request)

- TV
- Blu-ray DVD
- Radio
- Free Wi-Fi

Outdoor Facilities:

- Private secluded decked area with table, chairs and barbeque.
- Attractive enclosed garden, shared with occasional use by owners.
- Large parking area for up to 4 cars, including parking for a boat or trailer.

Amenities that go beyond the typical holiday rental requirements include:

- Freshly baked welcome cookies on arrival
- Entertainment station, comprising of DVDs, books and board games.
- The opportunity to use the owners Kota (Barbeque Hut). This unique Finnish experience will be at an extra cost but will include a welcome drink, barbeque coals and the cleaning of the area after use.
- Extensive baby facilities (baby monitor, high chair, cot, bouncing chair and age suitable toys)

3.5 Location

The dairy is located in the South West region of the UK (Figure 3), this area of the UK is an extremely popular holiday destination thus comprises of 12,606 non-serviced rental accommodations. Table 1 shows the accommodation stock per region, the South West is shown as the region with the highest number of establishments and bed spaces. This is a good sign for the Dairy; it shows that there is high competition yet a high level of tourism flowing through the area, which can be taken advantage of.

Table 1: Accommodation Stock by Region (Source: Non-serviced Accommodation Census 2012)

Accommodation Stock by Region		
	Establishments	Bed spaces
England	34,386	1,360,894
North East	1,115	29,786
North West	5,254	120,018
Yorkshire/Humber	3,139	106,941
East Midlands	2,757	86,646
West Midlands	1,243	39,059
East of England	2,734	69,421
London	505	9,961
South East	5,030	253,336
South West	12,606	645,691



Figure 3: Location of the Dairy

Within the surrounding areas of the Dairy there is an abundance of quality eateries. A magnificently stocked Farm Shop selling locally sourced organic products is only a stones throw away (1km).

A 5 minute drive away will lead you to the small thriving market town of Axminster which is most known for the ‘River Cottage Canteen’ which famously features in Hugh Fearnley-Whittingstall ‘s successful TV show ‘River Cottage’. The Dairy is ideally positioned to attend the River Cottage courses, weekend dining and special events, which are held at the TV shows Headquarters 5km away.

The coastal town of Lyme Regis can be reached by car within 15 minutes. This historic harbor was made famous with the release of ‘The French Lieutenants woman’ in 1981. As its harbor, known as the Cobb, was featured in the film. The historical Jurassic coastline that runs along this unique part of the south coast is easily accessible and the ‘Heritage Coast Centre’ in Charmouth, a 20-minute car drive, offers fossil hunting walks, rock pool rambles and special marine talks and exhibitions. This part of the country attracts many tourists due to this stunning Jurassic coastline as it offers a unique experience with spectacular cliff top walks and breathtaking views.

3.6 Situational Analysis

A situational analysis is at the core of any business plan; it forms the foundations by conducting a thorough examination of internal and external factors that may affect a business. (Lorette, accessed 14th Sept. 2013). This analysis defines potential customers, the expected growth and competitors within the market to ascertain a realistic assessment of the business. A variety of frameworks can be used to carry out a situational analysis, these include:

- 5C Analysis. An environmental scan of five key areas, which relate specifically to the marketing decisions within a business. Internal, micro and macro-environmental situations are covered in this framework. Company, collaborators, customers, competitors and climate are the 5C's evaluated in the analysis (NetMBA, accessed 14th Sept. 2013)
- PEST Analysis. A framework of macro-environmental factors analyzing external political, economic, social and technological factors (Bensoussan & Fleisher, 2013)
- SWOT Analysis. A framework evaluating the strengths, weaknesses, opportunities and threats both externally and internally involved in a new business venture. (Bensoussan & Fleisher, 2013)
- Porter five forces analysis. A framework, which derives of five forces that determine the intensity of competitors. Porter's five forces are listed as; the threat of new entrants, threat of substitute products or services, bargaining power of customers, bargaining power of suppliers and the intensity of competitive rivalry. (Hill & Jones, 2008)

Based on the above theories a customer analysis has been carried out to gather information on target groups followed by a competitor analysis benchmarking the holiday rental compared to its competitors in the area. In addition to this a SWOT analysis has been conducted outlining the strong and weak elements of the business also highlighting possible threats that could be turned into opportunities.

3.6.1 Industry trends

Tourism is one of the largest industries in the UK. The UK holiday rental market includes vacationers who are both local and from afar. In May 2013 there were 11.2 million domestic holidays taken in the UK an increase of 9% from the previous year (GB tourism survey, Summary of results, 2013) The UK is the seventh largest international tourism destination ranked by visitor numbers. In 2012 the total revenue brought into the country from tourists reached 134 billion GBP (Supply Side of Tourism Report, Office for National Statistics, 2012) an increase of 6.9% from the previous year. Tourism is a blossoming industry and market, which is seeing increases year on year both internationally and domestically.

The trend of UK residents deciding to spend their vacations within the UK has been on the rise since 2007, at the time when the economy was experiencing an economic downturn. According to a 2013 survey carried out by budget hotel chain Travelodge, 65% of British adults are holidaying within the UK in 2013 up by 41% from the previous year. One third of the 3,000 respondents cited their reason for holidaying within the UK was due to cost and better value for money.

UK population trends are estimating that by 2015 out of the four-lifestage groups in the UK (pre-family, no family, family, third age) family is forecast to grow the fastest and dominate the groups with a predominance of children aged 5-9. The over 55's is another high growth group. It has been stated that over a third of the UK's population will be over 55 by 2025. (Office for National Statistics)

Approximately 11 million people in England, which is 20% of the total population, suffer with some form of disability, ranging from reduced mobility to allergy sufferers. (Office for National Statistics) Considering and catering for the needs of this target group will widen the target audience to the holiday letting considerably. Features needed to suit the needs of this demographic would include an entrance ramp, hand rails in all bathrooms and hypo allergenic bed linen.

3.6.2 Customer Analysis

To understand the UKs holiday rental market and the potential customers to the dairy, statistics of age distribution, lifestage and social grade were used to conduct a customer analysis. UK resident tourism trend reports were also used to form the customer analysis.

The holiday letting market is primarily segmented by age and family status. These different groups have different requirements and preferences when choosing a holiday rental therefore it is important for the Dairy to identify these market segments. Table 2 examines the trends and characteristics of UK holiday tourism and how it varies by lifestage. A definition of each of the categories can be found in Table 2.

Table 2: Lifestage definitions

Lifestage	Definition
Pre-nesters	Under 35 years & no children
Families	All ages with children
Older Independents	35-54 years & no children
Empty Nesters	55+ years & no children

Table 3: Holiday trips taken in the UK by Lifestage (million) (Source: GB Tourist Survey 2012)

Lifestage	2008	2009	2010	2011	2012	% Change 08-12
Pre-nesters	8.173	9.504	8.067	8.65	8.963	+3.00%
Families	16.582	20.254	19.649	20.288	19.869	+5.08%
Older Independents	9.298	11.045	10.178	10.751	10.593	+3.78%
Empty Nesters	16.364	18.171	16.849	18.745	18.27	+3.12%

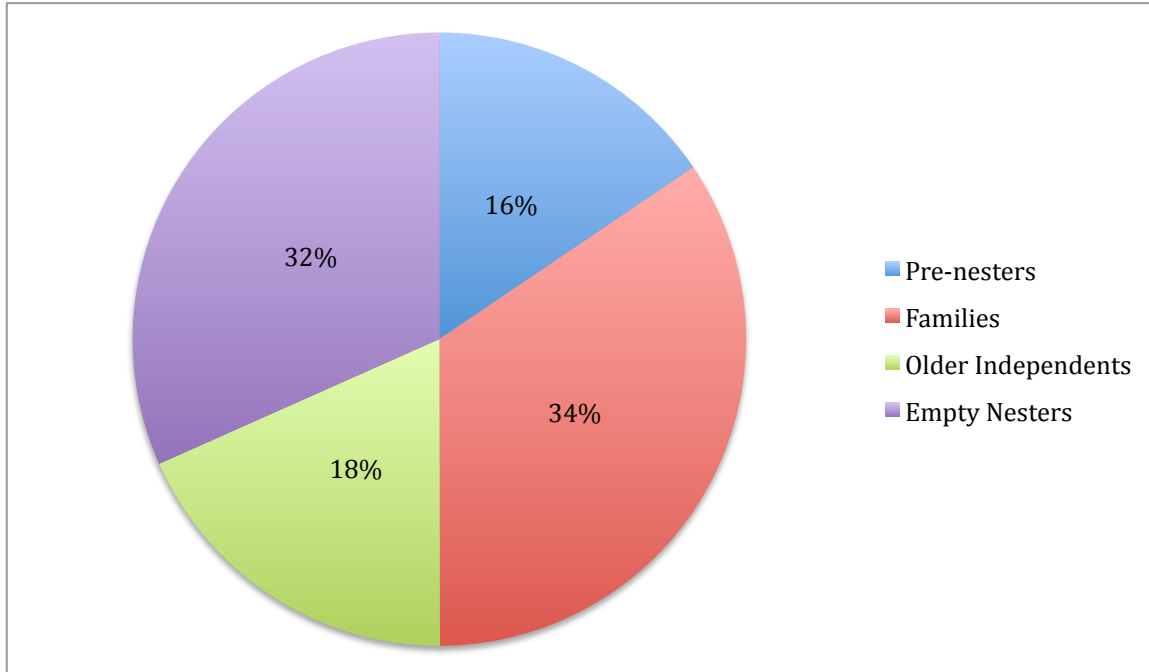


Figure 4: Percentage of UK trips taken according to lifestyle

As we can see from Table 3 from all holiday trips taken in the UK during 2012 families represent the largest of all segments with an average increase of 5.1% over the past 5 years. As you can notice from the table between 2008 to 2009 there is the most dramatic increase within this segment from 16.5 million to 20.2 million (+22%). Empty nesters are also a category that takes a large stake in the market segment at 18.27 million (32%) in 2012.

According to the GB tourism survey conducted in 2012 (Table 4) the majority of tourists travelling within the UK are within the age groups of 35-44 and 45-54. From 2011 to 2012 there has been a large increase in the 25-34 and 45-54 age groups, a rise of 11%.

Table 4: Age of UK Tourists (Source: GB tourism survey 2012)

Age	Trips (millions)		
	2011	2012	% Difference
16-24	12.99	12.62	-3
25-34	16.68	18.45	+11
35-44	25.02	21.93	-12
45-54	19.49	21.56	+11
55-64	16.72	15.65	-6
65+	13.38	14.25	+7

Table 5: Social grade of UK Tourists (Source: GB tourism survey 2012)

Social Grade	Trips (millions)		
	2011	2012	% Difference
AB	40.1	40.82	+2
C1	33.83	32.6	-4
C2	17.14	17.66	+3
DE	13.21	13.38	+1

Table 6: Social grade classifications (NRS Social Grade)

Grade	Social Class	Chief income earner's occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled manual workers
E	Non working	Casual or lowest grade workers, pensioners

It can be seen from Table 5 that the social grades A, B and C1 take more trips annually than other social grades.

As a conclusion based on the above analysis the Dairy's target customers will comprise of the following demographics:

- Families
- Empty nesters
- Age range 35-65+
- Social grade AB & C1

As the Dairy is a two-bedroom rental, its main target group will be families. The Dairy has been designed to appeal to families and this is reflected in its floor plan and the facilities offered:

- Open plan living/dining area with space to accommodate a family of 4 (+ baby)

- Large Master bedroom to accommodate extra bed/baby cot
- Second bedroom twin beds can be fitted with bed guards (for young children)
- Two large bathrooms including a shower and a separate bath tub
- Safe and secure garden and outdoor seating area
- Games, DVD's and books suitable for all ages
- Extensive range of baby facilities (infant bath, highchair, travel cot, toys, monitor, sterilizer, baby bouncer and walker)
- High quality bed linen and towels
- Safe high quality kitchen appliances
- Information box highlighting all family attractions in the area

3.6.3 Competitive Analysis

Assessing competitors strengths and weaknesses and by knowing what your competitors are doing in terms of the basic facilities they offer, decoration style, financial situation, marketing strategies and personnel not only helps businesses at the start-up stage, it also helps to define what marketing strategies could be applied (Bensoussan & Fleisher, 2012)

Based on the fact that the Dairy is a two-bedroom rural holiday rental the main competitors are other properties offering two bedrooms in the Kilmington/Axminster region. The South West of England boasts a total of 12,606 self-catering rental accommodations (Non-serviced accommodation census 2012) therefore it is notable that there is a vast number of competitors, this is the reason for the decision to only analyze direct competitors within a 5km radius.

Through online observations it is clear that there are 11 direct competitors (Table 7)

Table 7: Competitor overview

	Name	Sleeps (Bedrooms)	Location	Price GBP (per week)	Visit Britain Rating
1	The Stables	6 (2 bedrooms)	Kilmington	1050-1266	4 Star Gold
2	The New Dairy	4 (2 bedrooms)	Kilmington	1050-1266	4 Star Gold
3	The Hayloft	4 (2 bedrooms)	Kilmington	1050-1266	4 Star Gold
4	Cassies Cottage	4 (2 bedrooms)	Axminster	477-722	Not rated
5	Cider Room Cottage	4 (2 bedrooms)	Axminster	200-400	Not rated

6	The Byre	4 (2 bedrooms)	Axminster	354-632	3 Star
7	Primrose Cottage	4 (2 bedrooms)	Axminster	377-638	Not rated
8	Quakers	4 (2 bedrooms)	Axminster	290-475	4 Star
9	Beerhaven	4 (2 bedrooms)	Axminster	386-677	Not rated
10	Bloomsbury Barn	4 (2 bedrooms)	Axminster	340-750	4 Star
11	Bloomsbury Loft	4 (2 bedrooms)	Axminster	315-690	4 Star

An analysis of the Dairy's competitors has been based on online observations and the properties individual web pages. Strengths and weaknesses of competitors are shown in Table 8

Table 8: Strength and weakness analysis of competitors

Name	Strengths	Weaknesses
The Stables	<ul style="list-style-type: none"> • Historic 18th Century Building • Idyllic location on ‘Hills Farm’ overlooking the Axe Valley with 100 acres of private land • Eco-friendly: use only green energy. • Onsite activities available; cookery classes, dancing, wine tasting and bike hire (at extra cost) • Free Wi-Fi • LCD TV and iPod docking system • Modern newly renovated fresh interior • Wheel chair accessible • Fully equipped kitchen • Ability to cater for weddings and corporate events 	<ul style="list-style-type: none"> • Located within a holiday cottage complex. • A number of hidden costs, which include; bike hire, BBQ hire, welcome pack. • High rental cost (double the cost of all other competitors in the area)
The Dairy	<ul style="list-style-type: none"> • Historic 18th Century Building • Idyllic location on ‘Hills Farm’ overlooking the Axe Valley with 100 acres of private land • Eco-friendly: use only green energy. • Onsite activities available; cookery classes, dancing, wine tasting and bike hire (at extra cost) • Free Wi-Fi • LCD TV and iPod docking system • Modern newly renovated fresh interior • Inglenook fireplace • Fully equipped kitchen • Ability to cater for weddings and corporate events 	<ul style="list-style-type: none"> • Located within a holiday cottage complex. • A number of hidden costs, which include; bike hire, BBQ hire, welcome pack. • High rental cost (double the cost of all other competitors in the area) • Not wheelchair accessible
The Hayloft	<ul style="list-style-type: none"> • Historic 18th Century Building • Idyllic location on ‘Hills Farm’ overlooking the Axe Valley with 100 acres of private land • Eco-friendly: use only green energy. • Onsite activities available; cookery classes, dancing, wine tasting and bike hire (at extra cost) • Free Wi-Fi • LCD TV and iPod docking system • Fully equipped kitchen • Modern newly renovated fresh interior 	<ul style="list-style-type: none"> • Located within a holiday cottage complex. • A number of hidden costs, which include; bike hire, BBQ hire, welcome pack. • High rental cost (double the cost of all other competitors in the area) • Not wheelchair accessible

	<ul style="list-style-type: none"> • Ability to cater for weddings and corporate events 	
Cassies Cottage	<ul style="list-style-type: none"> • Located on Spillers Farm, beautiful idyllic location with private garden • Welcome chocolates and biscuits • Wood burner • Free Wi-Fi • Books, DVDs and games available • Pet Friendly • Fully equipped kitchen 	<ul style="list-style-type: none"> • Not wheelchair accessible • Pet friendly: could cause issues for allergy sufferers • Dated decor
Cider Room Cottage	<ul style="list-style-type: none"> • Thatched character cottage situated on Haslands Farm • Pet Friendly • Free Wi-Fi • Cheapest of all competitors 	<ul style="list-style-type: none"> • Not wheelchair accessible • Pet friendly: could cause issues for allergy sufferers • No wood burner or open fire • No mobile telephone reception • No dishwasher
The Byre	<ul style="list-style-type: none"> • Wheelchair accessible • Fully equipped kitchen 	<ul style="list-style-type: none"> • Semi-detached property • Located within a holiday cottage complex • Dated furniture and décor • No scenic views
Primrose Cottage	<ul style="list-style-type: none"> • Idyllic countryside setting • Access to private garden • Outdoor facilities; terrace with sun loungers and summerhouse • Pet friendly 	<ul style="list-style-type: none"> • No wood burner or open fire • Pet friendly: could cause issues for allergy sufferers • Semi detached property • Not wheelchair accessible • Dated furniture and décor
Quakers	<ul style="list-style-type: none"> • Grade II listed building situated on a 14th Century Quaker farm • Valley views with 7 acres of communal grounds • Beautiful modern décor • Pet friendly • Shared access to hot tub (booking required) 	<ul style="list-style-type: none"> • Located within a holiday cottage complex • Semi-detached • Not wheelchair accessible • Pet friendly: could cause issues for allergy sufferers
Beerhaven	<ul style="list-style-type: none"> • Quiet peaceful idyllic location • Access to shared garden with table tennis facilities 	<ul style="list-style-type: none"> • Semi detached property • Dated furniture, appliances and décor • Very small kitchen to suit basic needs
Bloomsbury Barn	<ul style="list-style-type: none"> • Barn conversion situated in idyllic countryside location • Communal shared garden 	<ul style="list-style-type: none"> • Located within a holiday cottage complex

	<ul style="list-style-type: none"> • Outdoor children’s facilities; swings, slide, climbing frame, trampoline • Free Wi-Fi, iPod dock and free view TV • BBQ • Wood burner • Games and DVDs • Modern, newly renovated interior and décor 	
Bloomsbury Loft	<ul style="list-style-type: none"> • Barn conversion situated in idyllic countryside location • Communal shared garden • Outdoor children’s facilities; swings, slide, climbing frame, trampoline • Free Wi-Fi, iPod dock and free view TV • BBQ • Wood burner • Games and DVDs • Modern, newly renovated interior and décor 	<ul style="list-style-type: none"> • Located within a holiday cottage complex

As a result of the analysis featured in Table 8 it can be highlighted that there are two holiday rentals that can be seen as potential threats to the Dairy. Bloomsbury Loft and Bloomsbury Barn are two holiday rentals on the same premises. Both rentals provide a very similar customer offering to that of the Dairy. The Bloomsbury rentals share the benefit of a large communal garden, which is equipped with a vast array of outdoor apparatus for children, which is a great asset to customers with young families. As well as the similarities in location and general amenities between the Bloomsbury properties and the Dairy, the decor and design of the rentals are similar too.

The Dairy’s competitive advantages over the Bloomsbury rentals are:

- The only rental property at this location. The Bloomsbury properties are part of a holiday rental complex, which may not suit some customers who are looking for a more private and secluded holiday location
- Warm welcoming arrival gift of homemade cookies and cakes. This adds a personal touch to the vacation experience
- Private garden for the exclusive use of holiday rental guests only
- Opportunity to experience a tradition Finnish Kota (BBQ hut)

- Extensive baby facilities: highchair, travel cot, mobile, toys, baby monitor, bouncer and walker.

Using the competitor analysis as a guide to identify improvements that could be made to the Dairy, it can be seen that the Dairy is lacking in extra activities compared to some of its competitors. Sun loungers, a hot tub, table tennis facilities and a children’s playground are all extra amenities that some of the competitors supply. The Dairy has the potential to build a games room and has land on the property that could be used as an area for children to play or for adults to relax, this should be utilized to secure the position as market leaders in the holiday rental market in the Kilmington/Axminster area.

In terms of pricing, Figure 5 shows the rental price per week for each individual competitor. The Stables, The Dairy and The Hayloft are at the top of the pricing scale with prices at peak season reaching 1,266 GBP per week. Cider Room cottage is at the lower end of the pricing spectrum and its price is reflected in its amenities, this property caters for very basic needs. The Dairy is positioned as the fourth most expensive holiday rental closely followed by the Bloomsbury properties. Using Figure 5 as a reference point, the price per week correlates to the services and amenities that each rental offers.

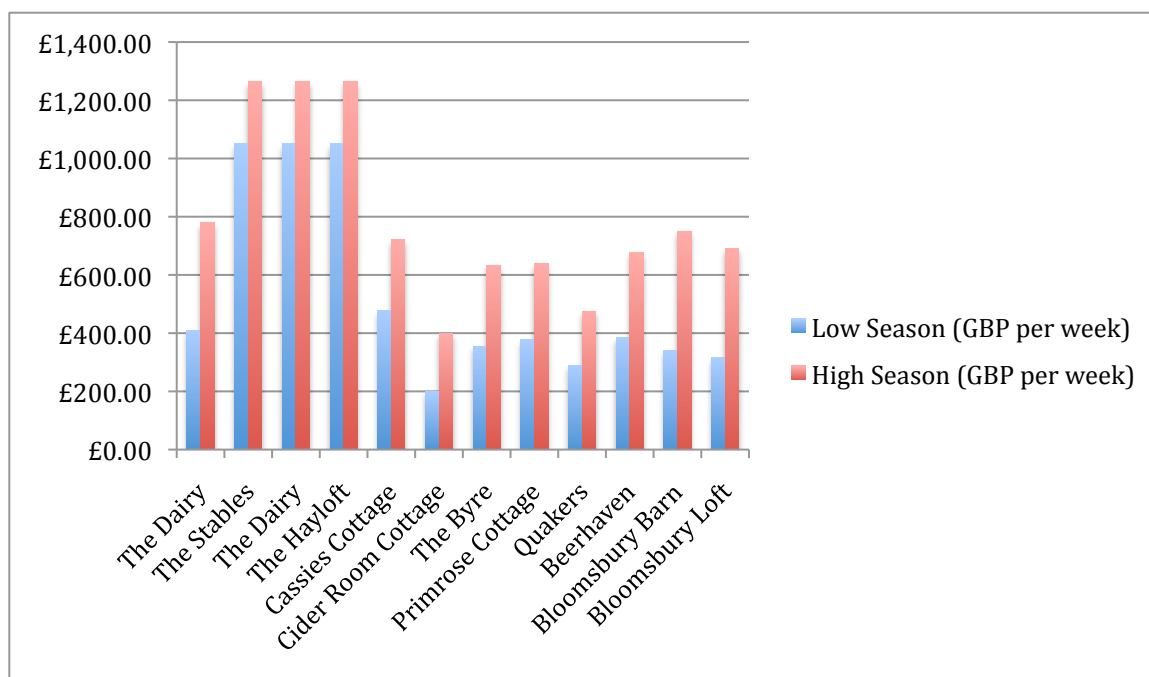


Figure 5: Competitor price comparison (GBP per week)

3.6.4 SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Detached converted historical milking parlour set in an idyllic countryside location on the site of a working farm • High quality renovated rental, with top range appliances and a neutral décor • Private garden and terrace with access to use BBQ hut facilities • Awarded in July 2013 4Star Gold Award by VisitEngland • Ideal location for tourism. Situated in Kilmington within close proximity to a vast array of sights and activities of interest • Caters for customers who suffer with a disability • Extremely family friendly • Committed and reliable ownership/workforce • The Dairy is a socially responsible business 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Owners have no experience in the holiday letting industry • Owners live onsite, could deter some customers who require total privacy • Occasional rural noise as property is located within a working farm
<p>Opportunities</p> <ul style="list-style-type: none"> • Scope to expand holiday rental to create a utility room (washing & drying facilities) and games room (pool table, dart board) – Plan to complete in 2014 • Possibility to create second holiday rental within the milking parlour building (after obtaining planning permission) 	<p>Threats</p> <ul style="list-style-type: none"> • Surplus of holiday rental accommodation in the area • Faced with increasing competition • Weather conditions, bad weather conditions could cause domestic tourists to travel abroad • Cheaper alternative accommodation in area

3.7 Marketing Strategy

This section outlines the key marketing objectives of the Dairy, discusses the use of Milkbere as an agent and highlights the possible marketing methods that the Dairy may choose to adopt.

3.7.1 Marketing Objectives

- Maintain positive steady growth year on year
- Increase occupancy rate by year 5 to achieve 80% occupancy
- Increase awareness
- Increase the frequency with which customers use the property (building customer loyalty and repeat bookings)

3.7.2 Milkbere Holiday Cottages

Effective marketing of a new business is essential, especially within the competitive industry of holiday rentals. As the owners of the Dairy are not experienced in the field of marketing and are new to the holiday rental industry an agent will be hired to undertake and oversee all of the advertising and management of bookings for the first two years.

The Dairy will be using the facilities of Milkbere Holiday Cottages, which is a local holiday rental agency in the Axminster area. Table 9 shows a summary of the company and its participation in the sales and advertising of the Dairy.

Table 9: Milkbere Company Summary (Source: www.milkberehols.com accessed 13 Oct 2013)

Company Name	Milkbere Cottage Holidays Ltd
Company Summary	Family business established in 1976. HQ based in Seaton, Devon with reception office based in Beer, Dorset. Milkbere offers a complete “Holiday Home Letting Package” individually tailored to suit holiday rental owner’s needs.
Area covered	East Devon / West Dorset
No. of properties	80
Registration Fee	0
Commission %	18% + VAT
Services offered	<ul style="list-style-type: none"> - Targeted online marketing - Property featured on website - Property featured in glossy high quality brochure

	<ul style="list-style-type: none"> - Close relationship with tourist information boards - Access to large database of all past Milkbere customers - Holiday refund cover for all cancelled bookings
--	--

Advantages of using an agent:

- Responsible for all online and offline marketing with expertise in all areas of marketing such as personal relations, search engine optimization and direct mail
- The letting agents website features high on search engine listings, therefore receives high volumes of traffic of potential customers
- Opportunity to maximize occupancy through the use of agents extensive database of customers looking to rent similar properties
- The agent will take over the daily operations (monitor and update bookings, chase payments, deal with complaints and problems renters encounter)
- The advantage of extensive 30 year knowledge of the holiday rental industry
- Agency provides holiday refund insurance for all cancelled bookings

Disadvantages of using an agent:

- The agents receives 20% (+VAT) from all bookings
- Contractually bound for 1 year or more
- Unable to receive bookings created by ownership, all bookings to go through agent
- Limited control of own business
- Large agencies with many properties on their books may not proactively monitor occupancy rates causing a risk that the holiday rental may be unoccupied at key points of the year (Easter, bank-holidays, Summer)

After the initial 2-year period the marketing strategy will be reviewed. If expected annual occupancy rates have been achieved the operations of the Dairy will remain with Milkbere. If these occupancy rates are not met the owners will take on the role of marketing the Dairy.

3.7.3 Marketing methods

The marketing of holiday rentals fall into three main categories; online advertising, offline advertising and word of mouth marketing.

1. Online Advertising:
 - a. Portal websites
 - b. Specialized websites
 - c. Personal website
 - d. Email marketing

2. Offline Advertising
 - a. Print media (newspapers, magazines)
 - b. Radio or TV
 - c. Business cards, postcards, handouts

3. Word-of-Mouth
 - a. Friend and family discounts
 - b. Referrals

Compared with other nations, people in the UK are the most avid Internet users. Among Britons in 2012, the Internet was the booking instrument of choice for 78% of their trips. (Online Travel market trend report, European Travel Commission, Accessed 30 Sept 2013) Bearing this in mind the main focus of the Dairy's marketing will be online.

Online

- **Personal website:** A personal website for the Dairy will be created. The design and layout will be clearly structured so that visitors to the page can easily and quickly navigate around the site. The site will include a tariff and availability calendar. Attractive photos of the property will be accompanied by a video tour to showcase the holiday rentals attributes.
 - o Domain name: www.thedairystudhayes.co.uk (41.99 GBP)
 - o Web Host: www.names.co.uk (89.90 GBP per annum)

- **Blog:** A blog will be linked to the Dairy website. This will be kept up to date with all the latest news and activities from in and around the local area. As the Dairy's main target market are families the blog can be used as a platform to appeal to this target group by blogging about local family attractions and special events coming to the area. Keeping the blog updated on a regular basis of two blogs per month will support the goals of getting people interested in the dairy as a holiday rental and to increase awareness, the blog will also exist to form loyal bonds with existing customers. The blog will keep in line with the Dairy's philosophy and values. Blogs can be a powerful marketing tool, they are free and easy to set up, however for the Dairy to use their blog as a marketing medium it will need to have a substantial number of readers, and this could be its downfall. Generating readers could prove to be a problem as it takes

dedication and time to build an effective blog where audiences return. The Dairy will need to persevere in order for this to be a successful marketing tool to generate bookings.

- **Social Media:** The use of social media will increase the Dairy’s online presence by creating and building a network of likeminded people around the holiday rental. The Dairy will be active on Facebook and Twitter. These social media portals will increase online presence as search engines will highlight not only the Dairy’s personal website but also list the facebook page and twitter feed.
 - o Facebook: With 1.11 billion Facebook users (Facebook, date verified: 23 June 2013) Facebook is a great platform to interact with potential customers. A ‘fan page’ will be created with photos and a detailed description of the Dairy. The Dairy will use this ‘fan page’ as a channel to build the brand and to respond to enquiries regarding the rental. Aside from the ‘fan page’ the Dairy will also be active and join in discussions on other local facebook pages thus attracting more viewers and increasing awareness.
 - o Twitter: A twitter page will be created to promote and drive word of mouth communication about the Dairy. Details of recent blog posts and promotions will be communicated through this online platform.

In order for the Dairy to benefit from using social media as a marketing tool, it needs to remain constantly ‘online’ this means that there can be no breaks from using both Twitter and Facebook. As using social media in this way means that the Dairy is building an online brand and it is immersing itself into the online community, if therefore there is a break in online activity, the Dairy could suffer from a lack of interest from its twitter followers and Facebook fans. Consistency is key to success for the Dairy in this area of marketing.

- **Letting Directory Websites:** The Dairy will advertise on a number of free portals as well as portals with an annual advertising subscription. (Table 10)

Table 10: Advertising portals

Website	Annual Cost
www.holidaylettings.co.uk	329 GBP
www.ownersdirect.co.uk	199 GBP
www.rentaholidaycottage.com	0
www.leisurehappy.co.uk	0

- **Local Business's WebPages:** Local businesses in the area are a great source to use to increase awareness. Many local companies in the area have links on their websites to local accommodation in the area. It is important for the Dairy to be featured on these to increase traffic to the website. Websites that the Dairy would like to feature on are:
 - o **River Cottage:** River Cottage HQ is the site of a very popular British TV cookery show focusing on organic locally sourced ingredients that attracts tourists from all over the UK. The HQ offers private dining experiences and hosts special events on a weekly basis. (www.rivercottage.net/about/local-accommodation)
 - o **HIX Oyster and Fish House:** One of famous chief Mark Hix's Michelin Star restaurants. (www.hixoysterandfishhouse.co.uk/stay/56/)
 - o **Go Ape:** The UK's first ever treetop adventure park. (www.goape.co.uk/days-out/haldon)
 - o **The Old Inn** – Local Inn situated 1 Km from the Dairy. (www.oldinnkilmington.co.uk)

- **Google Local:** Google places for business is a free tool that helps business's to be represented online and feature in search results and on Google Maps. Registering the Dairy on Google Local will supply search users with the Dairy's contact details and photos.

- **Email marketing:** An up to date database will be created to store all past occupants contact information and any notes that are of particular interest. All past customers will receive an annual Christmas card email to maintain good customer relations; included in the email will be details of any changes made to the holiday rental plus a reminder to book early for the busy summer months.

Offline

- **QR Code:** A QR Code (Quick Response Code) is a square barcode, which can be scanned using a Smartphone to receive specific information viewable on that device for example a URL; this can be created online at no cost. A QR code will be created for the Dairy to supply an easily accessible link to the business website without the need to type in the web address manually, this code will be used on all offline publications.

- **Branded Postcard:** Postcards are an effective advertising tool for small businesses, such as the Dairy, as they can be easily distributed and can increase exposure. The postcard will include a number of photos highlighting the Dairy's key attributes along with contact details and QR code. A free postcard (and stamp) will be included in the welcome pack for occupants to post to loved ones this will aim to increase exposure. These postcards will also be distributed to local businesses and local tourist information centers.
- **Business Cards:** Business cards will be created inline with the branding used on the postcards featuring a photo, contact information and the QR code. There will be times when the Dairy will be mentioned by the owners to friends and new acquaintances, the business card will serve as a quick and easy way to leave contact information with them.

3.7.4 Increasing repeat bookings

Repeat bookings are an important source of guests for the Dairy, not only for the obvious, these customers can be seen as a cost-effective marketing tool as they are satisfied customers, if they are willing to experience the Dairy again they are more than likely to spread the good word and tell relatives and acquaintances, increasing awareness and building a positive reputation.

Ways in which the Dairy can encourage repeat bookings are:

- **First Impressions:** You never get a second chance to make a first impression. It is important that the owners warmly greet guests on arrival to the Dairy and provide exceptional customer service throughout their stay.
- **Promotions:** The use of one-off promotions will be used to generate repeat bookings at off-peak season times. Details of these promotions will be sent via email to past guests. Guests returning to the Dairy for a second visit will be welcomed with a complimentary breakfast hamper, consisting of fresh local produce and a welcome note thanking them for choosing the Dairy once again.
- **Online Review Sites:** The Dairy should be vigilant and maintain an eyeful watch on popular travel review sites. This will enable the owners of the Dairy to monitor and respond efficiently to any negative feedback published. This will not only be beneficial to

the unsatisfied customer but will also highlight to potential guests that the Dairy is dedicated to customer satisfaction and willing to improve on areas that may be lacking.

3.7.5 Sales Forecast

The following is a sales forecast for 5 years. Assuming that occupancy rates rise by 10% year on year. The target occupancy rate of 80% is expected to be reached by year 5.

Table 11: 5 Year Sales Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5
Average rate per week (Annual)	£541.00	£541.00	£541.00	£541.00	£541.00
Yearly occupancy (%)	40	50	60	70	80
Weeks open per year	52	52	52	52	52
Yearly Income	£11,252.80	£14,066.00	£16,879.20	£19,692.40	£22,505.60

3.8 Financial Plan

3.8.1 Start-up Expenses

<i>Sources of Capital</i>	
<u>Owners' Investment</u>	
James Andrew Wilson	£7,000.00
Jane Wilson	£7,000.00
Total Investment	£14,000.00
<u>Bank Loans</u>	
Barclays	£40,000.00
Total Bank Loans	£40,000.00
<i>Startup Expenses</i>	
<u>Building</u>	
Renovation	£40,000.00
Total Buildings	£40,000.00
<u>Capital Equipment List</u>	
Kitchen Furniture	£3,000.00
Bedroom Furniture	£2,000.00
Living room/dining room/entrance hall Furniture	£4,000.00
Equipment	£1,000.00
Total Capital Equipment	£10,000.00
<u>Admin Expenses</u>	
Legal and accounting fees	£1,000.00

Prepaid insurance	£400.00
Total Admin Expenses	£1,400.00
<u>Other Expenses</u>	
VisitBritain Star Rating	£109.00
Total Other Expenses	£109.00
<u>Reserve for Contingencies</u>	£1,000.00
<i>Summary Statement</i>	
<u>Sources of Capital</u>	
Owners' and other investments	£14,000.00
Bank loans	£40,000.00
Total Source of Funds	£54,000.00
<u>Startup Expenses</u>	
Buildings/real estate	£40,000.00
Capital equipment	£10,000.00
Location/administration expenses	£1,400.00
Other expenses	£109.00
Contingency fund	£1,000.00
Total Startup Expenses	£52,509.00

3.8.2 Five Year Income + Expenditure Forecasts

	Year 1	Year 2	Year 3	Year 4	Year 5
INCOME					
Average rate per week (Annual)	£541.00	£541.00	£541.00	£541.00	£541.00
Yearly occupancy (%)	40	50	60	70	80
Weeks open per year	52	52	52	52	52
Total Income	£11,252.80	£14,066.00	£16,879.20	£19,692.40	£22,505.60
EXPENDITURE					
Repairs + Maintenance	£1,100.00	£900.00	£1,100.00	£900.00	£1,100.00
Utilities	£900.00	£900.00	£900.00	£900.00	£900.00
Other	£769.00	£769.00	£1,529.00	£1,386.00	£1,386.00
Milkbere Commission	£2,025.50	£2,531.88	£0.00	£0.00	£0.00
Total Expenditure	£4,794.50	£5,100.88	£3,529.00	£3,186.00	£3,386.00
PROFIT/LOSS before TAX	£6,458.30	£8,965.12	£13,350.20	£16,506.40	£19,119.60
TAX (20%)	£0.00	£0.00	£2,670.04	£3,301.28	£3,823.92
Annual PROFIT/LOSS	£6,458.30	£8,965.12	£10,680.16	£13,205.12	£15,295.68
CASH FLOW PROJECTION					
Loan	£40,000	0	0	0	0
Capital Investment	£14,000	0	0	0	0
Income	£11,252.80	£14,066.00	£16,879.20	£19,692.40	£22,505.60
	£65,252.80	£14,066.00	£16,879.20	£19,692.40	£22,505.60
Renovation + Capital Investment	£54,000	0	0	0	0

Expenditure	£4,794.50	£5,100.88	£3,529.00	£3,186.00	£3,386.00
Loan	£2,400.00	£2,400.00	£2,400.00	£2,400.00	£2,400.00
	£61,194.50	£7,500.88	£5,929.00	£5,586.00	£5,786.00
CASH FLOW	£4,058.30	£6,565.12	£10,950.20	£14,106.40	£16,719.60

3.8.3 Assumptions

The following important assumptions will determine the potential for the future success of the Dairy.

- A healthy stable economy that supports a moderate level of growth.
- Keeping operating costs to their minimum, especially in the areas of repairs and maintenance and other ongoing monthly expenses.

Repairs + Maintenance	Repairs and maintenance assumptions comprise of the following: Chimney sweep, electric testing, water testing (as the water supplied comes directly from a private source by UK law the water needs to be tested annually) external painting, internal painting, window cleaning and gardening.
Utilities	Utility assumptions comprise of telephone/internet, electric and water
Other	Other assumptions include Insurance (£400 annually covers for Contents, loss of earnings, £10 million public liability insurance, £10 million Employee Liability insurance), marketing & promotions (costs start in Year 3 as marketing and promotions are undertaken by the agency Milkbere in Years 1 & 2), VisitBritain Rating fee, legal & accounting fees
Milkbere Commission	Milkbere charges 18% commission. This commission has been added for Year 1 & 2 only as the owners of the Dairy will takeover from Milkbere with the advertising and daily running of the business in Year 3.
Tax (20%)	The Dairy is entitled to small business rate relief for self-catering holiday let accommodation. (100% Tax relief for profits under

	£9,000) all profits over this threshold are charged with 20% tax, with payments phased as per current HMRC rules.
Loan	Loan repayment costs are based on the bank loan offer in place at the time of this business plan revision (based on a 9-year term at 1.4% APR)

3.8.4 Financial Conclusions

It can be seen from the income and expenditure forecast that the business is profitable and is able to bring in income from Year 1. Net income increases year on year, with a profit margin of 68% in Year 5. Net Income is calculated as a ratio of Net profit to sales.

Net Profit margin = Net Profit/Revenue

$$15,295.68/22,505.60 = 0.68$$

The cash flow projection shows the cash that it is anticipated to be generated from the Dairy; the projection shows that there are positive cash flows from Year 1. If current projections are correct and occupancy rate percentages are met, the financial assumptions show that this is a financially stable business, with a low level of risk for the owners.

3.9 Risk Analysis

This section of the business plan identifies key risks associated with the Dairy. Risk is defined as the chance of something happening that will have an impact on objectives (Hillson, 2009) Anticipating the probability that risks will occur is a good way for the dairy to avoid them.

Keys risks to the business include:

- Economic Risks
 - Increase in competitors leading to lower occupancy rates
 - Unforeseen operating costs
 - Changes in tax rates for small businesses
- Hazardous Risks

- Fire
- Flood
- Personal injury

The Dairy's main risk is the entry of new competition in the surrounding areas. As the competitive analysis conducted showed there are a number of competitors. The risk of losing business to one of these competitors mentioned is partially alleviated by building and maintaining a loyal customer base of returning customers. Increased competition in the area could also benefit the Dairy, as it would raise the profile of the Kilmington/Axminster region thus increasing tourism in the area.

Risks to the health and welfare of customers are extremely important risks to avoid. It is the Dairy's responsibility to carry out a risk assessment on the property to highlight dangerous hazards, as the safety of customers takes priority. A well informed health and safety information pack will be available within the property and upon arrival guests will be asked to read this important information regarding what to do in case of fire/accidents and guides on how to use the wood burner and other electrical equipment.

UK laws states that all self-catering accommodations must carry out the fire-safety precautions below.

1. Identify any fire hazards
2. Identify the people at risk
3. Evaluate, remove, reduce and protect from risk
4. Record, plan, inform and train
5. Review the assessment periodically

(www.gov.uk, accessed Oct 12 2013)

It is also important that the Dairy has valid insurances; they do not prevent damages from occurring, however, with the financial assistance that insurances offer it is easier to fix certain damages that may occur. The Dairy's insurance policy covers contents, loss of earnings, £10 million public liability insurance and £10 million Employee Liability insurance.

4. Conclusion

The ultimate objective of the thesis was to create a business plan for a small sized holiday rental business. This has been achieved, in the format of a straight forward basic plan, covering key aspects such as the industry, facilities and location offerings from the Dairy, a comprehensive competitor analysis, a marketing plan outlining particular marketing communication tools, brief overview of financials and a risk analysis.

The writing process highlighted certain issues that the Dairy may encounter, the most concerning of those would be the sheer volume of competitors in the local and regional areas, at first glance this caused concern for the author, however after further research into the competitors it was clear to differentiate the Dairy from other holiday rentals and the facilities along with the quality the Dairy offers gives the business a competitive edge strong enough to survive in this highly competitive climate.

The Dairy is a small-scale business with simple operations, whilst writing the thesis the author noticed that this could cause a negative impact to the thesis as a whole as it was not possible to explore in depth any specific area, in hindsight a different company would have been used. Although the writing process still enabled the author to put into practice and utilize a range of skills learnt at Arcada.

Creating the business plan has been very rewarding as it is a business venture that is close to the author's heart. The inexperience of the owners in the field of business and entrepreneurship has allowed the author to have full control over the direction of the Dairy and to have their ideas and plans directly put into action, this was a huge motivator throughout.

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