

**Universidad Colegio Mayor Nuestra Señora Del Rosario**



Escuela de alta dirección y administración

Out Of The Box Hotel

Trabajo Final De Grado (Co-terminal De Maestría)

Luis Ledesma, Lauren Fawaz, Mariia Gushchina, Emma Thuderoz

Bogotá, Colombia

2019 – 2020

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## **Executive Summary**

Pablo Picasso once said, “Art washes away from the soul the dust of everyday life”. Out of the Box hotel proposes to its guests to immerse themselves in the art universe and take a break from their daily life in order to have fun, relax and enjoy the present moment. This independent property of 50 rooms is a living piece of art itself where the Italian artist community could show their work. One mindset: being Out of the Box in every aspect in order to become the hotspot of art and hospitality in Italy.

Nowadays, millennials are looking more and more for memorable experiences, that’s why we saw the last past years an explosion of new concepts in different sectors such as the entertainment industry, the food business and in the immersive art industry. For the museum and galleries of art, the companies are always trying to provide a better experience for their customers, however, in the mind of young people these places can be seen as boring and restrictive. In the hospitality industry, we find a uniformity and a lack of personality in the decoration due to the growth of hotel chains in the market to the detriment of independent hotels. To finish in the art business, the diversity of style and creations from the artists are infinite but unfortunately, many of them are not able to live from their work.

By realizing these gaps in the market, we decided to create Out of the Box where hoteliers and artists can work hand in hand to offer a quirky place to stay that goes against standardization and offers a high quality of service. Art hotels in Milan are not rare, but a similar proposition does not exist and competing in the market is feasible. Out of the Box intends to create the difference by being visually unexpected and voluntarily very Instagrammable, a good way to make noise and promote the establishment. Each room has a

unique design, and the guests have the possibility to choose depending on their preferences. The hotel offers a unique experience to its guests, especially with a diversity of art events. People coming to Out of the Box want to be surprised and have high expectations. Usually, young people travel for leisure and our target profile is very aware of new trends. Coming mainly from Europe, USA, and China all the guests have a very strong or moderate common interest in art. By meeting the artists, they will also understand why this hotel is so special. The soul of community is the strongest differentiation factor of the company. Out of the Box intends to include the art community by selecting upcoming artists of different natures and bring them together as new collectives. They work in the hotel experience and product concept for specific timeframes and can show their art in the form of a new marketplace. We support our artists by giving them 3% of the rooms' revenues and events. Both the art community and the hotel can mutually benefit from each other.

Recognized as the capital of fashion and design of the world and as the economic city of Italy, Milan is a strategic choice. According to the city branding insights of EXPO 2015, Out of the Box benefits from the potential of Milan's cultural heritage as a way to reinforce and promote new forms of art. Therefore, as a business it becomes an ideal place to bring together different types of artists and events ranging from their early beginnings to the most experienced. This city shows huge potential with a constant growth in number of tourists' arrivals and hospitality investments.

The financial statement of the project is principally based on benchmarking. Analyzing and evaluating the main competitors in Milan allows us to maintain a sense of proportion and feasibility. To give the opportunity to the Out of the Box project and to see the light beginning of 2022, a total investment of 12,816,293 euros is required, out of which 30% in equity and

70% coming from mortgage for 15 years. The Net Present Value reaches 13,723,040 euros with an Internal Rate of Return equal to 12,7% with YIELD 6,5%. A payback period of 12 years is expected.

Full of imagination and designed with passion, the team is confident in the viability of the business plan and in general success for the stakeholders, guests, and all associates.

**Keywords:** Tourism, hospitality, hotel, immersive art, Italy, Milan.

## **Resumen**

Pablo Picasso dijo alguna vez, “El arte limpia el alma de todo el polvo del día a día”. El Out of the box Hotel propone a sus huéspedes la inmersión en el universo del arte y tomar un descanso de su vida diaria para divertirse, relajarse y disfrutar del momento. Esta propiedad independiente de 50 habitaciones es una pieza de arte en sí misma, en donde la comunidad artística italiana tiene la oportunidad de mostrar su trabajo. Trata de un solo estado mental: pensar fuera de lo normal en cada aspecto para convertirse en el punto de encuentro del arte y hotelería en Italia.

Para efectos del siguiente trabajo se evidencian 4 ejes principales: El consumidor actual, las galerías de arte, la industria hotelera y la comunidad artística. Actualmente, los Millenials están buscando experiencias memorables, por esta razón se evidencia en los últimos años una explosión de nuevos conceptos en diferentes sectores como en la industria del entretenimiento, la alimentaria y la del arte inmersivo. Respecto a las galerías de arte, estas están buscando nuevas formas de proveer un mejor componente experiencial para sus clientes, sin embargo, en la cabeza de la población joven estos lugares pueden ser vistos como aburridos y restrictivos. Ahora bien, en cuanto a la industria hotelera, se encuentra una alta uniformidad y falta de personalidad en la decoración debido al alto incremento de cadenas de hoteles en el mercado, esto en detrimento de los hoteles independientes. Asimismo, en el negocio del arte, la diversidad de estilos y creaciones son infinitas pero muchas veces no permiten a los artistas vivir de su trabajo.

Trabajan en la experiencia hotelera y el concepto de producto durante períodos de tiempo específicos y pueden mostrar su arte en forma de un nuevo mercado. Apoyamos a nuestros



artistas dándoles el 3% de los ingresos de las salas y eventos. Tanto la comunidad artística como el hotel pueden beneficiarse mutuamente.

Al darse cuenta de estos vacíos, se propone la creación de Out of the box Hotel, donde la comunidad artística y la hotelería trabajan de la mano para ofrecer un espacio particular para hospedarse, el cual va en contra de la estandarización y que ofrezca una alta calidad de servicio. Los hoteles de arte en Milán no son raros per se, pero una propuesta como esta no existe actualmente y competir en el mercado es factible.

Out of the box pretende crear la diferencia al ser visualmente inesperado y voluntariamente muy “instagramable”, una manera atractiva de hacer ruido y promocionar el establecimiento. Cada habitación tiene un diseño único y los huéspedes tienen la posibilidad de escoger la que más les guste según sus preferencias. El hotel ofrece una amplia y única variedad de experiencias para sus clientes, especialmente con una alta diversidad de eventos de arte. Los clientes que vengan a Out of the Box hotel buscarán ser sorprendidos y tendrán altas expectativas. Usualmente las personas jóvenes viajan por ocio y nuestro perfil está muy a la par con esta tendencia. Provenientes principalmente de Europa, Estados Unidos y China, nuestros clientes tienen un interés por el arte alto o moderado. Al conocer a los artistas, los clientes entenderán porque este hotel es tan especial. La comunidad es el mayor factor de diferenciación y alma de la compañía. Out of the Box pretende incluir a la comunidad artística tras seleccionar artistas con alta proyección de diferentes naturalezas y llevarlos juntos como nuevos colectivos. Ellos trabajarán en la creación de la experiencia y de producto y podrán mostrar su arte en forma de un nuevo tipo de mercado. El hotel apoya a los artistas al darles el 3% de los ingresos de las habitaciones y eventos. De esta forma tanto la comunidad artística como el hotel se podrán beneficiar mutuamente.

Milán es una escogencia de ubicación estratégica debido a su reconocimiento como capital de moda y diseño en el mundo. El hotel se beneficiaría según supuestos de EXPO 2015 del potencial histórico cultural de la ciudad como una forma de reforzar y promover nuevas formas de arte. De esta manera, el hotel se convierte en un lugar ideal para traer diferentes tipos de artistas y eventos. Asimismo, la ciudad muestra un alto potencial con un constante incremento en el número de llegadas de turistas e inversiones hoteleras.

Los estados financieros del proyecto están basados en benchmarking. El análisis y evaluación de los principales competidores en Milán permite mantener un sentido de proporción y factibilidad. El principio del proyecto sería en el 2022, con una inversión total de 12,816,293 euros requerida, de los cuales 30% en patrimonio y 70% en préstamo a 15 años. El valor presente neto alcanza los 13,723,040 euros con una tasa interna de retorno igual al 12% y un rendimiento del 6,5%. Un periodo de retorno de la inversión de 12 años.

**Palabras Clave.** Turismo, hospitalidad, hotel, arte inmersivo, Italia, Milan.

## **1. Business Idea**

Out of the Box was born as a theoretical project that would bring together and merge the hospitality industry and the art industry, specifically the immersive art, where we assume the ‘immersive’ as a live experience. Following this path and understanding an ever-growing need and trendiness towards hyperrealism included into the whole experience of consuming a service, the project will thrive for the ideal of escaping from the uniform nature of the day-to-day travel and touring.

This idea will therefore be materialized through a boutique art hotel of 50 uniquely created rooms based in Milan, with a 4-star type of service, that will specialize in the ‘live experience’ through the integration of the art community into the co-creation of different spaces that will be adapted for escapists and art lovers.

Aside, after understanding the need to diversify revenue streams, the hotel will constantly host through the community, art events, exhibitions, and venues in order to become an art hotspot and a living piece of art in the city for both locals and tourists.

## **2. Business Opportunity**

Based on our research, we understood that there is an opportunity for us to build a new and different art hotel in Milan. There are some needs to be satisfied and we believe there is money to be made through this project. We found a gap in the market by discovering three main pains

for potential customers: BritainThinks (2013), a strategy consultancy, formulated a report to understand the public perception of, and attitudes to, the purposes of museums in society. The participants pointed out two main reasons to go to museums: preserve the heritage and learn about history. But what is interesting for us was to see that the image of museums has changed in recent years. One participant recounted a general thinking, “I thought museums were old and stuffy places but they’re actually a lot of fun”. On the other hand, Canterbury museums (2013) reported, “If it’s not entertaining no-one will go”. Museums have made a lot of effort and investments to become less aloof and more fun and entertaining. For us, it is a clear advantage to see that people are still interested in going to museums, having fun, and are willing to spend money for that. However, museums and art galleries are full of rules. You cannot be totally free. There are many constraints: the opening times, the price of the tickets, the prohibition of drinking and eating inside, the sense of the comfort and most of the time it’s something you need to plan in advance. With our concept we want to be completely interactive and avoid all these inconveniences for the customers.

As Accor (2019) pointed out recently in an article, “Millennials are changing the game”. Nowadays young people are not only going to hotels to sleep. They want to have an experience and have fun anywhere and anytime. That’s why there was an emergence of new hotel brands, for example Jo&Joe or Mama Shelter, less traditional and cooler. However, we noticed that the rooms are still remarkably similar. To reinforce this idea, we conducted a survey. From 236 respondents, 59.2% of them said they would prefer a room with an original design instead of a standardized room. In general, these new brands are not extravagant at all and look kind of the same. In addition to that, over the last few years there has been an explosion of big hotel chains to the detriment of smaller, more independent hotels. Unfortunately, hotels are lacking in personality and local touch.

According to art and debt organizations, only 10% of art school graduates are able to earn a living from their artwork. The market for artists is very crowded and the competition is huge, even if they are really talented it is difficult to show and give value to their pieces of art. Being part of a community can be the solution to having a bigger network, talking to established artists, representatives, and buyers of art. The interviews that we completed with different Milanese artists helped us to understand that there is a real desire to show their artwork in different ways and in different places. They are also extremely interested in connecting with other artists, creating events, and leading workshops in order to increase their revenue.

### **3. Competitive Advantage Strategy**

The Out of the Box hotel implements a differentiation strategy, in terms of decoration of the establishment, its atmosphere and its community.

An important source for the establishment is the team of creative collaborators who have designed the whole identity of the Out of the Box, working on the rooms and the common areas. The artists are the main piece to the puzzle, they work hand in hand with the hoteliers to provide a unique and memorable experience for the guests staying at the Out of the Box. Hence, each of the artists receives 3% from the rooms sold.

Moreover, each of the rooms has a unique and vibrant design and style with original pieces of art with the aim of being very 'Instagrammable'. The first-floor rooms act not only as an accommodation area but also as an event setting and a living gallery. Therefore, the connecting rooms from the first floor provide flexibility into organizing the events which the hotel has

planned such as fashion shows, holiday exhibitions for example Halloween and Christmas and Design week, when the employees are able to move objects around to transform the area according to the event's type. Also, these rooms provide our team of artists the opportunity to showcase their original pieces of art and furniture, gaining exposure from guests and a networking platform. Additionally, our lobby also acts as an event area, and we aim to adapt the objects and amenities according to the type of event the creative team of collaborators host.

#### **4. External Analysis**

The external analysis is a compound of the exogen variables that have to be taken into account in order to develop the Out of the box hotel project by understanding and limiting consciously the scope of its development.

#### **5. PESTLE**

Throughout the PESTLE analysis the group will identify the biggest generalities that cannot be changed but has a direct impact in terms of the current environment of where the project will be developed.

**5.1.1 Political.** This factor is about how the Italian government intervenes in the

economy, including the government policy, stability or instability in overseas markets, tax policy, labor laws, trade restrictions and so on. From the list provided, these factors have a big impact on how organizations work. As a hotel, we need to be able to respond to the current and anticipated future situations and adjust our marketing accordingly.

Furthermore, if Milan faces political instability that means a negative image is perceived through the media for our hotel affecting tourist arrivals, causing cancellations in hotels and other ancillary services. Thus, we would be generating much less revenue. This also means that there are less employment opportunities for the hospitality and tourism professionals because of the political aspect of the destination. Also, in comparison to other cities like Barcelona, Milan gives us hoteliers the opportunity and the flexibility to build new infrastructure to attract potential tourists. Moreover, we would be dealing with the national migration challenge. There is a great deal of trouble that comes with illegal workers, they will need a work permit and visa to be able to join our hotel's team.

On the other side, Italy is one of the countries that supported and joined China's silk road which is one of the biggest infrastructure projects with an estimated cost of 8 trillion USD. Italy is going to benefit from this project and build good relationship with the Chinese government and it is considered the third country from the EU, to sign a memorandum of understanding with China to support its OBOR initiative.

**5.1.2 Economical.** Economic factors also have their fair share of impacting our hotel, they determine how much we can be profitable. Moreover, these factors include exchange rates, inflation/deflation, the income of our guests, interest rates and of course the economic growth. All these factors are divided into two main categories: Macroeconomics and Microeconomics.

Therefore, macro deals with the management of demand in the economy in Milan and micro deals with the way people who may be tourists or people living there spend their income.

The Italian economy is based on the hospitality and tourism sector, making a great environment for hotels and food and beverage companies. So, the industry plays a vital role in the country's economy, accounting for a GDP of 11.8%. The north of Italy is an industrially developed part of the country, there are many companies and manufacturers located there. Hence, the country is powerful in terms of machinery and manufacturing, making the north of Italy, the second largest manufacturing economy and Europe's third largest exporter of flexible manufacturing technologies, including robotics with 9.6 billion in Italian exports to the United States alone. Moreover, The Out of the Box hotel works with local businesses such as design stores and food and beverage outlets and suppliers. We are located in an area that is driven by many family-owned companies producing high quality goods. However, we are concerned by the stagnant economy, there is a limit of public investment capacity and an inflation rate that was in 2019 approximately 1.76%. The country also suffered an unemployment rate of 9.8% in January 2020 that has increased due to the Covid-19 pandemic. Italy is ranked number 8 worldwide in terms of GDP (2075856 million) providing less financial risk for investors. Accordingly, the tourism sector is supported by an expansive transport network, providing easy access to our customers, partners, as well as our suppliers.

**5.1.3 Social.** We witness the analysis of the attitudes and beliefs of the Italian people. This includes factors like age distribution, health status, career attitudes and population growth. The Out of the Box hotel uses this information to better understand our frequent and potential customers overall. The Italian culture is strong with a population of 60 million and a growth



rate of 34%. Thus, the people of this country are outgoing, good-humored and smart, which is a great factor for finding locals to work in our hotel. The culture is fashion and design oriented which explains why Italians are well dressed. Milan is one of the fashion and design capitals of the world. Moreover, Italy has a relatively low violent crime rate and most visits to the country are incident free, due to the largely favorable secure environment they offer. Even though having plenty of tourism expenditures is a blessing and some countries' economies rely mainly on the tourists' arrivals and how much they spend in a country, the mass tourism in Italy has led to protests from the locals expressing their beliefs that this isn't tourism it is an invasion. Furthermore, the government is aware that local citizens are fed up with the situation and will do whatever it takes to regulate the wave of visitors, including closing down streets and bridges. Additionally, Italy's healthcare is proven to be one of the best in the world, taking care of internal guests is a priority at our hotel.

**5.1.4 Technological.** We live in a world that is constantly changing. Technology has come a long way through different eras over the years. Hence, it has changed the way we distribute and produce our goods and services and the way of communicating to our target markets.

Italy has been trying to keep up with the technology trends hence, providing system development services and public Wi-Fi on the streets. Therefore, Istituto Italiano di Tecnologia is a foundation financed by the state to conduct scientific research in the public interest for the purpose of technological development. Accordingly, they are conducting plenty of research projects in robotics, nanomaterials, LifeTECH and computational sciences. The country was placed 31st out of 126 countries in the Global Innovation Index rankings. A digital

integration for our establishment is the screens for checking in and out of the hotel, as well as the key card for entering the guests' room. They have produced more than 200 inventions and 900 patent applications. (Enhances our technological features development) excellent research for technology and are constantly trying to find new products etc. (MIT Technology Review, 2017).

**5.1.5 Legal.** As a democratic state, Italy has an independent judiciary and it's one of the main pillars of the constitution. Italy is a country recognized as complex in terms of regulation and legal framework. Indeed, according to the Global Competitiveness Report of 2019 the country received an extremely low ranking (130th out of 140) and this situation can discourage new businesses. Additionally, it is relevant to add that most of the companies are family-owned businesses.

Italy is strong in terms of monetary, trade and investment freedom. However, the judicial effectiveness, government integrity, the fiscality being and labor freedom are some points that can be improved. Worldwide, Italy is recognized as a free economy but in Europe Italy is ranked only 36th out of 44 by the Wall Street Journal's index of Economic Freedom (MarketLine, 2020). In Italy it is quicker (approximately 6 days) and easier for men to start a business than women.

Italy has a corporate tax of 24% and 27.5% for the banks and all financial institutions. Also, personal income tax varies depending on the amount of salary.

That being said, the Italian government has put new reforms in place such as the simplification of the administration in order to improve the legal climate of the country.

**5.1.6 Environmental.** During the past few years, the population of the world has become more socially and environmentally conscious. Furthermore, this factor is extremely important due to pollution targets, carbon footprint targets and the scarcity of raw materials. As a hotel, our long-term goal is to be a sustainable and ethical company.

As a member of the European Union, the Italian environmental policy depends on the legislation of Europe. However, this last year Italy wanted to focus on few points:

- Being a circular, resource-efficient, green, and competitive low-carbon economy (waste management, climate change)
- Protecting, conserving, and enhancing natural capital (nature and biodiversity, soil and marine protection etc.)
- Ensuring citizen's health and quality of life (air quality, noise, industrial emissions etc.)

A concern we have and might have some control over with planning beforehand the infrastructure and schedule of events substitutes is the natural disasters like a heavy storm or flooding for example. Moreover, Milan's air pollution is significantly above the recommended upper rate. Currently, the government is making urbanistic changes for pedestrians, creating safe bike lanes for example. The Out of the Box hotel's food and beverage outlets provide high quality products, we look for companies that are bio, healthy and good for our guests and the environment. For example, fresh produce that is grown without pesticide (Marketline, 2019; Proquest, 2018).

## 5.2 Market Analysis

The market analysis will give the reader an insight on the tourism industry in the context of Italy and will mark the first steps into the viability of the project.

**5.2.1 Introduction on global tourism.** World tourism is currently a major driver for economic growth. According to the World Travel and Tourism Council (WTTC, 2019), the industry generates 1 in every 10 jobs in the world and supports around 10% of global GDP, outpacing by 1% the overall growth of the real economy. Nonetheless, it is now more important than ever to understand how fragile the industry can be and understand the core drivers of the industry in order to cope with issues such as crises and risks; the need to add more value instead of just quantity; the necessity to integrate models adapted to the goals of the sustainable development guidelines; the adaptability regarding technology readiness towards seamless travel processes; the multidimensional security of the sector and surrounding industries, and the importance of the destination management in order to ensure not only a current but a future pipeline of revenue streams.

**5.2.2 Impact of travel and tourism industry in Italy.** To create a general idea of the importance of Italy as an ideal market for the project, the next hard facts need to be taken into consideration: 1.) The country represents 14% of the European travel and tourism industry value, (Marketline, 2020). 2.) It is fair to say that the travel and tourism sector of the economy plays a major role with around 101.8 billion euros of direct contribution in 2019, (Statista, 2020), and has a total contribution to the country's GDP of about 13%, (WTTC, 2019). 3.) The

industry has reached a market value of about 204.2 billion euros in 2018 with a compound annual growth of 0.7% in the last few years, (Marketline, 2020). 4.) The hotel and motel category segment represents around 24% of the whole sector, (Marketline, 2020), with about 167.718 accommodation establishments according to the last available country report made by the Italian National Institute of Statistics, (Istat, 2016), which leads to about 15% of the total contribution to employment in the country.

In addition, according to the Travel and Tourism Competitiveness Report by the World Economic Forum in 2019 Italy has top positions when it comes to the next competitive pillars: cultural resources and business travel, natural resources, tourist service infrastructure, ground and port infrastructure. This infrastructure is essential to support the industry development and plays along with the increase in domestic and international airline routes, the strict policy on tax evasion for non-regulated types of accommodation, and of course, a great brand awareness in terms of the richness in history, culture, art, and cuisine. (Istat, 2016; Marketline, 2020; Statista, 2020b; WTTC, 2019).

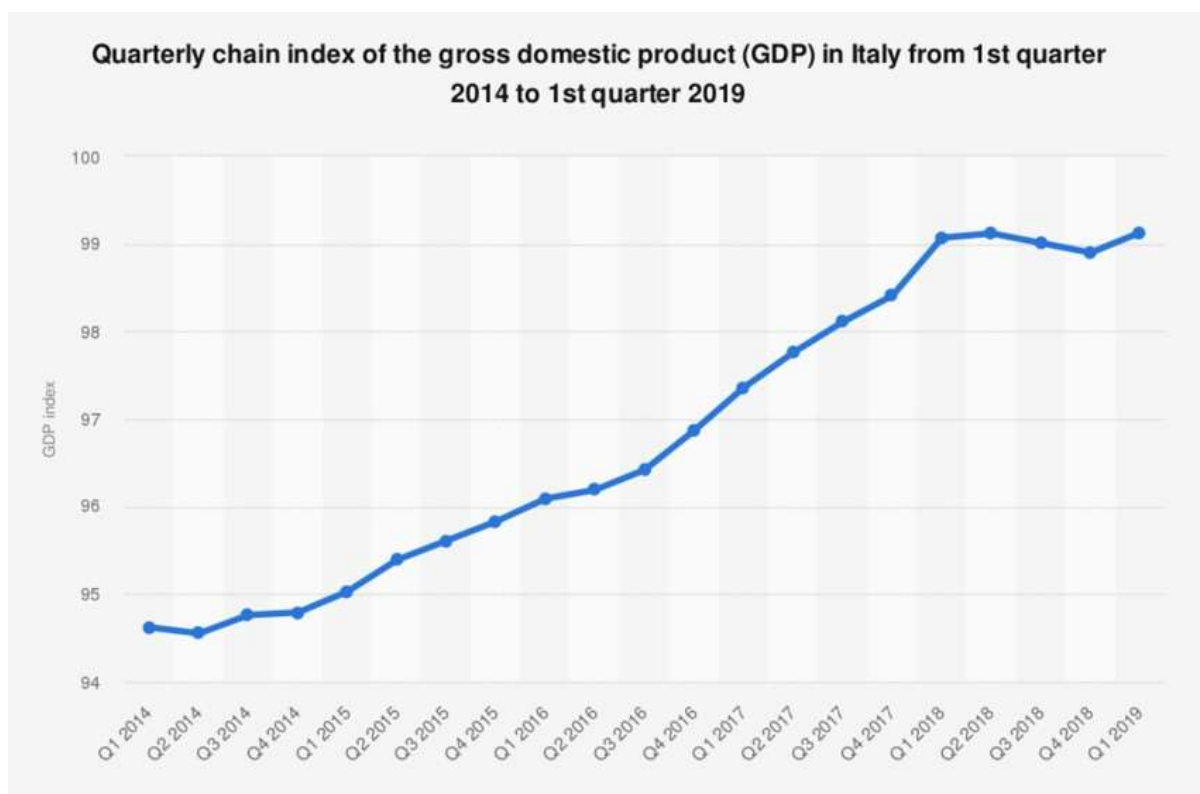
**5.2.3 General data of Italy.** Italy is a country situated in south-central Europe. It is a peninsula delimited by the Adriatic Sea on the east coast, the Mediterranean Sea on the West coast, and the Ionian Sea to the South. France, Switzerland, Austria, and Slovenia are the border countries. The official language is Italian, and the currency used is the Euro (EUR). Rome is the capital of the country. The area of Italy is 301 340 square kilometers and there is a population of 60.4 million inhabitants.

Italy is a democratic republic. The president of the republic is the chief of the estate. The current president is Sergio Mattarella, and the parliamentary elections are held every five years.

The economic situation in Italy has been highly affected after the crisis of 2008; however, the country has recovered relatively quickly. The Gross Domestic Product (GDP) was worth 2001.24 billion US dollars in 2019, according to the official statistics from the World Bank (2019). From 2014 to 2019 the Italian GDP was growing.

Figure 1

*Quarterly chain index of the gross domestic product (GDP) in Italy from 1<sup>st</sup> quarter 2014 to 1<sup>st</sup> quarter 2019*



Source: Statista, Research Department

Before Covid-19 the numbers were encouraging but the country might be highly affected by the situation. In 2020 Statista shows a forecast impact of the epidemic of -9.6% and in 2021 5.6%.

Additionally, it is important to mention that there is a clear economic disparity between the North of Italy, very dynamic and the South, poorer. In general, the Consumer Price Index, useful to measure the inflation, has increased gradually the last past year: 83 in 2004; 103 in 2019. This last year the inflation rate was equal to 1.37%. The unemployment rate in Italy is unstable over the years with a peak of 12.7% in 2014 and in 2019 close to 10%. In Italy, the exports represent 32.37% of the total GDP, by exporting mainly coke and refined products, electronic equipment, mineral and ores and medicine products. The main European countries receiving it are Germany and France, followed by Spain and the UK.

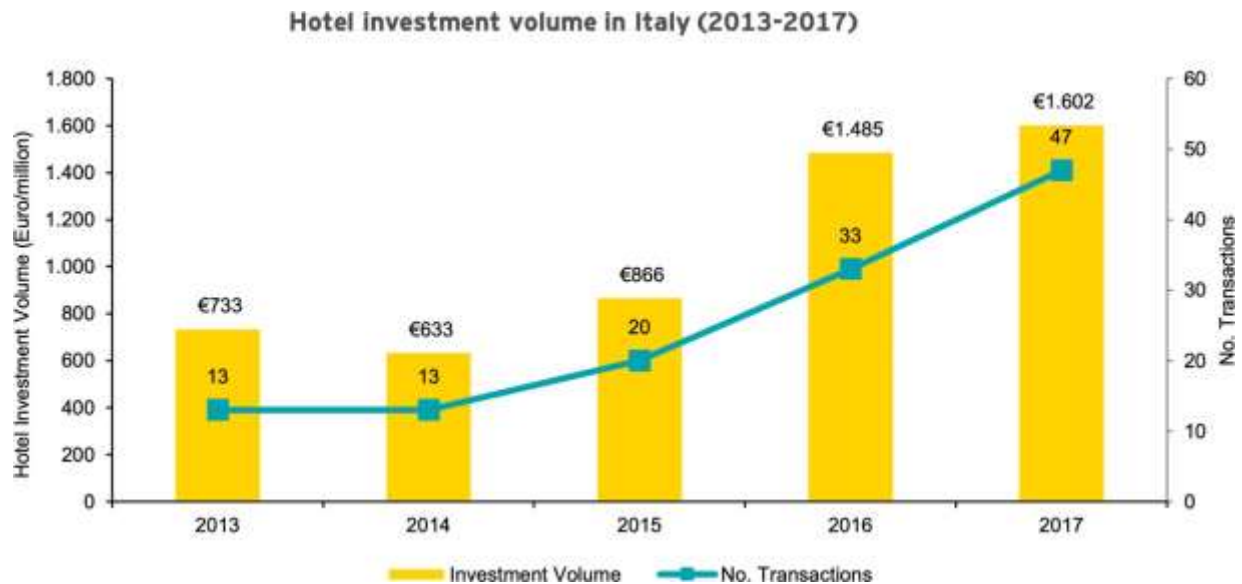
Worldwide, the USA and China are the main actors. The services sector represents 73.76% of the economy with the tourism making up a significant part of the sector. Tourism registered a growth rate of 1.69% in 2018 with a total output of 1.16 Tn US dollars. In 2019 the travel and tourism provided more than 1.54 million jobs.

To go deeper into the tourism industry, the country was supposed to receive 81 million visitors in 2020 and 9.4 billion EUR expenditure by foreign tourists. Italy is the 5th most visited country in the world. Italy is the third visited country in Europe and the hospitality industry is the largest market.

More than 52 thousand companies are related to the hospitality and tourism industry. Italy occupied the 4th position in the world in terms of available rooms and is the country that counts the highest number of hotels and rooms in Europe. As you can see below the volume of investment is growing.

Figure 2

*Hotel investment volume in Italy (2013-2017)*



Source: EY website

Italy has a lot to offer to tourists, coming mainly from Germany, France, UK, USA, and China. 81% of the visitors are coming for leisure purposes and 19% for business. Indeed, Italy is an amazing country to discover. There are very diversified landscapes, and it counts 50 UNESCO World heritage sites. Italy has shaped its reputation through its culture, history, and incredible cuisine. The world can admire the Italian way of life: taking time to drink and eat well, enjoy moments with family, appreciate beautiful design and architecture and living in a Mediterranean climate. (Country Economy, 2020; Mordor Intelligence, 2020; Statista, 2020a; Statista 2020f; Statista, 2020g; Wright, 2020).

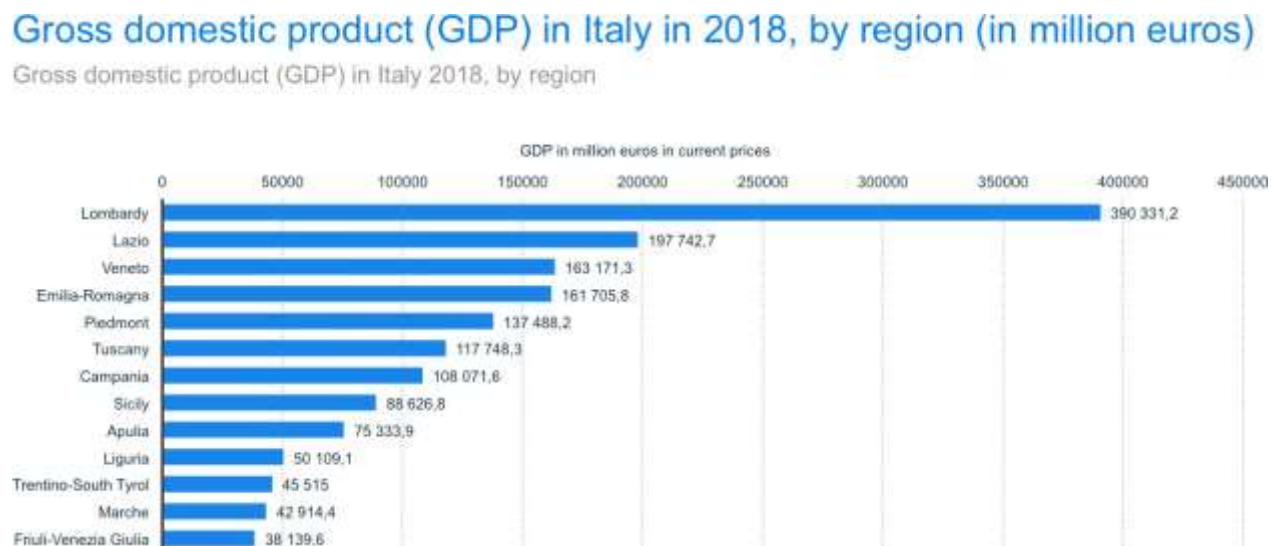
**5.2.4 General data of Milan.** Milan is in the North of Italy and is the capital of the region of Lombardy and the population is now estimated at 3 million. Close to France, Switzerland and in the middle of Europe, Milan benefits from a geographical advantage that



plays an important role in the commercial activity. In the past Milan was exporting artificial fibers, cotton, machinery and chemicals products. Nowadays, the strength is the service sector. Besides, Milan distinguishes itself by being particularly innovant. As a result, and according to the city Rank (2019), the Lombardy capital is the smartest city in Europe. This city is recognized as the financial center of the country and is the economic capital of Italy.

Figure 3

*Gross domestic product (GDP) in Italy in 2018, by region (in million euros)*



Source: Statista 2020c, Research Department

The expo 2015 was a turning point for the city of Milan. More than 29 million came for this event with more than 140 countries participating. It had a huge impact on the economy as the turnover of Milanese companies rose by 10%. Now Milan is one of the most visited destinations in Europe with approximately 9 million international tourists coming on overnight trips. Milan is placed in the 35th position worldwide in terms of million arrivals. The city has been highly affected by the economic crisis in 2008, however, it has recovered very quickly

and before Covid-19 the situation was valuable. Indeed, the number of tourists has increased a lot these last few years and more significantly from 2018 to 2019 with 1.9% increase.

Representative of the Italian culture, Milan has a strong art and history heritage. One of the main reasons why Milan is so popular is because the city is considered as the fashion and design capital of the world. Each year Milan hosts the international design week that receives more than 500,000 visitors. By coming to Milan, you will be amazed to see the famous Duomo, to pass by the Grand Galleria Vittorio Emanuele II, to visit the Leonardo da Vinci National Museum, to walk down the Naviglio Grande and so much more. Enjoying the beauty of architecture, doing some shopping, participating in exhibitions, and eating pasta in an inviting restaurant are also common things to do in Milan.

From the hospitality perspective, Milan represented 12% of the hotel investments of the country. As below, you can see that the main hotel KPIs for the city of Milan are positive: over the last few years the occupancy, the ADR and the RevPAR have increased.

Figure 2

*Milan hospitality Key Performance Index statistics 2016-2019*

Annual hotel statistics			
	Occupancy (%)	ADR (€)	RevPAR (€)
2016	65%	135	88
2017	71%	137	97
2018	72%	140	100
2019	72%	144	103

Growth on previous year			
	Occupancy	ADR	RevPAR
2016	(5.6%)	(10.1%)	(15.1%)
2017	7.7%	1.8%	9.7%
2018	1.6%	2.2%	3.9%
2019	0.0%	2.7%	2.6%

*Source: PWC*

Many transactions and huge investments have been implemented in the last few years in the hospitality Milanese market. In 2017 four hotel transactions were majored:

- The NYX hotel – 4\* hotel of 300 rooms
- The Westin Palace Milan – 5\* of 227 rooms
- The M89 hotel – 4\* of 55 rooms
- The B&B Hotel – 3\* of 188 rooms

There are opportunities for national and international investors in Milan and the market is mostly constituted by four stars hotels. (Encyclopaedia Britannica, 2019; The Mayor, 2019; MilanCity 2019).

**5.3 Trends in tourism industry.** The tourism industry has changed substantially into a more personalized experience for the guests throughout time and for this reason it is of big importance to adapt the new business models accordingly.

**5.3.1 Immersive art industry.** The buzzword ‘immersive’ is used to describe everything from high-tech toilets to wildly imaginative live experiences. This immersive entertainment has created an illusionary environment surrounding its audience and become an integral part of the overall entertainment. Particularly in the hospitality industry, this phenomenon plays an important role in providing a pleasing experience to the guests, who often demand more for their leisure and travel dollars. Immersive entertainment gives them the opportunity to forget the responsibilities and concerns of the real world, and at the same time they can have an instant sense of importance and worth. Using technology like Virtual Reality,

the tourists can even explore different parts of the world staying in their hotel rooms. Some hotels also offer innovative gaming experiences to the gamers so that they can enjoy immersive entertainment and participate in events like esports tournaments.

The state of this growing industry was summarized in the report prepared for the 2019 Immersive Design Summit, called the '2019 Immersive Design Industry Annual Report'. (Immersive Design Summit, 2019) As reported by the authors, in 2018, the value of the immersive entertainment industry was more than \$4.5 billion (not including the \$45.2 billion theme park industry). Furthermore, during that year, over 700 new or updated immersive experiences were categorized in North America. The works displayed by the designers and producers in the summit fell under the categories of gaming, theatre, amusement, virtual reality, amusement, attractions, nightlife, augmented reality, exhibitions, marketing and museums. The viewing audiences enjoying immersive entertainment contents were considered as active contributors in lieu of passive viewers.

In both detail and design, the complexities of the immersive environment have enhanced. This is due to the combination of state-of-the-art technology with story-driven, unique contents so that it can be possible to immerse the visitors entirely into the narrative of the theme. This immersive entertainment offers audiences meaning, inclusive, fun, visceral, memorable, and inspirational experiences.

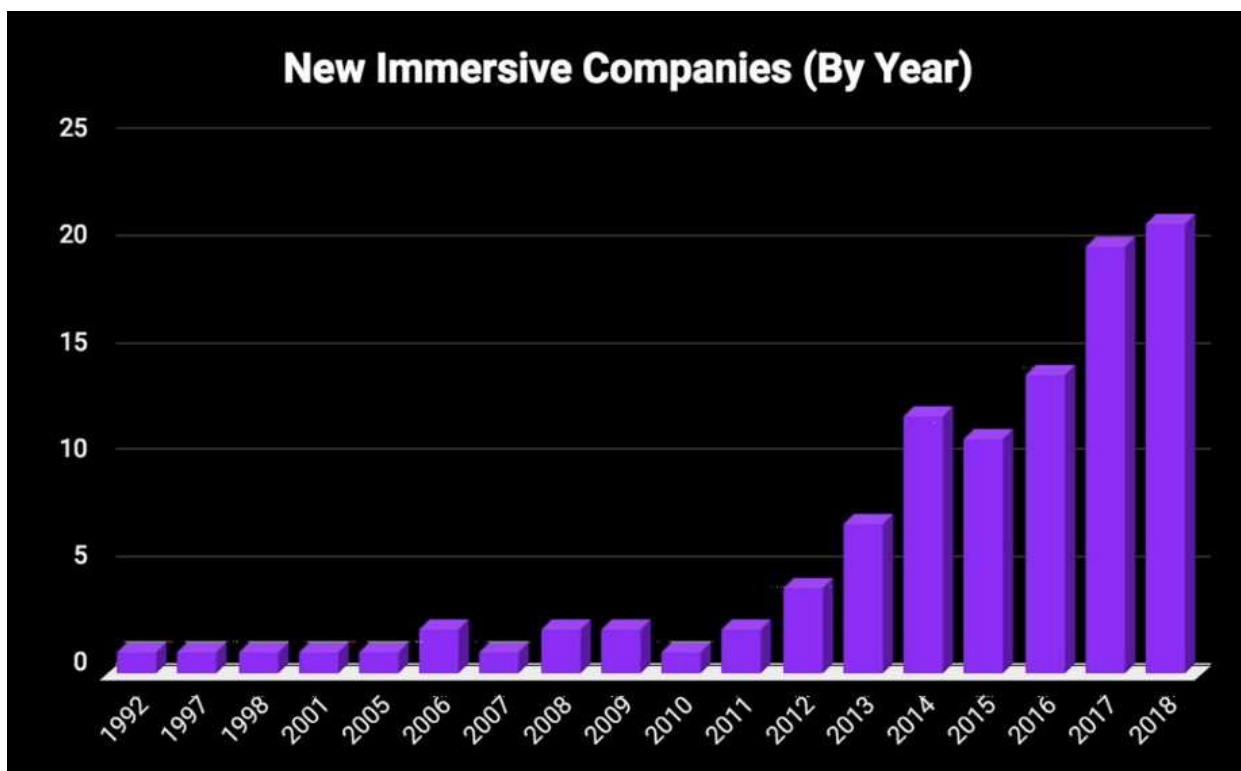
Three-quarters of companies working in the immersive entertainment environment reported annual attendance figures at lower than 10,000 in 2018. It shows that most immersive works are designed keeping smaller audiences in mind who search for intimate, personal experiences. The growth of this industry can be ensured by the appetite for experiential,

authentic entertainment. This will continue to influence more traditional hospitality properties such as hotels and drive growth in this industry.

As more artists try to cooperate on new projects within resorts and hotels and more investors analyze the economic feasibility of the immersive entertainment industry, the future years are expected to ensure its steady growth. As the industry itself grows from the stage of infancy, immersive experiences will also evolve and grow at the same time. (Hospitality Net, 2019; Immersive Design Summit, 2019).

Figure 5

*Immersive Art companies' growth 1992-2018*



Source: Immersive Design Summit

**5.4 Competitors Analysis.** It is fundamental to address the competitor's panorama in terms of the product and service variables and its respective mix, for these aspects will determine where in the positioning map the project will be placed.

**5.4.1 Direct Competitors.** To establish a big picture of our relative position towards our direct competitors we decided to use a matrix based on aspects such as:

- **ADR: Price** is a determinant factor at any time, and it plays an important role in a destination that has a big emphasis on value for money. In this sense we analyzed the same types of rooms for every hotel analyzed, (from the standard to the superiors), on the same dates, one during the week, one during the weekends, throughout the whole year, over booking.com and on each direct channel, and this way we were able to reach a glance of how our pricing strategy could start to be shaped starting with a yearly average of around 150 euros.
- **Proximity to City Center:** All the analyzed competitors were located after the first central city ring and a large number far from the center. Regarding this factor, proximity to the Duomo became an interesting factor to consider, specially based on the idea of being part of a broader cultural and artistic experience for visitors.
- **Business Orientation:** As Milan is one of the economic capitals of Europe, we decided to consider how much of a business we could be. Regarding this aspect we realized that our competitors make a big emphasis on the number of meeting rooms and the way they advertise it strongly in the communication channels. So far it is not our strongest

side, but the idea is to be able to adapt to the leisure proposal, however, with most emphasis on leisure.

- Immersion level: This category helped us realize the difference between being a design hotel as a more decorative concept, and an immersive art hotel as an experience hub.
- Art Events Hosting: This point became one of the most important as we realized that it could become one of the alternative sources of income in order not to be so dependent on the core product of the hotel, the rooms, but rather to create an engine of reinventing possibilities within the art proposal. The outcome of the analysis was that most of our competitors are not actively using this feature to their advantage.
- Number of rooms and room size: We realized that our competitors tend to have around and above 100 rooms and relatively small ones. In this regard we saw a good chance to wisely use the space for both our room creative proposals in the sense of a canvas to provide our guests with a big sense of comfort within our individual pieces of art.
- Community and work with artists: Within an integration of a sustainable approach and in order to reach the maximum use of a creative insight we saw a great opportunity in using the community of artists as a major resource as our competitors are not currently using this aspect as a differentiator for the experience part of their hotels. In this sense we realized that our community could make us stronger.

Furthermore, to complement the image about the direct competitors, we can find:

- Nhow Milano: Belongs to the NH Group and makes part of a whole portfolio of design hotels based in major European cities such as London and Berlin, this hotel makes emphasis in art, design, and fashion, nonetheless it remains conservative towards the

standards it has to maintain as a chain and has a similar proximity to the Duomo as Out of the Box.

- NYX: A lifestyle hotel and one of the top searches when looking for this category on the web browsers, has a more aggressive approach with statements such as, “There’s no need for lame sightseeing tours”, and starts making use of local artists from a street art perspective, it has a very close location to Out of the Box.
- Uniq Hotels: Also, a lifestyle group of hotels, and while covering a wide range of subcategories, the main statement of this hotel is, “Against all boring hotels”. The Milano Boscolo tries to reach for eccentricity with luxury.
- Barcelo Milan: By making part of the Barcelo Group, this design hotel makes emphasis on creativity, technology, and natural materials of the so-called vanguard movement with eclectic and sophisticated spaces for a broad range of guests from leisure to business, relatively far from the city center.
- Mediolanum Hotel: positioned as a lifestyle – informal hotel, and makes strong reference to its central location, its quality per value rates and its cheerful environment goes closest to the budget type of hotel within the studied category, it has a very close location to Out of the Box.
- Art Hotel Navigli: positioned as a fashion and design hotel with a more classic, elegant, and functional style for both leisure and business in the Navigli district, relatively far from the city center.

**5.4.2 Indirect Competitors.** When it comes to indirect competitors, two major types of players were found: the 4-star hotels in terms of quality level that visitors could be looking for as a determined level of comfort, and art/cultural facilities such as galleries or museums



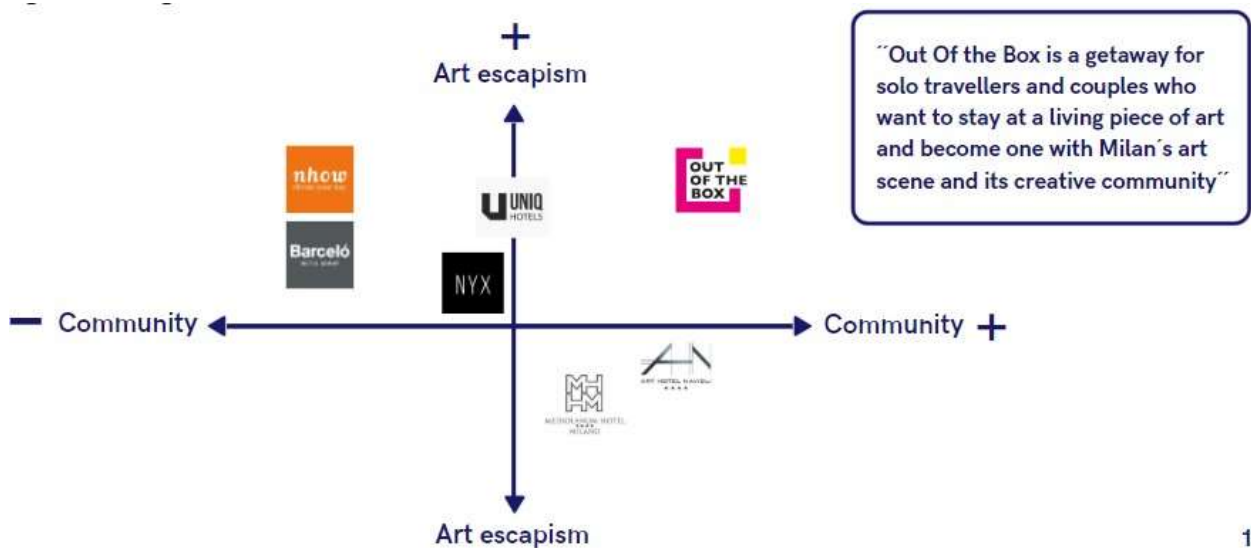
that could either integrate towards the hospitality business and/or have a stronger experience proposal than us as this is their core product and could take a share from the extended offer that we are proposing aside from the core business.

**5.4.3 Positioning Map.** Among the analyzed categories, The Out of the Box hotel was thought to be positioned based on two major points: The level of integration of the art community into the global creation of an experience, and the level of escapism that the latter would provide to our guests as part of a getaway from the uniform experience that we realized was exacerbated in our competitors. We thought of these two aspects as a way to overcome the pains that we got from the surveys and research as an inspiration for the development of the project.

The positioning statement therefore goes as follows and contains only the closest competitors:

Figure 6

*Competitor's positioning map*



Source: Authors own work

**5.5 Porter's Five Forces Analysis.** To build our hotel's structure and be able to identify our strengths and weaknesses in terms of competition, we conducted the Porter five forces model analysis. We will be explaining the five main areas:

**5.5.1 Competitive Rivalry: Medium.** This factor refers to whether our hotel is at high, medium, or low risk of competition. The concept we have created differentiates itself from our competitors. Thus, we have merged the art industry and the hospitality industry to create the Out of the Box Hotel. Additionally, our offering in terms of our dense community has proven to be a low level of competition. By analyzing the competition, we believe that our guests will see from their reservation that our value proposition is totally different. In Milan there are many art hotels either designed like Nhow hotel or more classic like Mediolanum. In Out of the Box

the art escapism notion is very high aesthetically speaking, but also with everything we offer like events. In addition, our guests will live a community experience with our Italian artists. Also, we provide our guests playful rooms that are very spacious and ‘Instagrammable’.

**5.5.2 Supplier power: Low.** Our suppliers are in a broad way our key players in our hotel. Given that they create the identity, they are fully responsible for what is naked to the eye of the guests, in other words, the tangible part of the business. Additionally, art is a complex industry, we coexist and create partnership with the artists. Having many suppliers, we get to enhance our profits. Moreover, we collaborate with a very well-known restaurant in the Isola district of Milan, by leasing a space to them. And now based on the location of our concept which is NoLo neighborhood, the name of the restaurant transforms to Frida NoLo.

**5.5.3 Power of guests: Medium.** There is a medium risk for guests to change their stay to another rival's establishment. However, we provide a unique and playful concept that gives the guests an unforgettable experience. Moreover, it is difficult for the guests to ask for better prices, we provide very fair prices for what we offer in our hotel, we balance the value and the benefit of the guests. Given that our concept is very new and unique, our guests and potential guests choose us for many reasons. We offer a sense of belonging; our community makes our external guests feel welcomed and prepares them for an unforgettable experience. We offer different types of events, fun installations, and a living gallery in the first-floor rooms. Our guests get to fully understand our concept based on the storytelling of our ambassadors and artists.

**5.5.4 Threat of substitution: Medium.** The hospitality industry side of our establishment has a high risk of competition in food and beverage and accommodation. Also, there are a lot of art venues such as art galleries and museums that are competition for us as well. Therefore, reaching a middle ground would be a matter of attracting customers who have pains in both markets.

**5.5.5 Threats of new entry: Medium.** The art suppliers can vertically integrate their business into a stronger service level and introduce food and beverage or hospitality to their experience, but it's not operationally viable unless they outsource it as it requires a high investment. Also, food and beverage or hospitality providers can switch their business model to the middle ground in a themed concept, but their lack of knowledge could affect their operations or change their whole positioning in the market which is risky. Even though new entries could often emerge, our concept has a sense of community and team spirit, our offering is unique.

## **6. Internal Analysis**

The internal analysis intends to give an insight on the ground thoughts of the project. These will determine the direction of the project in time.

**6.1 Vision, mission, and values.** Creating Out of the Box business plan, we made all the decisions according to the following statements:

- Our mission is to provide an immersive cultural and unforgettable experience for our guests and support a community of creative collaborators.
- Our vision is to become the hotspot of art and hospitality in Italy.

What we value:

- Boldness
- Creativity
- Empowerment
- Community

The integration of these principles into the culture of the hotel will be explained in detail in the Human Resources section of this assignment.

**6.2 SWOT Analysis.** We want the Out of the Box hotel to earn a great deal of success. Given it is a very new concept, we want to reduce our chances of failures by knowing and understanding what we are lacking. Additionally, we are aware that the external factors whether opportunities or threats may change a lot during this period of uncertainty.

### **6.2.1 Strengths.**

- The hotel is enriched with art and design.

- Collaboration with local artists/designers: they would have a place to exhibit and promote their artworks. Guests are drawn to the authentic experience, as a result we chose to showcase local artists.
- Community: Out of the Box attracts art lovers to share the experience together.
- New way to discover art: gallery inside the room, a guest can spend a longer time in a comfortable atmosphere enjoying the art.

### **6.2.2 Weaknesses**

- Heavy assets: the hotel requires a significant investment.
- Low in facilities: lack of spa, gym, and meeting rooms.
- Very specific target market: the hotel targets art lovers that are fond of our aesthetics.
- No star rating: Our guests might research for the hotels according to the stars.

### **6.2.3 Opportunities**

- International expansion: the concept could be successfully executed in different countries.
- Attract talented artists: to expand the hotel's community and enrich with attractive offering.
- Trend in immersive art and augmented reality industry: our research shows the immersive art is a growing industry.
- Promote Milan design: to be well-known and recommended in international art circles.

- Shoppable concept: in the nearest future, when the hotel will be already well-established, we provide various items in a hotel for sale as an additional revenue stream and way for artists to gain for profit.

#### **6.2.4 Threats**

- Expected global economic slowdown: the economic crisis is promised to come in the following years, it will result in the purchasing power of the population.
- Strong competition and emerging competitors.
- Covid-19 effect on tourism: tourism industry is in uncertainty and expected to go to recovery.
- Locals are concerned with tourism impact: it might result in protests.
- Change of the trend: change of the perception towards immersive art concept.

### **7. Agreements and Outsourcing**

The most important aspect of this part of the project is to realize that specialization creates the mastery of a task, and therefore, even if the hotel is quite a mix, it leverages itself from the outside by the use of partnerships on the areas that are out of our knowledge of expertise and/or could consume too many resources that will not reach its installed capacity. Through this, the hotel will be more productive both in a local and in an aggregated level of performance and as a side effect it will continue to support one of our major pillars which is the growth of community. This, however, is a very critical aspect, and it requires an appropriate

joint functioning and further risk assessment and procurement, as more stakeholders imply more levels of variability in a scenario that requires an assured and constant level of quality.

**7.1 Agreements.** The project has been conceptualized in a manner that requires a shared infrastructure with different allies in order to reduce the expenses by focusing on the core of the hospitality without sacrificing the quality of the personalized themed experience for the guests.

**7.1.1 Artist Agreements.** To understand this part, there are two parties that require cooperation to grow and mutually benefit from each other: the hotel and the artist community.

This being said, in order to reach the desired escapist experience concept and the big design emphasis on both rooms and common areas, the hotel requires the knowledge of experts in the art field that will help to solve one of the biggest pains that we discovered on our target which is the need for non-standardization in hotel facilities.

Following this path, we decided to reach the art community and planned to select 25 upcoming artists to create a collective of professionals in the field to individually design and create the rooms, the common areas atmosphere and to collaborate with the experience journey of the guests.

The reason behind this, is that as we researched with art professionals including university professors and artists and we concluded that for them it is usually difficult to reach their target through common means such as galleries or through spaces that usually require a big investment to show and promote their work and, even more, to sell it without having to pay big commissions to curators.



This way, we have a hotel that works to immerse people in the world of art within a hospitality destination but have no real competencies to develop this art, and on the other side, there are lots of artists that have a product that is difficult to sell and require an alternative and viable marketplace to show their work.

Therefore, the result is to collaborate and share the load from one side by giving the infrastructure, and from the other side to provide products. It is important to state that the model we designed implies that the artist will have a 5-year contract where they will receive a 3% commission from the revenue of each room and/or from the participation on a specific creation during those 5 years.

Lastly the benefit for the hotel is that it will not have to invest such a big quantity of money on furniture, fixtures, and equipment (FF&E) as an initial investment but rather as a deferred payment that will allow it to have a lower initial investment and better cashflow during the established period. Furthermore, the artists will be promoted and will be able to consolidate their own personal brand, in order to have a better future revenue.

To go a little further, as a company we think that there is great potential to sell this art to interested customers, and to charge a commission for each sale. This way the artist will receive money from the hotel and also from the sales of their product, and the hotel will benefit from the initial low cost of acquiring art and later from the commission of the sales of the art piece. This proposal is, by now, a tentative of growing the business after the project gets on its feet, but it does not reflect the reality of the numbers that we have in our financials.

#### **7.1.2 Restaurant Agreement.** Using the same dynamic for the food and beverage area

of the project, it was decided to reach a well-established restaurant with a similar concept to create a partnership, Frida Isola. The reason behind this is that as a hotel we can use an established brand as a hook in order to make visitors come to the hotel without starting from zero and, even if there could be some advertising costs, the brand awareness will leverage that effort. In this order of ideas, with time, the hotel will also bring customers for the restaurant and because of the realization of several events during the year, the hotel will require F&B service in several formats and Frida is ideal to cover the need of maintaining the limits of the concept. This way, the hybrid Frida NoLo will appear in the map and the contract that will operate is a lease/rent agreement for the space, that will imply maintaining the standards and guidelines of the hotel while having of course a great degree of freedom and creative proposal that could even work hand in hand with our art collective of artists.

**7.1.3 Experience partnerships.** For activities outside of the hotel, we will boost our reach with strategic partnerships with local businesses. For instance, we will offer our guests city tours, day spa packages, adventure trips, or walking food tours that show off your city's charm. Our guests will feel happier because they can arrange all their entertainment on one platform, and our hotel can generate higher revenue by curbing a small percentage off of each booking.

**7.1.4 Design schools.** To bring new talents and expand our community we will arrange a partnership with design schools in Milan such as Istituto Marangoni and IED. Their students will have a place to showcase their art works in the hotel, lead workshops and participate in events. We will organize fashion shows and exhibitions with their design work.

**7.2 Outsourcing.** To set a couple of examples of the areas of the hotel that will be outsourced to maximize the use of resources we can find the following:

**7.2.1 The laundry services.** As a matter of dealing only with the most essential needs of the hotel in terms of revenue-cost relation, in terms of size of the hotel regarding the investment in machinery, maintenance, the actual number of guests, and also due to new constraints, for safety reasons. In this regard, we will outsource this facility with an industrial laundry company, Bianco pulito, specialized in hotels and restaurants and which has an extensive offering in terms of convenience according to individual needs of its b2b customers. In the times of post Covid-19 this service will be essential in order to guarantee the safety of our clients.

**7.2.2 Parking.** As space is limited, we require to make the most of it and therefore we have to outsource it. This way we plan to create a partnership with the closest parking named car central parking, a parking associated with a platform called Parclick, which allows us to make reservations and will accommodate the needs of our clients and allow us to carry out the process so the guest just needs to inform us of their needs, and we will ensure the process in a seamless way. Our goal is to reach a 30% discount.

## **8. Marketing Plan**

The next sections will describe the path towards getting the right product, to the right customer at the right moment by acknowledging its main characteristics.

**8.1 Market Opportunity and Segmentation.** We founded our segment share based on data and information we took from Statista (2020) and Istat (2015). We first took the number of international and domestic visitors in Milan in 2018 and furthermore applied divers filters in order to determine our potential target market. By the same token, out of 10.7 million visitors we know that 76.6% of them are going at least once to museums and art galleries during their stay, this information has helped us determine the people who are interested in art. Then out of this amount we deducted 37% of people sleeping in four-star hotels, with the aim of staying in our range price category. From this 37%, we subtracted the age target of people who are interested in our concept, which is 34% of the travelers. We then concluded as a result, the potential target market is a little over 1 million people per year (1.031.000).

Figure 3

*Out of the box Target market calculation*



Source: Authors own Work

Furthermore, we segment countries like China who have a large number of arrivals, Germany, France, the United Kingdom and the United States of America, as seen in the table below. We expect that millennials around 25 to adults of 49 years old would be interested in our concept. These potential guests would travel mainly for leisure purposes.

Our concept requires three types of guests:

- An art enthusiast who thinks of the art world as a hobby and enjoys artistic activities during his or her free time.

- An art professional who basically is paid to create and design masterpieces of any kind, could be painting, sculptures, caricatures, and furniture.
- A person who likes art but doesn't have that much knowledge about the details it takes to create and design and doesn't know much about the artistic materials. However, this person would like to expand their knowledge.

Figure 8

*Main source markets of tourists in Milan 2018*

### **Main source markets of tourists in Milan in 2018**

<b>Source market</b>	<b>Tourists # (thousands)</b>	<b>Growth (%)</b>
China	393	1.9
United States	347	9.3
France	299	1.4
Germany	291	n/d
United Kingdom	253	1.8
Spain	200	n/d
Switzerland	200	n/d
Russia	176	5
Japan	152	5
Korea (South)	128	9

Source: Tourism Review

## 8.2 Target market

Here are three examples of our target market. First example is Alicia, she is a 26-year-old American millennial, who has a passion for travel, hence being a globetrotter. Working as an influencer with around two million followers on Instagram, she earns 36,000 euros per year and is curious about discovering new trends. A second example of our target market are Hannah and Johan, who are a young German couple who earn 30,000 euros per year. This couple constitute a team of art lovers and a professional artist. A third example is Guilia and her friends, who are very loyal and repeated guests of the Out of the Box establishment, and they love sharing good memories and attending our playful events. They earn around 40,000 euros annually.

What all of these have in common, as mentioned in the segmentation part, is that they are curious to discover fun, artistic and trendy places. Additionally, we expect our guests' earnings per year to not be very high and not lower than 30,000 euros per year.

We do not really expect families to stay at our establishment, but target couples and singles who range from 25 to 49 years old.

## 8.3 Marketing Mix

The combination of the 4P's is needed to address in which amount the hotel will differentiate from its competitors.

**8.3.1 Product and physical evidence.** In the next paragraph the reader will find the tangible aspects of the project. These are of quite importance as they are what the customer experience firsthand and expect as a major part of the core of the business.

**8.3.1.1 Location:** The NoLo area is an upcoming, hip and trendy neighborhood located in Milan, Italy, an area known for the young creatives. It is home to the working class of Milan and many immigrants from Asia, Pakistan and Egypt which have been attracted by the district's accessible prices. Thus, the neighborhood is best described as being a multicultural and creative setting, where its people are very nice, friendly and heart-warming. The area is a social district that is a melting pot of traditional restaurants and boutiques from other cultures, not only Italian. We decided to take upon such a location, because it's a hotspot for upcoming and local artists, which was a great match for our concept. Furthermore, during design week which is a very well-known event in Milan for artists and designers to showcase their masterpieces, the NoLo neighborhood will be very vibrant. The perks of the NoLo district, is that it is very close to the city center and to the central train station. It also has a well-developed infrastructure.



Image 1

*NoLo Neighborhood*

Source: "PGT adopted - Milan 2030 - Municipality of Milan". [www.comune.milano.it](http://www.comune.milano.it). Retrieved 2020-06-04.

**8.3.1.2 General Style of Out of the Box:** Our visual identity is based on modern art with an urban modern interior design. The design has fun and vibrant colors, enriched with simple elements, spacious rooms and diverse art objects designed by 25 local artists who have created the whole identity of the hotel and have set the mood of the atmosphere. Out of the Box is an establishment that goes against standardization of the hotels and shows that there is more potential for the guests to receive an unforgettable experience and enjoy their stay in a different way. We want to transmit this idea of playfulness and invite a guest to interact with the space. Also, visual diversity makes the hotel a very 'Instagrammable' place, which will be further explained in the promotion section of the assignment.

Image 2

*General Style Out of the box*



Source: Mahdavi I. (2009). Le Germain. Retrieved January 27, 2022, from India Mahdavi Studio website:

<https://india-mahdavi.com/project/le-germain/?from=tax>

**8.3.1.3 The building.** The facade of the hotel is artistically outstanding. Passing in front of the building cannot leave anyone indifferent. We wanted our building to act like a showcase, that's why we decided to build the lobby walls in glass material. Moreover, our team of creative artists will work on huge objects that pop out of the establishment, which will automatically catch people's attention while they walk on the street. Hence, having the hotel's façade transparent will certainly attract potential guests into coming into the hotel, or the guests could

take pictures of the art pieces and post them on social media while tagging the establishment and using the hashtag.

Image 3

*Infrastructure resemblance for The Out of the box hotel*



Source: Perschke, K. (2006). Red ball project. Retrieved January 27, 2022, from Arch Daily website:<https://www.archdaily.co/co/02-142964/red-ball-project-de-kurt-perschke>

**8.3.1.4 The Lobby.** The lobby is the main entrance of the property, the place where things happen. This area is an open large space where we present and value the work of the artists we work with. The casual modern art style and our different installations go against

standardization. It is visually unexpected and creative. Being artistic and ‘Out of the Box’ is part of our DNA, that's why our lobby is everything except classic. The lobby area is a place where everyone is welcome to discover art, express opinions and the most important thing: have fun! Bringing the lobby to life allows us, hoteliers, to make the most of the space, to stir up the curiosity of potential guests and attract local people. What matters is that every guest enjoys the present moment in comfort.

More than a check-in screen, the guests will find all the information they might need about Out of the Box offering, the detailed hotel description by floor and also find some recommendations about the city of Milan. Our customers, in-house or out-house, are able to see the exhibitions and events we are proposing and buy tickets if they are interested.



Image 3

*Lobby resemblance for the Out of the box hotel*



Source: Sanidad, J. (2014). Beats Electronics—Culver City Headquarters. Retrieved January 27, 2022 from Office snapshots website:

<https://officesnapshots.com/2014/11/17/beats-entertainment-culver-city-headquarters/>

**8.3.1.5 Rooms.** The property will contain 50 rooms with three different categories, 30 superior rooms each of 25 square meters, 15 deluxe rooms of 35 square meters, 5 suites of 60 square meters. Each artist will oversee designing 2 rooms, therefore they will bear his/her name as a piece of art. During the low occupancy months, we will exhibit the first-floor rooms as a living gallery. With that being said, the first floor has interconnecting rooms, which makes it easier to move objects around and have a wider space, in order to organize different types of events. Our creative team of collaborators have designed an amazing line of funky, playful and

trendy rooms. They are enriched with art pieces such as wall decoration, sculptures and various design objects. The objective is to obtain a ‘wow effect’ with original items in their conception, in their use or that look visually attractive; something that you will not be able to find somewhere else. We believe that every detail makes a difference in terms of quality, as a result, we are working as much as possible on one art that represents our values and something that represents our concept. Furthermore, the rooms include two parts, the sleeping area and the bathroom area.

**8.3.1.6 The sleeping area.** Composed by the next elements:

- A relaxing and stylish bed
- A wardrobe with hangers and a safe
- A kettle with coffee beans and tea bags
- A desk with a phone, a handbook and pen
- A television set
- Art and design magazines
- A mini bar which provides local and tasty snacks and beverages
- A welcome amenity box which would contain local products and vary depending on whether the guests are a couple or not.

**8.3.1.7 Bathroom area.** This area include:

- Bath towels
- Bathmats
- Shower essentials like shampoo and conditioners
- Face towels

Image 5. *Rooms resemblance of the out of the box hotel*



Source: Pinterest

**8.3.1.8 F&B Outlet.** In our hotel Out of the Box, we partnered with a known restaurant in Milan called Frida which is in the Isola neighborhood. Now that our concept is in NoLo district, the restaurant will be called Frida NoLo. Furthermore, the space would be 400 square meters The idea that matches our concept is to collaborate with a brand that adapts to the art essence and that is able to maintain and live up to the standards of quality of our establishment.

Hence, the food and beverage outlet provide a basic yet attractive food concept which will become a hook to gather new visitors.



Image 4

*F&B Outlet resemblance for the Out of the box hotel*



**Source:** Pinterest



**8.3.1.9 Back of the House.** Relates to the operative areas that are not seen but are of big importance for the hotel functioning and efficiency.

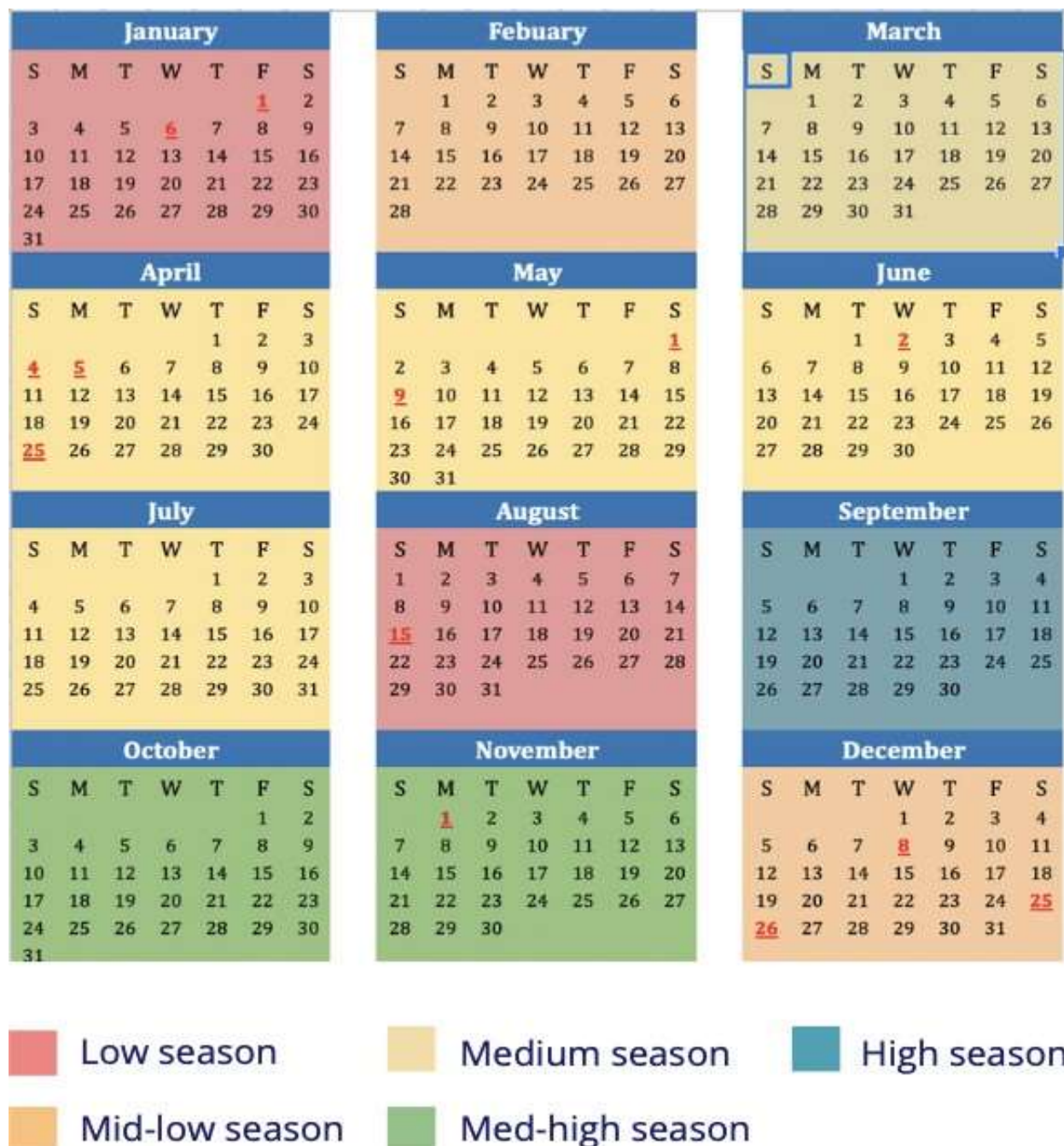
- a. Storage:** Out of the Box hotel has two main storages. In the first storage the housekeeping employees may find their cleaning supplies with their carts, as well as the main stock of room amenities for the guests. Moreover, the second storage is for our team of creative collaborators, where they will put extra commodities of the room that are not needed at the time on the floors or in the common areas.
- b. Pantries:** In each of our hotel's floors, our housekeeping team can find all the items required for replacement in the room, that way it is much more efficient, easier and less work for our employees to preserve their wellbeing instead of going back and forth to the main storage. These pantries contain some cleaning supplies as well as amenities like shampoos and conditioner bottles.

**8.3.2 Price.** We chose to establish an occupancy based on dynamic pricing. Currently, due to the pandemic situation all the prices are distorted and do not represent the reality. After the industry recovers from Covid-19, we might adjust our prices. We took as our guideline the Valuation Report of our main competitor Nhow Hotel Milano, where we were able to find seasonality in percentages by months and forecast of annual ADRs. Also, we have consulted with a hospitality professional from a local market. Furthermore, we have analyzed the available competitors pricing and have studied the general seasonality in Milan. The seasons are divided as the following:

- Low season for January and August
- Medium season for March to July

- High season for September
- Mid-low season for December and February
- Mid-high season for October and November

Figure 9

*Seasonality chart*

Source: Authors own work

Thus, our end result has been concluded to be:

For our first year, the average daily rate would turn out to be 153 euros with an occupancy of 66%, which is basically 2% lower than our competitors. We are planning to apply an undercutting strategy in order to persuade our potential customers to choose Out of the Box hotel. Also, for our second year, the average daily rate would be 161 euros with an occupancy of 73.8%, which is the same rate as our competitors. As for our third year, we concluded that our average daily rate would be 171 euros with an occupancy of 82.6%, which is 4% higher than our competition.

Figure 4

*Room category vs Room rates*

Room category	Rate type	Discount	Rack rate	High	Medium	Low	policy	Min LOS
Superior	BAR	0%	€ 250,00	€ 174	€ 140	€ 95	48 hours	1 nights
	B&B	0%		€ 192	€ 158	€ 115	48 hours	1 nights
	Advance Purchase	15%		€ 148	€ 119	€ 81	non refundabl	1 nights
	AAA	10%		€ 156	€ 126	€ 86	48 hours	1 nights
Delux	BAR	0%	€ 280,00	€ 202	€ 167	€ 102	48 hours	1 nights
	B&B	0%		€ 220	€ 186	€ 122	48 hours	1 nights
	Advance Purchase	15%		€ 172	€ 142	€ 87	non refundabl	1 nights
	AAA	10%		€ 182	€ 151	€ 92	48 hours	1 nights
Suit	BAR	0%	€ 350,00	€ 266	€ 263	€ 138	48 hours	1 nights
	B&B	0%		€ 284	€ 281	€ 158	48 hours	1 nights
	Advance Purchase	15%		€ 226	€ 223	€ 117	non refundabl	1 nights
	AAA	10%		€ 239	€ 237	€ 124	48 hours	1 nights

Source: Authors own work

We have introduced 4 rate policies:

- Best available rate (BAR)

- Bed & breakfast (B&B)
- Advanced Purchase (AP)
- AAA rate for members of a Design or Art International organization

**8.3.3 Promotion.** Hotels spend a significant amount of their marketing budget on promotional planning. So, they use a blend of promotion tools in order to capture customer value and build profitable relationships. The marketing and sales manager must decide why the company is creating an advertising message, whether it is to persuade, educate or remind regular or potential guests about the product. Moreover, Out of the Box hotel would use the following channels to communicate with their guests:

**8.3.3.1 Digital and direct marketing.** Instagram is a huge hub for attracting clients' attention. Our aim here is to obtain a picture-perfect profile that would make users dream about visiting our establishment. In addition to that, Out of the Box hotel will collaborate with influencers/travel bloggers who have a huge audience, to promote the hotel's events, workshops, installations, and rooms. Moreover, when organizing events, given we are a quirky and playful establishment, it is imperative to have fun installations representing the theme of the event happening (Instagrammable); in order to attract and retain guest's attention and escape reality. Taking a selfie in the hotel gallery rooms is a promotion tool, it would gain the hotel a lot of exposure and get raw feedback about the product and service offered, the community encourages the guests to take awesome selfies and pictures and post them using the hashtag '#theOutofTheBoxHotel'

Moreover, another source for promoting your business is Facebook. As Out of the Box hotel grows, Facebook gives us the opportunity to find inspiring ways to tell our business story,

sharing it across the web. It's also an easy way to keep your guests engaged and informed. Additionally, we found that Twitter is also a valid source for promotion, it is used purely to network and share news in the form of tweets. Our Twitter account will push people to follow the hotel and share interesting findings about the city. Twitter users can like, tweet and retweet giving us the opportunity to spread our news in a fast and efficient way. Thus, creating an electronic word of mouth among our guests and potential customers.

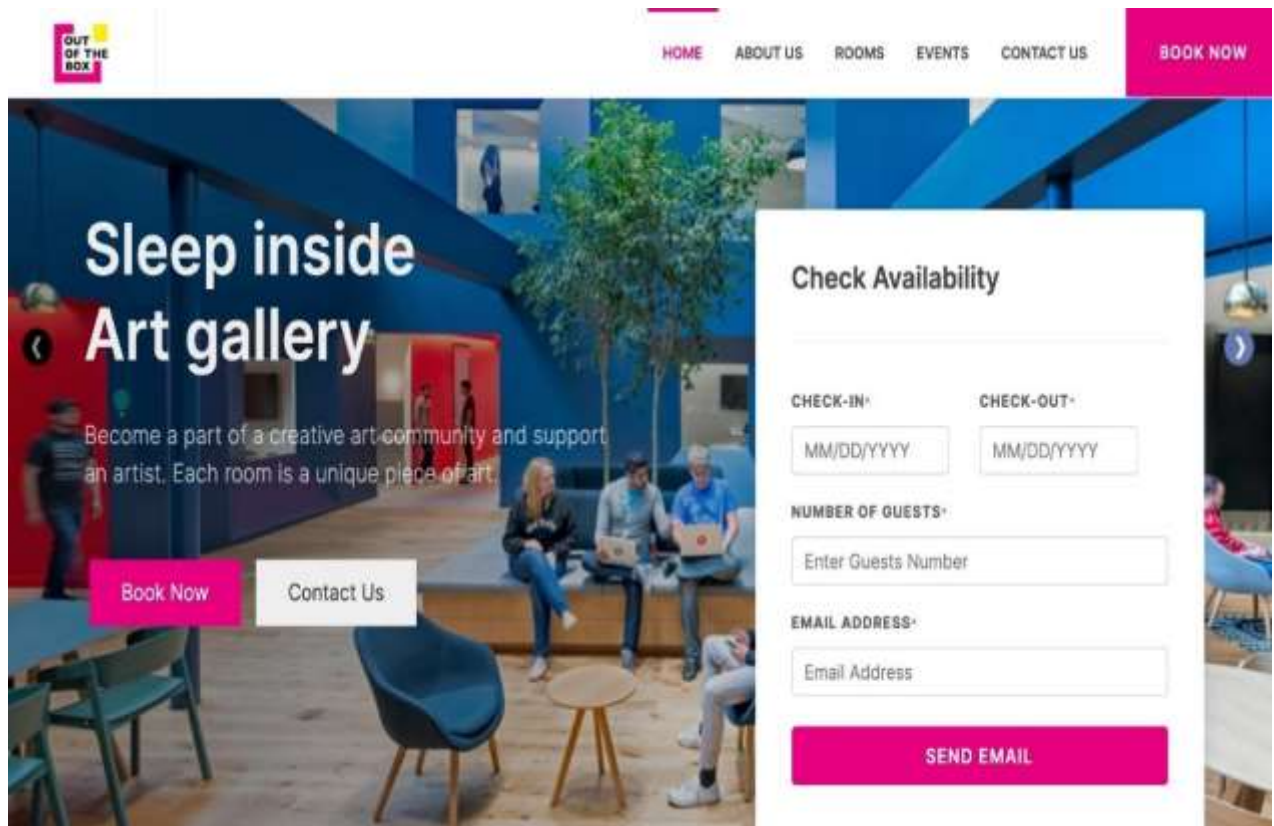
Accordingly, we found that it is important to be featured as well in two online magazines Weheart.com and Deisgnboom.com. We believe that our presence in these magazines would target potential guests who maybe do not know about our concept and people who obviously have a passion for art. Hence, the main goal of being featured in these online magazines is to have even better exposure and create awareness for our establishment.

Sales promotion/offers: In our hotel, we wish to create a short-term incentive to encourage customers to stay at our establishment using tour operators and online travel agencies.

**8.3.3.2 Hotel's website.** Just about every hotel today has a website. Whether that website is as effective as it might be at generating sales, advancing marketing aims and communicating the right information about the hotel is a totally different story. Our clients must find it easy, fast and organized to search for information about the property, room rates, available dates, event dates, what kind of workshops and classes are happening and installation tickets. Moreover, millennials are socially and environmentally conscious, so it would also be a good idea to mention our sustainability mission on our website.

Figure 5

*Out of the box landing page*



Source: Authors own work

**8.3.3.3 Word of mouth.** A satisfied customer eventually becomes a loyal one. It is vital for our establishment to abide by our values and culture and work seamlessly in harmony with the quality of the product, the time our employees engage with the customer, in order to create a memorable experience. We try to ensure as much as possible that our guests leave our hotel on a positive note, enhancing our reputation to be a very good one. This creates brand loyalty, brand trust and creates a buzz about the concept as well.

**8.3.3.4 BTL advertising.** This type of advertising is different from the usual billboards, television, and radio ads. It is basically a way of promoting in places campaigns do not reach.

It provides a great opportunity for the hotel to promote the product in an engaging and surprising way throughout places where no regular campaigns tend to reach. From this perspective, the art community plays an important role in the development of outside experiences that invite customers to come and stay at the premises and that go along with our calendar of activities and events. For example, our team of artists would put a big installation in a hiking venue in Italy, people would obviously be surprised and take selfies and pictures with the art. The art piece could also be located on a ski resort, it would capture the attention of a lot of people. Also, the artist would be redesigning some streets in Milan, as well as have big pop-up installations to surprise the people. (As seen in the pictures below)

**8.3.3.5 YouTube.** Our team are thinking of creating videos about our establishment. Capturing the atmosphere and the vibe of Out of the Box hotel. Additionally, we would create short stories about our artists, so with that storytelling we would really attract more viewers and of course potential guests.

On the other hand, for the advertising budget, we decided to allocate 3% of our revenues to the marketing budget, within this 3%, the budget for year one of paid ads would be 48,760 euros. Also, we weighed the budget more on Facebook and Google ads in order to reach a higher number of people. The number of clicks, views, and posts we are trying to reach are:

- a. Google: 6,973 clicks
- b. Facebook: 46,719 clicks
- c. TripAdvisor: 7,327 clicks
- d. Blog: 8 posts
- e. Instagram: 276,854 views
- f. Design Boom magazine: 2 pages

- g. YouTube: 731, 627 views

Figure 12

*Marketing budget for the Out of the box Hotel*



Source: Authors own work

**8.3.4 Placement.** The place or in other words the channel of distribution refers to the accessibility of the products to the customer. When compared to other products, hotel products don't travel to customers, but the customers do travel to the product. So, the ultimate goal for our establishment can be specified as making the products and services available and accessible to the guests, when where and how they prefer them.

To understand the importance of picking the right channels, with keeping our concept and values aligned, we must understand how important the reservation process is in setting expectations and organizing our guests to stay with the goal of having an unforgettable and



unique experience. In consequence, the establishment should invest in key technological components that are vital for effective sales through the right channel.

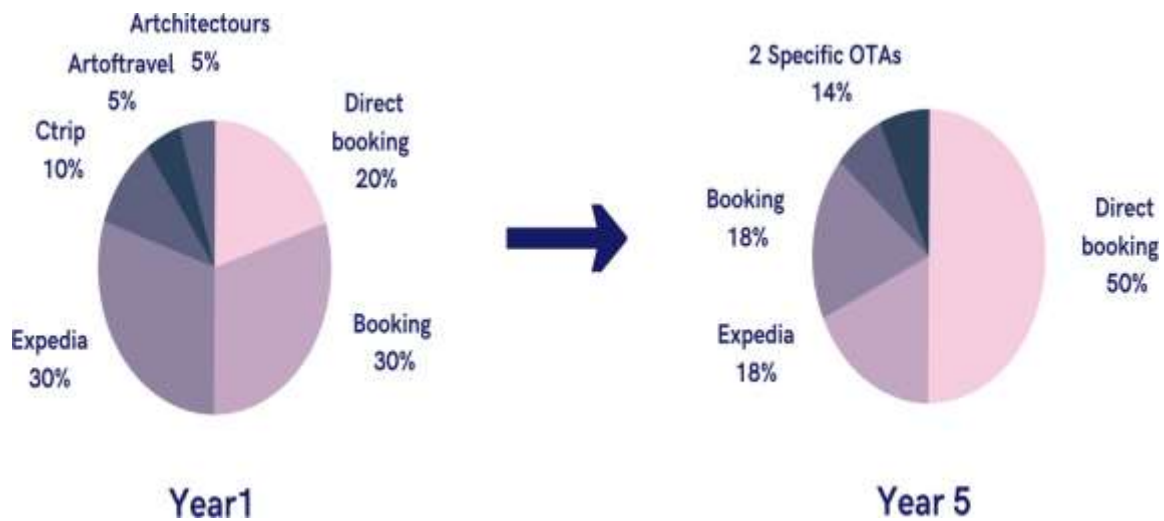
We chose to make the product accessible to our guests in year one through 20% in direct bookings and 80% from other channels such as:

- a.** Booking.com 30%
- b.** Expedia.com 30%
- c.** Ctrip 10%, which focuses on the Chinese market. This alone is very important for the establishment because China has a high number of arrivals in Europe.
- d.** Artofrvael 5% and Artchitectours 5% as well, these two are focused on the design and art community.

Moving on to year 5, to having 50% through direct bookings because by that time we would have gained our exposure and audience. Thus, being more cost effective and continuously aiming to be highly independent from any websites. We have an independent hotel with a new concept, so, sales will rely heavily on these channels to create awareness about the property especially for year one.

Figure 13

*Distribution commissions evolution in % Y1 to Y5*



Source: Authors own work

**8.3.4.1 The official website of the hotel.** It serves as an effective platform for service distribution as it is supplied with a wide range of features and capabilities. Moreover, we provide practical assistance to our guests, such as looking at different rates, booking a room, planning events, information regarding the food and beverage outlet and contact information about our community.

**8.3.4.2 The Out of the Box hotel app.** The distribution channel is also communicated via mobile applications that are made for IOS and Android platforms. The guests can download the app on their phone, and instantly get notifications about all the news and have the possibility of purchasing the service in advance on the go and within a timeframe of a few seconds. Thus, making it much more convenient for our guests.

**8.3.4.3 Online travel agents (OTA).** We chose to use OTAs in our hotel such as Expedia.com, Booking.com and Metasearch, due to the rapid gain in market share. Our business thought it would be best to gain greater visibility by partnering with these websites.

Moreover, we believe that it provides us with an easy, effective, and convenient way for our hotel to earn more bookings during a slow season especially. The different sites of OTAs offer diverse packages and provide value added perks to move rooms that might otherwise stay empty. Accordingly, the main features of OTAs are the hotel search, the result display and the sorting by price, stars rating, brand, amenities, and guest ratings. The main factor that would be influencing our page's ranking would be the conversion rate. And that alone depends on several points such as: location, margin, competitor's prices, room availability, travelers' reviews, and the different room types available. Our priority here is to optimize our online presence by, for example, updating our content regularly, this won't help our guests make informed decisions about our establishment, but it will ensure that we show up in the proper search results when guests use filters. By using targeted ads is an effective strategy to gain even more exposure.

**8.3.5 People.** A particularly important and vital source for the operation of the hotel is the people, in other terms the community. Within this community are the collaborators who create the whole identity of the hotel, the local artists and designers who earn 31,150 euros per year. We took this number from the 3% of revenues. For the food and beverage outlet, Out of the Box hotel works side by side with the restaurant Frida NoLo as mentioned previously. With that being said, the establishment provides their guests discounts by partnering with a parking lot, a laundry facility, as well as with design stores of the artists.

Speaking of the creative collaborators, there are 25 artists, who each work on two of the 50 rooms. Furthermore, their contract would be set for five years, during that time the team of artists would design new objects and do some retouching not only in the rooms but also in the common areas. The artists also have the opportunity of organizing events. The beneficial points these artists will gain from this collaboration is revenue, networking and more exposure for their name and artwork.

Thanks to our agreement with the local artists, our hotel is all about sustainability as entertainment. Indeed, we believe that our business will stay over the years because we are bringing social innovation. We propose to our company, our artists, and employees to adopt a “don’t worry, be happy” mindset in order to stay sustainable. Our community is one of our biggest strengths and the artists are fully integrating in our project. From our business perspective, social sustainability is very important as much as the environmental and financial part of the triple bottom line.

From another point of view, it is also important due to the type of service that will be displayed in terms of high quality regardless of the non-use of stars as part of the parameter of service.

In this sense we are heavily dependent on the internal customers for the constant engagement of our clients during the moments of truth of the consumption of the product.

It is also crucial the alignment between the hospitality crew which is internal or endemic and the art crew which is external but works actively in-house. Therefore, intensive cross training is fundamental in the understanding of the whole picture of the product we are offering and the type of interaction that as a hotel we are aiming to provide. In this sense our internal clients will be able to understand and apprehend a level of art that corresponds to the timeline

and schedule that we will provide in our premises, especially in experiencing the moments of truth of our customers.

**8.3.6 Processes.** The process will be explaining three major aspects of the external guests' journey in the establishment, and what the community implements in order to achieve guest comfort, satisfaction and to meet their expectations.

**8.3.6.1 Pre-arrival:** The pre-arrival is the time of booking where the guests are the most excited about discovering the hotel. Hence, this stage in our guests' journey is very important for us to make the best first impression. In regard to that, the Out of the Box hotel has set up the website, where guests can browse and look at pictures of the different rooms and the rates provided according to the season. They can also find the contact information of the hotel's community which includes the number of the artists, hoteliers' directors and food and beverage outlet if needed and the calendar of the events. Also, the external guests could check the different social media platforms like the Instagram page, Facebook page and Twitter page. The guests would book their stay via OTAs, GDS, and direct bookings.

Furthermore, the check in process will be easily and efficiently done online or via self-check in with the help of the screens in the lobby. The guests would have the possibility to choose their own room by the artist they like the most and that is up to their expectation. The main goal in the pre-arrival is to build up the guest's expectation and live up to that expectation, and to gather as much information as we can as well as their preferences and feedback. The

great hotel team would be in service to the guests and propose assistance for anything they might need, as well as keep in touch with them to make them feel welcome.

**8.3.6.2 Arrival and during the guests stay:** The community understands what the guests anticipate from their visit. As mentioned in the pre-arrival, the guests built up in their minds what to expect because of the photos on the different platforms. The ‘classic’ receptionists are replaced by hotel ambassadors. Guests will receive from the ambassadors a warm welcome while accompanying them through the establishment. Moreover, the ambassadors represent the hotel, as they are the first thing the guests see when walking in the door. It is their duty, to conduct a daily briefing, to get to know more about the guests, for example, for the guests to feel recognized, it is best to greet them by name, that alone adds a touch of value. They will then be offered a welcome drink and become familiar with the establishment by getting to know the concept with some storytelling, that way the guests can connect on an emotional level. A tour of the lobby and food and beverage outlet, before finally being escorted to their room.

Upon arrival to the room, each guest will find a special gift awaiting: an amenity box. In this box, Italian products would be available. In regard to that, the value of the gift depends on which category of room the guest is staying in, the preferences and gender of the guest, the purpose of their stay and the number of guests sleeping in the room. Also, in case of a special occasion like a honeymoon or a birthday, the hotel will of course go all the way to make it an incredible and unforgettable experience, by decorating the room according to the type of celebration.

During the guests stay, the establishment’s staff would be ready to address any concern in the line of hospitality, events dates, and art related subjects. They will play an active role as part of the co-creation concept and will act as catalyzers of the experience.

The check-out time is 12pm. The Out of the Box hotel cares about guests' comfort, if the guests want to review their bill, they can do it via a tablet in their room or in the lobby via the screen, they have the possibility to receive the receipt by email. For any mistakes or additional information, the ambassadors are here to assist them. If some customers are interested, the ambassadors offer a late check-out with 50% extra fee.

**8.3.6.3 Post-stay:** The post-stay process is about maintaining the profitable relationship we created with our guests during their stay. Thus, it is imperative to keep in touch to create a loyal clientele base and have repeated guests. So, after their check-out, the ambassadors will send the guests a personalized email, thanking them for staying at Out of the Box hotel, as well as sending a short and quick survey to ask if there are any improvements or changes to be implemented for the customers experience. Moreover, the guests who stay frequently at the hotel, and have become very loyal to Out of the Box, will receive a small gift with their handwritten thank you notes.

## **9. Adaptation (Coronavirus)**

This Covid-19 pandemic has changed the way of living for people all over the world and has negatively hit plenty of sectors especially the hospitality and tourism sector. The Out of the Box hotel's operational starting date would be on 1st January 2022, which is two years from now. Even though it is expected that everything is to recover by that time, it is imperative for the establishment to implement a post Covid-19 adaptation process in order to open with maximum safety assurance for our guests and our community.

Moreover, the external and internal guests would have to practice social distancing to ensure their comfort and safety which is Out of the Box's number one priority. The hotel will reinforce cleaning and sanitizing protocols which would abide by the World Health Organization rules. Also, the common areas such as the lobby, elevators, hallways going up to the rooms and restaurants will be sanitized frequently and guests would find hand sanitizers and disinfectant wipes available at every corner. Moreover, if requested by the government, we would be asking the guests to take the PCR test at least a week before their arrival to make sure that we do not endanger any of our external and internal guests' safety. We would also have a device to take people's temperature.

In order to avoid overcrowding, the mobile guest service app would be available for online check in and check outs, and will carry all the hotel's information about events, the artists contact information, and information about the rooms they want to stay in, for example, who created the artwork, the rates and the amenities provided. Furthermore, we have conducted a pessimistic case in the profit and loss statement, which basically means in case of a bad scenario and the hotel's occupancy is lower.

## **10. Human Resources**

The next section will describe the breakdown of the operations blood stream, the human resources. The reader will understand what the hotel stands for and how it will be managed from the management to the most operational positions.



## 10.1 Culture

We believe that having a strong corporate culture has a huge impact on the well-being of the company and its sustainability over the time. Having clear guidelines will help the employees to understand the common objectives, see if they fit in and ensure success of the company. Not only from an internal point of view, but the culture is also the identity and the image of the business from outside. We want our employees as much as our guests to choose us for who we are.

As a company we have one purpose, one main objective that we are striving for and that we always have in mind in all the decisions we make. This is the core reason for our company's existence. Our vision is to become the hotspot of art and hospitality in Italy. We want to be a reference for Italians and foreign travelers.

For that, we have a mission to provide an immersive cultural and unforgettable experience to our guests and support a community of collaborators.

To shape our company's culture, we defined four values:

- a. **Boldness:** all our concept is based on being Out of the Box, it means that we are not scared to be different and take risks. We are expecting these qualities from our employees. The guests will probably have some boldness in their personality, they are curious and dare to try something new. By coming to our hotel, they are willing to come to a place that goes against standardization, which doesn't have a classic hospitality experience and they don't mind going to a place without a star rating.
- b. **Community:** this value represents the common goals, desires, and beliefs. It gives a sense of belonging. This is one of the pillars of culture creation. We would like our

collaborators, external and internal guests to co-create a common value through networking, making art objects, storytelling and participating in various events and workshops.

- c. **Empowerment:** is the ability to be resourceful and work without always being told what to do. We need our people to show resilience and determination. As a small property, we are expecting some of our staff to be particularly multitasking and in this sense be able to take initiatives.
- d. **Creativity:** art is the core of our concept. We encourage and value people with artistic skills and we are training every employee. Creativity also means thinking differently. On top of that, we value some other competencies for our employees, and it is part of criteria in terms of recruitment.
- e. **Teamwork.** As a social intelligence competency, teamwork helps an individual work with other people to achieve a shared objective. In addition, this skill helps a person actively participate in group activities and share responsibilities. Leaders equipped with this competency can create an atmosphere of cooperation, helpfulness, and respect inside the team, and at the same time, a sense of empathy is developed in the team members.
- f. **Self-confidence.** This skill allows people to become confident about themselves and act based on their own convictions instead of trying to make others happy. It also makes them understand their own capabilities and avert arrogance.
- g. **Managing stress.** This skill is particularly vital in case of adversity, opposition, disappointment, and time pressures. It is possible to manage stress effectively by demonstrating resilience and stress tolerance. Furthermore, people can successfully get out of difficult situations if they can remain composed, focused, and optimistic.

- h. Problem solving.** This skill helps manage different kinds of problems by applying critical thinking, analyzing situations, choosing a particular solution, and implementing those solutions effectively. At the same time, problem solving skills allow a leader to assess the risks and constraints associated with every course of action and choose the best possible option so that the problem can be addressed in an appropriate manner.
- i. Initiative.** This is the ability to start doing a task without other's instructions. This skill demands for determination and resilience and helps people act when needed. With the inherent urge to achieve success, initiative can help a person to move further using his or her head. When an employee is not restrained by stringent rules and regulations, initiative can help him or her move towards success and also interact with others in unconventional manners.
- j. Reliability.** Professional and personal credibility is indispensable for a person to become acceptable to others. Professional credibility involves experience, education, demonstrated professional development and performance. On the other hand, personal credibility requires integrity, honesty trust, and different other personal characteristics that shape a person.
- k. Interpersonal Awareness.** This is the ability to recognize a person's own feelings and thoughts, as well as to show an actual realization about themselves and others. This skill acts as the foundation of a person's social-emotional learning and helps him/her to get along with others in society.

## 10.2 Organizational Chart

For the opening, Out of the Box hotel has 24 employees in total. The strategy to adopt cluster positions has been made. We partner with hotels of the same size as our hotel. All the employees marked with an orange point are sharing their time between us and another property. They are exercising the same job. It gives them the opportunity to work in different properties, so that they can improve their skills and increase their network. In this sense we need people very motivated that are multitasking, that like challenges and keeping themselves busy. For us it is the opportunity to reduce our costs.

Figure 14

*Organizational chart for the Out the Box hotel*



Source: Authors own work

Operationally speaking, we are using the software Opera and Rex to organize the work and put the cardex of our guests. Every employee has access to the preferences of our customers.

### 10.2.1 Rooms division. We have three different shifts:

- From 7am to 3pm

- From 3pm to 11pm
- From 11am to 19pm

Depends on the occupancy and employees' needs.

**10.2.2 Housekeeping.** We are working with an external laundry and an external company for the cleaning of the common areas.

- To make our staff forecast we pay attention to:
- The credits: 50 standard rooms (1), 10 suites (2) and 1 luxury suite (3) because it is not the same superficies and time of cleaning.
- The different kind of service cleaning (check out, stay over service).
- Ladies have a maximum of 10 credits per day.
- If we are at full occupancy, we will need  $50/10 = 5$  people.

### **10.3 Definition of functions and responsibilities**

The general manager (GM) has the highest management position in Out of the Box hotel. Hence, this position is the pillar of the organization, and he/she works closely and reports major decisions. Overseeing the overall strategy of the hotel, the general manager sets the goals and takes responsibility for every decision. As well as being responsible for all aspects of the hotel; his/her main role is to find a balance between guest satisfaction, employee well-being

and profitability. In addition to that, due to the number of rooms of our hotel he/she will also record all the financial transactions.

### **10.3.1 GM duties.**

- To schedule regular meetings with the head of each department.
- To control the budgets, procedures and keep the service standards.
- To constantly develop new projects, and work on the improvement of the sustainability of our hotel.
- To prepare reports and plans.
- Short- and long-term planning.
- To oversee the operation of each department.
- To provide leadership among the team and to be able to communicate his/her strategy effectively.

### **10.3.2 The Rooms Division**

- **The ambassador manager** and his/her team of ambassadors are assisting the guests mainly in the lobby area. They greet them, offer a welcoming glass, help with the screens, give information and advice to the guests about the hotel and the area. They are in the middle between the receptionist and guest relation position in a more traditional hotel. They have a very social role and are transmitting our brand values more than anyone. Their role is to understand the purpose of our guest's stay, their habits and to handle possible challenges. They are trying to surprise them as much as possible and create emotions with little details. Especially with the originality of our concept, it is important to provide a memorable and unique experience for each of our guests.

- **The night ambassador** is responsible for all the lobby areas during the night. He can perform the tasks of all the other members of the department and takes on the role of manager, handling situations of diverse departments. He has many administrative tasks to do during his shift.
- **The housekeeping manager** is driving the team to ensure entire guest satisfaction. He oversees the budgets and oversees the operations on the floor. The rooms are the heart of the hotel, and everything needs to be perfect.
- **Housekeeping supervisors/coordinators** are here to organize (daily tasks but also schedule) coordinate and control the work of housekeepers. They are checking the rooms before the arrival but also during the stay and are trying to get some information about the guests to provide an amazing service. For example, if we see a lot of sports clothes in the room, we can adapt the room service amenities, instead of putting some chocolates we would prefer a nice bowl of fruit. Housekeeping supervisors are constantly in contact with other departments: room service (amenities, remove table from breakfasts etc.), front office (organization in order to have the rooms ready ASAP), guest relation (to share all the information), HR (contracts, hours, schedule etc.), engineering (inform them of what is not working, maintenance to do).
- **The housekeepers** are ensuring the cleanliness of the property and are here to respect our standards. They are in direct contact with our guests and are making the difference in terms of service. Every detail is important for our artistic hotel and our housekeeper's pay attention to details (if a repeat guest is always sleeping on the same side every stay, a housekeeper will open the bed in consequence during the turndown service). In our property we ask our housekeepers to be particularly careful with the pieces of art. They

are answering the guest's request by giving them what they need, for example, an iron in the room.

- **Maintenance** is here to fix the equipment and furniture in the entire hotel. They are also ensuring uninterrupted provision of utilities like gas, electricity, and water. The maintenance agent helps customers to troubleshoot issues with a piece of equipment. He/she installs new equipment, controls, and fixes the furniture and material in the property.

### 10.3.3 The administration

- **The finance manager** oversees finances for our company. He/she helps the GM to determine prices for rooms, but also for all the services we are proposing. He/she sets short- and long- term objectives based on financial reports. The accountants are organizing the financial records and preparing the taxes. They check records for any errors.
- **The reservations department** is the first image the guests have; in this sense it is very important to create a good first impression. They are located in the back office. They answer the phone within three rings and have clear and specific sentences to answer and hang up the phone in a respectful manner. In order to provide all the information, the guests might need, the professional knows everything about the hotel (hours, events, special guests ...) and is able to transfer the call to the correct person if needed. The reservations department takes and tracks the hotel's future bookings. By having a crucial vendor role, they are trying to find the perfect room for the perfect guest. They can try to influence them to sell them the most expensive rooms. They have objectives to keep in mind. Their role is key because they will be the first knowing the guests, at



the step of the reservation we are expecting them to find as much detail as possible: business or leisure, nationalities, special reason for the stay, VIP etc. All this information will be communicated to every department to prepare the stay of the guest in advance and to anticipate their needs.

- **The marketing and sales** are responsible for researching and developing market opportunities. He/she analyzes the budgets, introduces the new products, implements new sales plans and advertising. He/she is here to sell the hotel facilities and services. He/she is selling rooms, food and beverage for different purposes like leisure, business and group meetings. He/she is taking care of the image of the hotel (social network, press, conferences) and organizes visits for VIP clients.
- **The human resources coordinator** is here to recruit the employees of the hotel and ensure their well-being. They transmit the mission, vision and values of the company and make sure they remain with the time. They are taking care of the payrolls, benefits, training and promotion. The human resources know the law and need to be careful with the budgets as the cost of employees are important. They are in relation with other hotel departments and need to know what is happening. In our property, our HR team actively works on the organization of different kinds of events for the employees to ensure cohesion and team spirit. They are also here for non-pleasant situations like conflicts or disciplinary decisions.
- **The art and community manager** Are in charge of forming a community, fully integrating the artists in our hotel and creating a smooth harmony. He/she is a professional art curator and has a global overview of the property in terms of aesthetics. All the art events are under his/her responsibility. The event coordinator is in charge of the organization of any kind of events including our workshops. They need to

coordinate the operations with different departments like F&B, artistic section and deal with exterior partners (vendors, exhibitors).

**10.4 Personnel Policies.** To gather the best type of personnel the hotel must define clear standards to offer and maintain a consistent and high-quality service for its guests and therefore to have a clear guidance on what aptitudes an employee should have.

**10.4.1 Recruitment and selection.** Recruitment is the first step of adding new employees to the establishment and is conducted through advertising the vacancies on a number of platforms, especially in web sources.

The advertisements should be clearly organized and set out all the requirements to the specific role and should abide by our values, to attract the most suitable candidates to join our team. Thus, the whole purpose of recruitment is to find the right person who can add value to our hotel.

Additionally, of course, our selection criteria depend on the position chosen and should go in accordance with our values. We want diversity in our team in terms of age, nationalities, experiences, and education needed according to the department and level of position. We look for creative individuals who are willing to make the guest's experience memorable and all employees need to be interested in art. We also want to employ versatile candidates who can provide solutions in different ways and in various areas. Furthermore, we encourage our employees to take initiative in their departments and learn from their mistakes. We believe in empowering our internal guests, benefiting their personal and professional development and

growth.

Accordingly, we look first internally for potential employees, which means we want and give the opportunity for our current employees to grow and explore other departments and options. Then we look externally, via LinkedIn and other platforms like Turijobs and Glassdoor. Moreover, we set up plenty of job fairs in universities and graduate schools around Italy.

**10.4.1.1 Selection of artists.** The artists/designers are selected by our art and community manager based on the artistic value of their works, their ability to sell themselves and their work. The style of the artwork must go in accordance with the general style of the hotel. Our artists must show a great deal of determination, persistence, confidence and most importantly they should enjoy what they are doing. It is imperative for our establishment to partner with artists that are sharing the same value as us and understand the vision and mission of our company. They are key players for us.

**10.4.2 Hiring and contracts.** The first step of the hiring process is the HR officer and the department head in our hotel conduct a meeting in order to establish a hiring request. They observe the operation and see if there is a lack in a certain department or if someone resigned, they fill the vacancies and they help the managers of the outlet divide the number of staff.

The second step is the CV screenings. Our HR officers inspect the hard copy CVs and move on to the online applications if there are any. They review the applicants' job portals and databases.

Notably, the HR officer schedules an interview with the applicant via skype, with a

certain duration.

The potential employee will be asked about their employment history, their ability to work effectively in teams, their interest in art, their leadership skills, about their motivation, strengths, and weaknesses, as well as their skills. For example: What is your biggest achievement? We want to know about the details of the role they played and the determination, commitment and teamwork that was put in. We also ask how they would behave in various situations.

The interview with one of our HR officers is the first step of the future employee's application process. If all goes well with the first interview, he/she will move on to the second phase with the manager of the chosen department. These questions would be based on the knowledge the candidate possesses of the department, whether he/she has experience and how much, what will he/she bring to the team and the candidate's personality.

Furthermore, the candidate would have moved to phase three, where he/she will be conducting an interview with our general manager. In this interview, the GM would present the strategy of the hotel and what he or she expects from the employees in general, according to our values and would ask as well about our perspective in the workplace. Even if we are a small property, it is imperative for us to spend time to choose the right candidate for the right position.

In addition to that, they check with prior employers and the applicant's list of provided references. The officers may ask for the reference's questions on the phone or via a formal letter. The goal is to ensure that the employee is a perfect fit for the job. Moreover, comes the offer letter, which has the purpose to spell out all the details the position has to offer, which would include the start date and would provide information on compensation and benefit

packages.

Moreover, if the applicant is from another country or continent, he/she should start with the visa application with the assistance of the HR department.

The final step is the booking of the flight to get to The Out of the Box hotel in Milan.

**10.4.3 Training.** As the hotel performs actively in hospitality, retail, art and events, it is a requirement to ensure that our internal clients have the possibility to develop a wide set of skills while including our core values and encourage the sense of community that we want to develop as a whole organization through the initiatives below:

**10.4.3.1 Cross Training.** We have different sorts of personnel that can be used as an internal resource to share the knowledge of their fields of experience and develop activities such as role playing on different hotel positions, the art journey, selling techniques, shadowing, events organization and logistics, and encourage our internal customers to become integral and qualified staff that would be essential to deliver consistency and quality through every guest experience. We also plan to do an ‘art sensitivity’ training for all the employees. It will be a 2-hour session per month managed by the art and community manager to present the new projects and the upcoming events that will take place in the hotel.

**10.4.3.2 Creativity spaces.** As art is at the heart of our business, it is important for us to encourage our staff to think of their positions as a piece of art that should constantly be reinvented and perfected along with their essence, however, within the limits of the organization guidelines. Therefore, every month we will have spaces of

exploration and sharing of ideas that come from within to deliver a better service and develop better processes indistinct of the area of work.

**10.4.3.3 Handbook.** To achieve consistency in the service even with certain degrees of liberty to perform, the staff will examine a handbook that states all the guidelines of the available positions.

Mentoring and shadowing: Employees will be assisted for three weeks with a mentor that will provide the example on the execution of the delivery of service and the unseen processes required to fulfil the position. During this period, the employee should play a shadowing role and will be encouraged to add their personal signature.

**10.4.4 Compensation.** The direct financial compensation contains wages and salaries, including bonuses and commissions. Compensation programs should meet legal requirements provided by the Italian government, also to be cost-effective in exchange for reasonable output by personnel. We decided to fix our salaries depending on the competition and to go a little bit above the market to attract the best employees and guarantee them a good well-being. We also believe that it can be an important factor to have a low turnover. Our people are our best asset and it's important for us to show them that we are caring.

The GM will make the compensation decisions in accordance with HR and department managers. The established payment should be based on:

- Comparison of wages in other hotels for similar positions.

- Coherence of wages between employees in different jobs with similar contributions.
- Depending on individuals' performance and experience.
- Fair payment perceptions by employees, as salary scales are in the same level of the market. In our case slightly above the market.

Figure 65. Compensation chart

Figure 15: Table 1

*Payroll breakdown*

Out of the Box Employee Details All Amounts in € / EUR								
				Year 2022				
Level	Job Position	Clustered Position (Yes/No)	Department	Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total
1	Hotel Manager	Yes	A&G	1	54 000 €	-27 000 €	16 548 €	43 548 €
2	Ambassador Manager	No	Rooms	1	25 200 €	0 €	9 321 €	34 521 €
3	Ambassador	No	Rooms	5	20 400 €	0 €	7 545 €	139 726 €
3	Hsk supervisor	No	Rooms	2	20 400 €	0 €	7 545 €	55 890 €
4	Housekeeper	No	Rooms	4	15 600 €	0 €	5 770 €	85 479 €
2	Chief engineer	Yes	Maintenance	1	25 200 €	-12 600 €	4 660 €	17 260 €
4	Maintenance	No	Maintenance	3	15 600 €	0 €	5 770 €	64 110 €
2	Sales and Marketing manag.	Yes	Sales & Marketing	1	25 200 €	-12 600 €	4 660 €	17 260 €
3	Reservation agent	Yes	Sales & Marketing	1	20 400 €	-10 200 €	3 773 €	13 973 €
3	Events coordinator	Yes	Meetings & Events	1	20 400 €	-10 200 €	3 773 €	13 973 €
2	Human Ressources manage	Yes	A&G	1	25 200 €	-12 600 €	4 660 €	17 260 €
2	Finance Manager	Yes	A&G	1	25 200 €	-12 600 €	4 660 €	17 260 €
3	Accountant	Yes	A&G	1	20 400 €	-10 200 €	3 773 €	13 973 €
2	Art community manager	Yes	A&G	1	25 200 €	-12 600 €	4 660 €	17 260 €
Overall				24	338 400 €	-120 600 €	87 118 €	551 494 €

Source: Authors own work

To motivate our employees and to connect them to the hotel's goals we introduce incentives. (Jobbydoo, n.d).

**10.4.4.1 Recognition and non-monetary benefits.** Non-monetary incentives have a high impact on motivation of employees, at the same time with minimal financial outcome

to the hotel's bottom line. Nowadays, our employees highly appreciate work-life balance, development opportunities and a desire to bring a meaningful contribution, to be aligned with a hotel's mission, vision, and values. As a result, we will provide:

- a.** Flexible work schedules depending on position.
- b.** Social activities such as team building and Christmas parties.
- c.** Recognition rewards for an outstanding action. These could include, for example, a great service based on our guests' reviews with a name mentioned on TripAdvisor or revenue goal exceeded for a special time etc. Every time an employee is doing something like this his manager can reward him with a paper that will allow him to participate in a game that takes place every week at the administration department. Like with a lottery system, the reward employee in question will turn a wheel and each number is corresponding to a gift. For example, a free entrance ticket for a museum, a bottle of champagne etc.

This program is aimed to increase our employees' motivation and job contentment, also to attract and retain talented workers. In consequence, the non-monetary program will indirectly induce customer satisfaction.



## **11. Financial Plan**

In order to have a sustainable project within time, a financial analysis must be made by considering a business breakdown of the finance statements and for which the group has made a range of statements that covers the pessimistic, the realistic and the optimistic scenarios.

### **11.1 Initial investment**

After our extensive research we have established that Out of the Box hotel has a real market need for it. This investment project with a high potential will be proven to be profitable and beneficial for all the involved parties.

Out of the Box hotel requires a significant space to carry out all the artistic projects. Our initial idea was to build a hotel from scratch in the outskirts of the city. By understanding the market and the needs of our potential guests, we have decided to purchase an existing building and reconstruct it. It will allow the hotel to take a central location with a well-developed infrastructure, which is preferable.

**The total investment includes:**

- a.** The cost of purchasing an existing building in Nola (according to Idealista.com offering, an average per square meter is calculated).
- b.** Cost related to purchasing fixtures, furniture, and other equipment that was calculated in accordance with the Hotel Handbook Guide.

- c. Lastly, cost for conducting initial marketing campaigns.

As shown in the following table, everything mentioned above represents a **total investment of 12,816,293 €**:

Figure 16: *Table 1*

*Initial investment for the Out of the box hotel*

Investing Assumptions			
<b>Property Purchase</b>			
Gross Area - sq.m.	6.003		
Price per sq.m. excl. VAT	€	1.769,00	
<b>Total purchase price</b>	€	<b>10.619.307</b>	
<b>Refurbishment Costs</b>			
	<b>Cost per room</b>	<b>Bulk cost</b>	<b>Total Cost</b>
Guest room soft goods	€ 7.253,10	n/a	€ 362.655
Guest room full renovation	€ 8.872,34	n/a	€ 443.617
Bathroom soft goods	€ 8.721,00	n/a	€ 436.050
Bathroom full renovation	€ 1.659,56	n/a	€ 82.978
Corridor	€ 1.342,80	n/a	€ 67.140
Lobby soft goods (sf)(3500) (1.155mts)	n/a	€ 50.145,75	€ 50.146
Lobby Full renovation	n/a	€ 390.245,09	€ 390.245
Public restrooms soft goods	n/a	€ 24.538,50	€ 24.539
Public restroom full renovation	n/a	€ 188.784,00	€ 188.784
(CADDIT) RFID	n/a	€ 360,00	€ 360
(CADDIT) 2 LOBBY SCREENS	n/a	€ 12.600,00	€ 12.600
<b>Total refurbishment costs</b>			<b>€ 2.059.113</b>

Source: Authors own work

For financing this project, we preferred 70% debt and 30% equity. Moreover, the debt is going to be collected through a mortgage from the local bank. Consequently, this debt covers 8.97 million euros, and the equity covers 3.84 million euros. At an annual rate of 2%, it will take a 15-year period to pay the mortgage.

We are planning to purchase a building and start its reconstruction on 31st December 2020, which is going to last 12 months. Afterwards, Out of the Box hotel will open its doors to the guests on January 1st, 2022. Furthermore, to see the whole picture, our assumptions are based on three different scenarios (optimistic, realistic and pessimistic), and we chose the realistic one for future sale forecasts. For a more detailed overview the financial modelling is calculated monthly with annual statements.

## 11.2 Occupancy and ADR

We have established occupancy according to the average occupancy rate in Milan and our main competitors, also taking into consideration the analysis of seasonality. Through the previous marketing campaigns the occupancy will be reached for the first year. In addition, in the first two years, mostly domestic travelers are expected to be received, and at the same time, necessary steps will be taken to build international awareness in the following years. It is also expected that the occupancy will increase by 10% in the second year.

Figure 17: *Table 3*

### *Occupancy and ADR projection Y1 to Y3*

Y1	Occupancy %	65%	68%	70%	70%	70%	73%	67%	35%	78%	70%	70%	60%
	ADR	122	132	162	162	153	162	162	102	231	162	143	117
Y2	Occupancy %	71%	74%	76%	78%	77%	80%	78%	48%	86%	76%	76%	66%
	ADR	130	141	174	174	163	174	174	109	247	174	153	125
Y3	Occupancy %	75%	85%	85%	88%	87%	89%	88%	56%	94%	87%	84%	74%
	ADR	138	149	184	184	173	184	184	115	261	184	162	132

Source: Authors own work

The ADR is based on the price of the competitors, the seasonality, and the pricing strategy discussed above. In the second year, this ADR is going to grow 5%, and it is going to be 6% in the third year. With the purpose of enhancing the loyalty of the existing clients, the ADR will be kept below 10%. While considering three scenarios, the growth will maintain 3% per year in stabilization years. See the detailed explanation in the pricing section of the assignment.

### **11.3 Profit & Loss statement**

Costs are estimated according to the Report and Valuation (Sevills, 2014) of our main competitor Nhow hotel with some adjustments. Marketing costs will be higher during the first years because Out of the Box is an independent hotel and needs to gain visibility to attract international guests. We also introduced commissions for the artists/designers which equals 3% of the revenues. To ensure the hotel remains competitive, we decided to have a clustering allocation of salary costs. Out of the Box will partner with a hotel similar in size to share some positions.

The business is profitable starting from the first year, mainly it is achieved by the monthly income from the restaurant lease agreement, which balances up the risks of this investment.

From the operational side, our revenue streams consist of 90% rooms, 8% events and 2% other sources of revenue. At the same time, we gain a significant amount of revenues through the lease agreement which is 12,000 euros per month for the 400 sq.m. space.

Figure 18: Table 4

*Profit & loss statements evolution Y1 to Y5*

	2022		2023		2024		2025		2026	
	Year 1		Year 2		Year 3		Year 4		Year 5	
Profit and Loss Statement										
# of Rooms	50		50		50		50		50	
# of Days Open	365		365		366		365		365	
Available Rooms	18250		18250		18300		18250		18250	
Occupied Rooms	12091		13462		15114		15071		15071	
Occupancy %	66,2%		73,8%		82,6%		82,6%		82,6%	
ADR	155		165		174		178		181	
ADR Growth	NA		6,5%		5,8%		2,0%		2,0%	
RevPAR	102		121		144		147		150	
RevPAR Growth	NA		18,6%		18,4%		2,0%		2,0%	
Revenue										
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Rooms	1.868.766	90,0%	2.216.145	90,0%	2.631.248	90,0%	2.677.396	90,0%	2.730.944	90,0%
Meetings & Events	166.113	8,0%	196.991	8,0%	233.889	8,0%	237.991	8,0%	242.751	8,0%
Other	41.528	2,0%	49.248	2,0%	58.472	2,0%	59.498	2,0%	60.688	2,0%
Total Revenues	2.076.407	100,0%	2.462.383	100,0%	2.923.609	100,0%	2.974.884	100,0%	3.034.382	100,0%
Departmental Expenses										
Rooms	(595.931)	31,9%	(697.353)	31,5%	(759.619)	28,9%	(766.541)	28,6%	(774.573)	28,4%
Meetings & Events	(47.195)	28,4%	(53.371)	27,1%	(60.750)	26,0%	(61.571)	25,9%	(62.523)	25,8%
Other	(20.764)	50,0%	(24.624)	50,0%	(29.236)	50,0%	(29.749)	50,0%	(30.344)	50,0%
Total Departmental Expenses	(863.890)	32,0%	(775.348)	31,5%	(849.605)	29,1%	(857.860)	28,8%	(867.440)	28,6%
Departmental Profit										
Accommodation	1.272.835	68,1%	1.518.791	68,5%	1.871.630	71,1%	1.910.855	71,4%	1.956.371	71,6%
Meetings & Events	118.917	71,6%	143.620	72,9%	173.138	74,0%	176.420	74,1%	180.228	74,2%
Other	20.764	50,0%	24.624	50,0%	29.236	50,0%	29.749	50,0%	30.344	50,0%
Total Departmental Profit	1.412.516	68,0%	1.687.035	68,5%	2.074.004	70,9%	2.117.024	71,2%	2.166.942	71,4%
Undistributed Expenses										
Administrative & General & IT	(132.142)	6,4%	(130.066)	5,3%	(125.913)	4,3%	(125.913)	4,2%	(125.913)	4,1%
Sales & Marketing	(93.525)	4,5%	(89.372)	3,6%	(83.143)	2,8%	(83.143)	2,8%	(83.143)	2,7%
Maintenance	(93.828)	4,5%	(113.122)	4,6%	(111.045)	3,8%	(111.045)	3,7%	(111.045)	3,7%
Utilities (variable)	(72.674)	3,5%	(86.183)	3,5%	(102.326)	3,5%	(104.121)	3,5%	(106.203)	3,5%
Total Undistributed Expenses	(392.170)	18,9%	(418.743)	17,0%	(422.428)	14,4%	(424.222)	14,3%	(426.305)	14,0%
Gross Operating Profit	1.020.346	49,1%	1.268.292	51,5%	1.651.576	56,5%	1.692.801	56,9%	1.740.638	57,4%
FFE (reserve)										
Base Fee (GRR)	(41.528)	2,0%	(73.871)	3,0%	(116.944)	4,0%	(118.995)	4,0%	(121.375)	4,0%
Management Fee Calculation (GC)	(41.528)	2,0%	(49.248)	2,0%	(58.472)	2,0%	(59.498)	2,0%	(60.688)	2,0%
Artists' commission	(25.509)	1,2%	(31.707)	1,3%	(41.289)	1,4%	(42.320)	1,4%	(43.516)	1,4%
Adj. Gross Operating Profit	849.489	40,9%	1.039.594	42,2%	1.347.162	46,1%	1.382.742	46,5%	1.424.027	46,9%
Fixed Income & Expenses										
Rent Income	144.000		144.000		144.000		144.000		144.000	
Rent Income Percentage	68,8%		40,0%		24,3%		22,8%		21,5%	
Property Tax	(93.928)		(91.500)		(89.072)		(86.644)		(86.644)	
Insurance	(111.231)		(108.355)		(105.480)		(102.605)		(102.605)	
Total Net Fixed Income/(Expense)	(61.159)		(55.856)		(50.553)		(45.250)		(45.250)	
Net Operating Profit	788.330		983.738		1.296.609		1.337.492		1.378.778	
Depreciation and Amortization										
Depreciation and Amortization	(319.460)		(319.460)		(319.460)		(319.460)		(319.460)	
Interest Expenses	(174.696)		(164.239)		(153.571)		(142.687)		(131.584)	
Corporate Income Tax	(84.871)		(139.590)		(229.779)		(244.221)		(258.838)	
Net Income	209.303		360.449		593.800		631.124		668.896	

Source: Authors own work

## 11.4 Balance Sheet

Figure 19: Table 2

*Balance sheet evolution Y1 to Y5*

	2022	2023	2024	2025	2026
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash	148.552	299.918	673.968	1.074.458	1.501.616
FFE Reserve Account	41.528	115.400	232.344	351.339	472.715
Existing Building & Land Plot	10.406.921	10.194.535	9.982.149	9.769.762	9.557.376
FFE	1.952.039	1.844.965	1.737.891	1.630.817	1.523.743
<b>Total Assets</b>	<b>12.507.512</b>	<b>12.339.418</b>	<b>12.394.008</b>	<b>12.475.038</b>	<b>12.582.736</b>
<b>Liabilities</b>					
Short-term liabilities	0	0	0	0	0
Bank loans	8.453.320	7.924.778	7.385.567	6.835.473	6.274.275
<b>Total Liabilities</b>	<b>8.453.320</b>	<b>7.924.778</b>	<b>7.385.567</b>	<b>6.835.473</b>	<b>6.274.275</b>
<b>Equity</b>					
Shareholders' Equity	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888
Current Period Profit/(Loss)	209.303	360.449	593.800	631.124	668.896
Retained earnings	0	209.303	569.753	1.163.553	1.794.677
<b>Total Equity</b>	<b>4.054.191</b>	<b>4.414.641</b>	<b>5.008.441</b>	<b>5.639.565</b>	<b>6.308.461</b>
<b>Total Liability and Equity</b>	<b>12.507.512</b>	<b>12.339.418</b>	<b>12.394.008</b>	<b>12.475.038</b>	<b>12.582.736</b>
<i>Control number</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Debt / Equity</i>	<i>67,6%</i>	<i>64,2%</i>	<i>59,6%</i>	<i>54,8%</i>	<i>49,9%</i>

Source: Authors own work

## 11.5 Cash Flows

To create a positive ending cash, we have taken working capital of 137,873 euros which equals the first 3 months of salaries that we need to cover.

Figure 20: Table 3

*Cash flow evolution Y1 to Y5*

	2022	2023	2024	2025	2026
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Cash Flow Statement</b>					
<i>Operating Activities</i>					
NGP	829.858	1.057.610	1.413.554	1.456.488	1.500.153
Interest expense	-174.696	-164.239	-153.571	-142.687	-131.584
Income tax	-84.871	-139.590	-229.779	-244.221	-258.838
Gross Cash Flow	570.292	753.781	1.030.205	1.069.579	1.109.731
Change in working capital	0	0	0	0	0
<b>Net operating cash flow</b>	<b>570.292</b>	<b>753.781</b>	<b>1.030.205</b>	<b>1.069.579</b>	<b>1.109.731</b>
<i>Investing Activities</i>					
FFE	-41.528	-73.871	-116.944	-118.995	-121.375
Construction	0	0	0	0	0
<b>Net investment cash flow</b>	<b>-41.528</b>	<b>-73.871</b>	<b>-116.944</b>	<b>-118.995</b>	<b>-121.375</b>
<i>Financing Activities</i>					
Loan received	0	0	0	0	0
Loan repaid	-518.085	-528.542	-539.211	-550.094	-561.198
Shareholders' equity received	0	0	0	0	0
Dividends paid	0	0	0	0	0
<b>Net financing cash flow</b>	<b>-518.085</b>	<b>-528.542</b>	<b>-539.211</b>	<b>-550.094</b>	<b>-561.198</b>
<b>Change in cash</b>	<b>10.678</b>	<b>151.367</b>	<b>374.050</b>	<b>400.490</b>	<b>427.159</b>
Starting cash	137.873	148.552	299.918	673.968	1.074.458
<b>Ending cash</b>	<b>148.552</b>	<b>299.918</b>	<b>673.968</b>	<b>1.074.458</b>	<b>1.501.616</b>

Source: Authors own Work

**11.6 Valuation**

Following indicators helped us to evaluate the project and prove its viability:

- a. Exit YIELD: 6.5%
- b. Payback period: 12 years
- c. Net present value: €13,723,040
- d. IRR: 12.7%

## 12. Conclusion

After an extensive primary and secondary research including the analysis of the Italian market and the trend of the immersive art industry, we have concluded that the Out of the Box project has high potential. Our concept goes hand in hand with the design-oriented Milanese culture. By joining the art industry and the hospitality industry together we solve the existing pains of potential guests who are willing to pay extra for it. Furthermore, we have also discovered new ways to monetize a hotel by using rooms in low occupancy as a living gallery and also as a platform for organizing events. Hence, it is important to mention that Out of the Box goes further than promotion of artists and shares a part of the profit with them, our concept as mentioned previously has a unique sense of community that we transmit to the guests by storytelling.

In addition to that, the financial plan has proven the profitability of the project. As a result, we are eager to open the doors of our hotel for guests to enjoy the artistic experience being in the place where things happen.



## 13. Annexes

### 13.1 Annual P&L Realistic Scenario

Table 4

*Profit & loss Realistic scenario Y1 to Y5*

Out of the Box										
Monthly Assumptions	Live Case -> Realistic									
All Amounts in EUR										
	2022		2023		2024		2025		2026	
	Year 1		Year 2		Year 3		Year 4		Year 5	
Profit and Loss Statement										
# of Rooms	50		50		50		50		50	
# of Days Open	365		365		366		365		365	
Available Rooms	18250		18250		18300		18250		18250	
Occupied Rooms	12091		13462		15114		15071		15071	
Occupancy %	66,2%		73,8%		82,6%		82,6%		82,6%	
ADR	155		165		174		178		181	
ADR Growth	NA		6,5%		5,8%		2,0%		2,0%	
RevPAR	102		121		144		147		150	
RevPAR Growth	NA		18,6%		18,4%		2,0%		2,0%	
Revenue	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Rooms	1.868.766	90,0%	2.216.145	90,0%	2.631.248	90,0%	2.677.396	90,0%	2.730.944	90,0%
Meetings & Events	166.113	8,0%	196.991	8,0%	233.889	8,0%	237.991	8,0%	242.751	8,0%
Other	41.528	2,0%	49.248	2,0%	58.472	2,0%	59.498	2,0%	60.688	2,0%
Total Revenues	2.076.407	100,0%	2.462.383	100,0%	2.923.609	100,0%	2.974.884	100,0%	3.034.382	100,0%
Departmental Expenses										
Rooms	(595.931)	31,9%	(697.353)	31,5%	(759.619)	28,9%	(766.541)	28,6%	(774.573)	28,4%
Meetings & Events	(47.195)	28,4%	(53.371)	27,1%	(60.750)	26,0%	(61.571)	25,9%	(62.523)	25,8%
Other	(20.764)	50,0%	(24.624)	50,0%	(29.236)	50,0%	(29.749)	50,0%	(30.344)	50,0%
Total Departmental Expenses	(663.890)	32,0%	(775.348)	31,5%	(849.605)	29,1%	(857.860)	28,8%	(867.440)	28,6%
Departmental Profit										
Accommodation	1.272.835	68,2%	1.518.791	68,5%	1.871.630	71,1%	1.910.855	71,4%	1.956.371	71,6%
Meetings & Events	118.917	71,6%	143.620	72,9%	173.138	74,0%	176.420	74,1%	180.228	74,2%
Other	20.764	50,0%	24.624	50,0%	29.236	50,0%	29.749	50,0%	30.344	50,0%
Total Departmental Profit	1.412.516	68,0%	1.667.035	68,5%	2.074.004	70,9%	2.117.624	71,2%	2.166.942	71,4%
Undistributed Expenses										
Administrative & General & IT	(132.142)	6,4%	(130.066)	5,3%	(125.913)	4,3%	(125.913)	4,2%	(125.913)	4,1%
Sales & Marketing	(93.525)	4,5%	(89.372)	3,6%	(83.143)	2,8%	(83.143)	2,8%	(83.143)	2,7%
Maintenance	(93.828)	4,5%	(113.122)	4,6%	(111.045)	3,8%	(111.045)	3,7%	(111.045)	3,7%
Utilities (variable)	(72.674)	3,5%	(86.183)	3,5%	(102.326)	3,5%	(104.121)	3,5%	(106.203)	3,5%
Total Undistributed Expenses	(392.170)	18,9%	(418.743)	17,0%	(422.428)	14,4%	(424.222)	14,3%	(426.305)	14,0%
Gross Operating Profit	1.020.346	49,1%	1.268.292	51,5%	1.651.576	56,5%	1.692.801	56,9%	1.740.638	57,4%
FFE (reserve)	(41.528)	2,0%	(73.871)	3,0%	(116.944)	4,0%	(118.995)	4,0%	(121.375)	4,0%
Base Fee (GRI)	(41.528)	2,0%	(49.248)	2,0%	(58.472)	2,0%	(59.498)	2,0%	(60.688)	2,0%
Management Fee Calculation (BC)	(25.509)	1,2%	(31.707)	1,3%	(41.289)	1,4%	(42.320)	1,4%	(43.516)	1,4%
Artists' commission	(62.292)	3,0%	(73.871)	3,0%	(87.708)	3,0%	(89.247)	3,0%	(91.031)	3,0%
Adj. Gross Operating Profit	849.489	40,9%	1.039.594	42,2%	1.347.162	46,1%	1.382.742	46,5%	1.424.027	46,9%
Fixed Income & Expenses										
Rent Income	144.000		144.000		144.000		144.000		144.000	
Rent Income Percentage	68,8%		40,0%		24,3%		22,8%		21,5%	
Property Tax	(93.928)		(91.500)		(89.072)		(86.644)		(86.644)	
Insurance	(111.231)		(108.355)		(105.480)		(102.605)		(102.605)	
Total Net Fixed Income/Expense	(62.159)		(55.856)		(50.553)		(45.250)		(45.250)	
Net Operating Profit	788.330		983.738		1.296.609		1.337.492		1.378.778	
Depreciation and Amortization	(319.460)		(319.460)		(319.460)		(319.460)		(319.460)	
Interest Expenses	(174.696)		(164.239)		(153.571)		(142.687)		(131.584)	
Corporate Income Tax	(84.871)		(139.590)		(219.779)		(244.221)		(258.838)	
Net Income	209.303		360.449		593.800		631.124		668.896	

Source: Authors own work

## 13.2 Annual P&L Optimistic Scenario

Table 5

*Profit & loss optimistic scenario Y1 to Y5*

Out of the Box Monthly Assumptions All Amounts in EUR											
Live Case -> <div>Optimist</div>											
	2022		2023		2024		2025		2026		
	Year 1		Year 2		Year 3		Year 4		Year 5		
Profit and Loss Statement											
# of Rooms	50		50		50		50		50		
# of Days Open	365		365		366		365		365		
Available Rooms	18250		18250		18300		18250		18250		
Occupied Rooms	12695		14135		15567		15523		15523		
Occupancy %	69,6%		77,5%		85,1%		85,1%		85,1%		
ADR	162		173		183		187		190		
ADN Growth	NA		6,5%		5,8%		2,0%		2,0%		
RevPAR	113		134		156		159		162		
RevPAR Growth	NA		18,6%		16,2%		2,0%		2,0%		
Revenue	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	
Rooms	2.060.314	90,0%	2.443.299	90,0%	2.845.695	90,0%	2.895.604	90,0%	2.953.516	90,0%	
Meetings & Events	183.139	8,0%	217.182	8,0%	252.951	8,0%	257.387	8,0%	262.535	8,0%	
Other	45.785	2,0%	54.296	2,0%	63.238	2,0%	64.347	2,0%	65.634	2,0%	
Total Revenues	2.289.238	100,0%	2.714.777	100,0%	3.161.884	100,0%	3.217.337	100,0%	3.281.684	100,0%	
Departmental Expenses											
Rooms	(624.664)	30,3%	(731.426)	29,9%	(791.786)	27,8%	(799.272)	27,6%	(807.959)	27,4%	
Meetings & Events	(50.600)	27,6%	(57.409)	26,4%	(64.563)	25,5%	(65.450)	25,4%	(66.480)	25,3%	
Other	(22.892)	50,0%	(27.148)	50,0%	(31.619)	50,0%	(32.173)	50,0%	(32.817)	50,0%	
Total Departmental Expenses	(698.156)	30,5%	(815.983)	30,1%	(887.967)	28,1%	(896.895)	27,9%	(907.255)	27,6%	
Departmental Profit											
Accommodation	1.435.651	69,7%	1.711.873	70,1%	2.053.909	72,2%	2.096.332	72,4%	2.145.557	72,6%	
Meetings & Events	132.539	72,4%	159.773	73,6%	188.388	74,5%	191.937	74,6%	196.055	74,7%	
Other	22.892	50,0%	27.148	50,0%	31.619	50,0%	32.173	50,0%	32.817	50,0%	
Total Departmental Profit	1.591.082	69,5%	1.898.794	69,9%	2.273.916	71,9%	2.320.442	72,1%	2.374.429	72,4%	
Undistributed Expenses											
Administrative & General & IT	(134.483)	5,9%	(132.194)	4,9%	(127.616)	4,0%	(127.616)	4,0%	(127.616)	3,9%	
Sales & Marketing	(99.910)	4,4%	(95.332)	3,5%	(88.464)	2,8%	(88.464)	2,7%	(88.464)	2,7%	
Maintenance	(95.105)	4,2%	(114.186)	4,2%	(111.897)	3,5%	(111.897)	3,5%	(111.897)	3,4%	
Utilities (variable)	(80.123)	3,5%	(95.017)	3,5%	(110.666)	3,5%	(112.607)	3,5%	(114.859)	3,5%	
Total Undistributed Expenses	(409.622)	17,9%	(436.729)	16,1%	(438.642)	13,9%	(440.583)	13,7%	(442.835)	13,5%	
Gross Operating Profit	1.181.460	51,6%	1.462.065	53,9%	1.835.274	58,0%	1.879.859	58,4%	1.931.594	58,9%	
FF&E (reserve)											
Base Fee (GRR)	(45.785)	2,0%	(81.443)	3,0%	(126.475)	4,0%	(128.693)	4,0%	(131.267)	4,0%	
Management Fee Calculation (GCR)	(45.785)	2,0%	(54.296)	2,0%	(63.238)	2,0%	(64.347)	2,0%	(65.634)	2,0%	
Artists' commission	(29.536)	1,3%	(36.552)	1,3%	(45.882)	1,5%	(46.996)	1,5%	(48.290)	1,5%	
Adj. Gross Operating Profit	991.677	43,3%	1.208.331	44,5%	1.504.823	47,6%	1.543.302	48,0%	1.587.952	48,4%	
Fixed Income & Expenses											
Rent Income	144.000		144.000		144.000		144.000		144.000		
Rent Income Percentage	45,8%		29,9%		20,4%		19,3%		18,3%		
Property Tax	(93.928)		(91.500)		(89.072)		(86.644)		(86.644)		
Insurance	(111.231)		(108.355)		(105.480)		(102.605)		(102.605)		
Total Net Fixed Income/Expense	(61.159)		(55.856)		(50.553)		(45.250)		(45.250)		
Net Operating Profit	930.518		1.152.476		1.454.270		1.498.052		1.542.703		
Depreciation and Amortization											
Interest Expenses	(319.460)		(319.460)		(319.460)		(319.460)		(319.460)		
Corporate Income Tax	(174.696)		(164.239)		(153.571)		(142.687)		(131.584)		
	(122.234)		(186.589)		(273.766)		(289.018)		(304.573)		
Net Income	314.128		482.188		707.474		746.888		787.086		

Source: Authors own Work

### 13.3 Annual P&L Pessimistic Scenario

Table 6

*Profit & loss pessimistic scenario*

Out of the Box Monthly Assumptions All Amounts in EUR		Live Case -> <div>Pessimistic</div>									
		2022		2023		2024		2025		2026	
		Year 1		Year 2		Year 3		Year 4		Year 5	
Profit and Loss Statement											
# of Rooms		50		50		50		50		50	
# of Days Open		365		365		366		365		365	
Available Rooms		18250		18250		18300		18250		18250	
Occupied Rooms		11486		12789		14358		14317		14317	
Occupancy %		62,9%		70,1%		78,5%		78,5%		78,5%	
ADR		147		156		165		169		172	
ADR Growth		NA		6,5%		5,8%		2,0%		2,0%	
RevPAR		92		110		130		132		135	
RevPAR Growth		NA		18,6%		18,4%		2,0%		2,0%	
Revenue	Amount Ratio		Amount Ratio		Amount Ratio		Amount Ratio		Amount Ratio		
Rooms		1.686.561	90,0%	2.000.071	90,0%	2.374.702	90,0%	2.416.350	90,0%	2.464.677	90,0%
Meetings & Events		149.917	8,0%	177.784	8,0%	211.085	8,0%	214.787	8,0%	219.082	8,0%
Other		37.479	2,0%	44.446	2,0%	52.771	2,0%	53.697	2,0%	54.771	2,0%
Total Revenues		1.873.957	100,0%	2.222.301	100,0%	2.638.557	100,0%	2.684.833	100,0%	2.738.530	100,0%
Departmental Expenses											
Rooms		(568.601)	33,7%	(664.942)	33,2%	(721.137)	30,4%	(727.384)	30,1%	(734.633)	29,8%
Meetings & Events		(43.956)	29,3%	(49.529)	27,9%	(56.190)	26,6%	(56.930)	26,5%	(57.789)	26,4%
Other		(18.740)	50,0%	(22.223)	50,0%	(26.386)	50,0%	(26.848)	50,0%	(27.385)	50,0%
Total Departmental Expenses		(631.296)	33,7%	(736.695)	33,2%	(803.712)	30,5%	(811.162)	30,2%	(819.807)	29,9%
Departmental Profit											
Accommodation		1.117.961	66,3%	1.335.128	66,8%	1.653.565	69,6%	1.688.966	69,9%	1.730.044	70,2%
Meetings & Events		105.961	70,7%	128.255	72,1%	154.895	73,4%	157.857	73,5%	161.293	73,6%
Other		18.740	50,0%	22.223	50,0%	26.386	50,0%	26.848	50,0%	27.385	50,0%
Total Departmental Profit		1.242.661	66,3%	1.485.606	66,8%	1.834.846	69,5%	1.873.671	69,8%	1.918.722	70,1%
Undistributed Expenses											
Administrative & General & IT		(129.915)	6,9%	(128.041)	5,8%	(124.293)	4,7%	(124.293)	4,6%	(124.293)	4,5%
Sales & Marketing		(87.452)	4,7%	(83.704)	3,8%	(78.082)	3,0%	(78.082)	2,9%	(78.082)	2,9%
Maintenance		(92.634)	4,9%	(112.110)	5,0%	(110.236)	4,2%	(110.236)	4,1%	(110.236)	4,0%
Utilities (variable)		(65.588)	3,5%	(77.781)	3,5%	(92.350)	3,5%	(93.969)	3,5%	(95.849)	3,5%
Total Undistributed Expenses		(375.569)	20,0%	(401.635)	18,1%	(404.960)	15,3%	(406.580)	15,1%	(408.459)	14,9%
Gross Operating Profit		867.092	46,3%	1.083.971	48,8%	1.429.885	54,2%	1.467.091	54,6%	1.510.263	55,1%
FFE (reserve)		(37.479)	2,0%	(66.669)	3,0%	(105.542)	4,0%	(107.393)	4,0%	(109.541)	4,0%
Base Fee (GRR)		(37.479)	2,0%	(44.446)	2,0%	(52.771)	2,0%	(53.697)	2,0%	(54.771)	2,0%
Management Fee Calculation (GC)		(21.677)	1,2%	(27.099)	1,2%	(35.747)	1,4%	(36.677)	1,4%	(37.757)	1,4%
Artists' commission		(56.219)	3,0%	(66.669)	3,0%	(79.157)	3,0%	(80.545)	3,0%	(82.156)	3,0%
Adj. Gross Operating Profit		714.238	38,1%	879.088	39,6%	1.156.668	43,8%	1.188.779	44,3%	1.226.039	44,8%
Fixed Income & Expenses											
Rent Income		144.000		144.000		144.000		144.000		144.000	
Rent Income Percentage		131,4%		59,5%		31,5%		29,3%		27,4%	
Property Tax		(93.928)		(91.500)		(89.072)		(86.644)		(86.644)	
Insurance		(111.231)		(108.355)		(105.480)		(102.605)		(102.605)	
Total Net Fixed Income/Expense		(61.159)		(55.856)		(50.553)		(45.250)		(45.250)	
Net Operating Profit		653.079		823.232		1.106.115		1.143.529		1.180.789	
Depreciation and Amortization		(319.460)		(319.460)		(319.460)		(319.460)		(319.460)	
Interest Expenses		(174.696)		(164.239)		(153.571)		(142.687)		(131.584)	
Corporate Income Tax		(49.330)		(97.389)		(176.631)		(190.106)		(203.599)	
Net Income		109.593		242.145		456.454		491.276		526.146	

Source: Authors own Work



### 13.4 Annual Balance Sheet and Cash Flow Realistic Scenario

Table 7

*Balance sheet and cash flow statement Realistic scenario Y1 to Y5*

Out of the Box Monthly Assumptions All Amounts in EUR		Live Case -> Realistic				
	2022	2023	2024	2025	2026	
	Year 1	Year 2	Year 3	Year 4	Year 5	
Balance Sheet						
Assets						
Cash	148.552	299.918	673.968	1.074.458	1.501.616	
FFE Reserve Account	41.528	115.400	292.344	351.339	472.715	
Existing Building & Land Plot	10.406.921	10.194.535	9.982.149	9.769.762	9.557.376	
FFE	1.952.039	1.844.965	1.737.891	1.630.817	1.523.743	
Total Assets	12.507.512	12.339.418	12.394.008	12.475.038	12.582.736	
Liabilities						
Short-term liabilities	0	0	0	0	0	
Bank loans	8.453.320	7.924.778	7.385.567	6.835.473	6.274.275	
Total Liabilities	8.453.320	7.924.778	7.385.567	6.835.473	6.274.275	
Equity						
Shareholders' Equity	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	
Current Period Profit/(Loss)	209.303	360.449	593.800	631.124	668.896	
Retained earnings	0	209.303	569.753	1.163.553	1.794.677	
Total Equity	4.054.191	4.414.641	5.008.441	5.639.565	6.308.461	
Total Liability and Equity	12.507.512	12.339.418	12.394.008	12.475.038	12.582.736	
Control number	0	0	0	0	0	
Debt / Equity	67,6%	64,2%	59,6%	54,8%	49,9%	
Cash Flow Statement						
Operating Activities						
NOP	829.858	1.057.610	1.413.554	1.456.488	1.500.153	
Interest expense	-174.696	-164.239	-153.571	-142.687	-131.584	
Income tax	-84.871	-139.590	-229.779	-244.221	-258.838	
Gross Cash Flow	570.292	753.781	1.030.205	1.069.579	1.109.731	
Change in working capital	0	0	0	0	0	
Net operating cash flow	570.292	753.781	1.030.205	1.069.579	1.109.731	
Investing Activities						
FFE	-41.528	-73.871	-116.944	-118.995	-121.375	
Construction	0	0	0	0	0	
Net investment cash flow	-41.528	-73.871	-116.944	-118.995	-121.375	
Financing Activities						
Loan received	0	0	0	0	0	
Loan repaid	-518.085	-528.542	-539.211	-550.094	-561.198	
Shareholders' equity received	0	0	0	0	0	
Dividends paid	0	0	0	0	0	
Net financing cash flow	-518.085	-528.542	-539.211	-550.094	-561.198	
Change in cash						
Starting cash	137.873	148.552	299.918	673.968	1.074.458	
Ending cash	148.552	299.918	673.968	1.074.458	1.501.616	

Source: Authors own Work

### 13.5 Annual Balance Sheet and Cash Flow Optimistic Scenario

Table 8

*Balance sheet and cash flow statement Optimistic scenario Y1 to Y5*

<b>Out of the Box</b> <b>Monthly Assumptions</b> Live Case -> <b>Optimist</b> ▾ <b>All Amounts in EUR</b>					
	2022	2023	2024	2025	2026
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash	253.376	526.481	1.014.204	1.530.458	2.075.806
FFE Reserve Account	45.785	127.228	253.703	382.397	513.664
Existing Building & Land Plot	10.406.921	10.194.535	9.982.149	9.769.762	9.557.376
FFE	1.952.039	1.844.965	1.737.891	1.630.817	1.523.743
<b>Total Assets</b>	<b>12.612.336</b>	<b>12.565.981</b>	<b>12.734.244</b>	<b>12.931.038</b>	<b>13.156.926</b>
<b>Liabilities</b>					
Short-term liabilities	0	0	0	0	0
Bank loans	8.453.320	7.924.778	7.385.567	6.835.473	6.274.275
<b>Total Liabilities</b>	<b>8.453.320</b>	<b>7.924.778</b>	<b>7.385.567</b>	<b>6.835.473</b>	<b>6.274.275</b>
<b>Equity</b>					
Shareholders' Equity	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888
Current Period Profit/(Loss)	314.128	482.188	707.474	746.888	787.086
Retained earnings	0	314.128	796.316	1.503.789	2.250.677
<b>Total Equity</b>	<b>4.159.016</b>	<b>4.641.203</b>	<b>5.348.677</b>	<b>6.095.565</b>	<b>6.882.651</b>
<b>Total Liability and Equity</b>	<b>12.612.336</b>	<b>12.565.981</b>	<b>12.734.244</b>	<b>12.931.038</b>	<b>13.156.926</b>
<b>Control number</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Debt / Equity	67,0%	63,1%	58,0%	52,9%	47,7%
<b>Cash Flow Statement</b>					
<b>Operating Activities</b>					
NOP	976.303	1.233.919	1.580.745	1.626.746	1.673.970
Interest expense	-174.696	-164.239	-153.571	-142.687	-131.584
Income tax	-122.234	-186.589	-273.766	-289.018	-304.573
<b>Gross Cash Flow</b>	<b>679.372</b>	<b>883.091</b>	<b>1.153.409</b>	<b>1.195.041</b>	<b>1.237.813</b>
Change in working capital	0	0	0	0	0
<b>Net operating cash flow</b>	<b>679.372</b>	<b>883.091</b>	<b>1.153.409</b>	<b>1.195.041</b>	<b>1.237.813</b>
<b>Investing Activities</b>					
FFE	-45.785	-81.443	-126.475	-128.693	-131.267
Construction	0	0	0	0	0
<b>Net investment cash flow</b>	<b>-45.785</b>	<b>-81.443</b>	<b>-126.475</b>	<b>-128.693</b>	<b>-131.267</b>
<b>Financing Activities</b>					
Loan received	0	0	0	0	0
Loan repaid	-518.085	-528.542	-539.211	-550.094	-561.198
Shareholders' equity received	0	0	0	0	0
Dividends paid	0	0	0	0	0
<b>Net financing cash flow</b>	<b>-518.085</b>	<b>-528.542</b>	<b>-539.211</b>	<b>-550.094</b>	<b>-561.198</b>
Change in cash	115.502	273.106	487.723	516.254	545.349
Starting cash	137.873	253.376	526.481	1.014.204	1.530.458
Ending cash	253.376	526.481	1.014.204	1.530.458	2.075.806

Source: Authors own Work

### 13.6 Annual Balance Sheet and Cash Flow Pessimistic Scenario

Table 9

*Balance sheet and cash flow statement Pessimistic scenario Y1 to Y5*

<b>Out of the Box</b> <b>Monthly Assumptions</b> <i>All Amounts in EUR</i>					
Live Case -> <b>Pessimistic</b>					
	2022	2023	2024	2025	2026
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash	48.841	81.903	318.607	579.249	863.658
FFE Reserve Account	37.479	104.148	209.690	317.084	426.625
Existing Building & Land Plot	10.406.921	10.194.535	9.982.149	9.769.762	9.557.376
FFE	1.952.039	1.844.965	1.737.891	1.630.817	1.523.743
<b>Total Assets</b>	<b>12.407.801</b>	<b>12.121.403</b>	<b>12.038.646</b>	<b>11.979.829</b>	<b>11.944.777</b>
<b>Liabilities</b>					
Short-term liabilities	0	0	0	0	0
Bank loans	8.453.320	7.924.778	7.385.567	6.835.473	6.274.275
<b>Total Liabilities</b>	<b>8.453.320</b>	<b>7.924.778</b>	<b>7.385.567</b>	<b>6.835.473</b>	<b>6.274.275</b>
<b>Equity</b>					
Shareholders' Equity	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888
Current Period Profit/(Loss)	109.593	242.145	456.454	491.276	526.146
Retained earnings	0	109.593	351.737	808.191	1.299.468
<b>Total Equity</b>	<b>3.954.481</b>	<b>4.196.625</b>	<b>4.653.079</b>	<b>5.144.356</b>	<b>5.670.502</b>
<b>Total Liability and Equity</b>	<b>12.407.801</b>	<b>12.121.403</b>	<b>12.038.646</b>	<b>11.979.829</b>	<b>11.944.777</b>
<i>Control number</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Debt / Equity	68,1%	65,4%	61,3%	57,1%	52,5%
<b>Cash Flow Statement</b>					
<b>Operating Activities</b>					
NOP	690.558	889.901	1.211.658	1.250.922	1.290.330
Interest expense	-174.696	-164.239	-153.571	-142.687	-131.584
Income tax	-49.330	-97.389	-176.631	-190.106	-203.599
Gross Cash Flow	466.532	628.274	881.456	918.130	955.148
Change in working capital	0	0	0	0	0
<b>Net operating cash flow</b>	<b>466.532</b>	<b>628.274</b>	<b>881.456</b>	<b>918.130</b>	<b>955.148</b>
<b>Investing Activities</b>					
FFE	-37.479	-66.669	-105.542	-107.393	-109.541
Construction	0	0	0	0	0
<b>Net investment cash flow</b>	<b>-37.479</b>	<b>-66.669</b>	<b>-105.542</b>	<b>-107.393</b>	<b>-109.541</b>
<b>Financing Activities</b>					
Loan received	0	0	0	0	0
Loan repaid	-518.085	-528.542	-539.211	-550.094	-561.198
Shareholders' equity received	0	0	0	0	0
Dividends paid	0	0	0	0	0
<b>Net financing cash flow</b>	<b>-518.085</b>	<b>-528.542</b>	<b>-539.211</b>	<b>-550.094</b>	<b>-561.198</b>
<b>Change in cash</b>	<b>-89.032</b>	<b>33.062</b>	<b>236.703</b>	<b>260.642</b>	<b>284.409</b>
<b>Starting cash</b>	<b>137.873</b>	<b>48.841</b>	<b>81.903</b>	<b>318.607</b>	<b>579.249</b>
<b>Ending cash</b>	<b>48.841</b>	<b>81.903</b>	<b>318.607</b>	<b>579.249</b>	<b>863.658</b>

Source: Authors own Work

### 13.7 Annual Manning

Table 10

*Annual manning for the Out of the box hotel*

Out of the Box													
Employee Details													
All Amounts in € / EUR													
				Year 2022					Year 2023				
Level	Job Position	Clustered Position (Yes/No)	Department	Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total	Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total
1	Hotel Manager	Yes	A&G	1	54.000 €	-27.000 €	16.548 €	43.548 €	1	54.000 €	-27.000 €	16.548 €	43.548 €
2	Ambassador Manager	No	Rooms	1	25.200 €	0 €	9.321 €	34.521 €	1	25.200 €	0 €	9.321 €	34.521 €
3	Ambassador	No	Rooms	5	20.400 €	0 €	7.545 €	139.726 €	6	20.400 €	0 €	7.545 €	167.671 €
3	Hsk supervisor	No	Rooms	2	20.400 €	0 €	7.545 €	55.890 €	2	20.400 €	0 €	7.545 €	55.890 €
4	Housekeeper	No	Rooms	4	15.600 €	0 €	5.770 €	85.479 €	5	15.600 €	0 €	5.770 €	106.849 €
2	Chief engineer	Yes	Maintenance	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
4	Maintenance	No	Maintenance	3	15.600 €	0 €	5.770 €	64.110 €	4	15.600 €	0 €	5.770 €	85.479 €
2	Sales and Marketing m	Yes	Sales & Marketin	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
3	Reservation agent	Yes	Sales & Marketin	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
3	Events coordinator	Yes	Meetings & Even	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
2	Human Ressources mai	Yes	A&G	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
2	Finance Manager	Yes	A&G	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
3	Accountant	Yes	A&G	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
2	Art community manage	Yes	A&G	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
Overall				24	338.400 €	-120.600 €	87.118 €	551.494 €	27	338.400 €	-120.600 €	87.118 €	622.179 €

Level	Job Position	Year 2024					Year 2025					Year 2026				
		Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total	Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total	Number of employees	Net salary/ year	Cluster Saving	Tax	Salary total
1	Hotel Manager	1	54.000 €	-27.000 €	16.548 €	43.548 €	1	54.000 €	-27.000 €	16.548 €	43.548 €	1	54.000 €	-27.000 €	16.548 €	43.548 €
2	Ambassador Manager	1	25.200 €	0 €	9.321 €	34.521 €	1	25.200 €	0 €	9.321 €	34.521 €	1	25.200 €	0 €	9.321 €	34.521 €
3	Ambassador	6	20.400 €	0 €	7.545 €	167.671 €	6	20.400 €	0 €	7.545 €	167.671 €	6	20.400 €	0 €	7.545 €	167.671 €
3	Hsk supervisor	2	20.400 €	0 €	7.545 €	55.890 €	2	20.400 €	0 €	7.545 €	55.890 €	2	20.400 €	0 €	7.545 €	55.890 €
4	Housekeeper	5	15.600 €	0 €	5.770 €	106.849 €	5	15.600 €	0 €	5.770 €	106.849 €	5	15.600 €	0 €	5.770 €	106.849 €
2	Chief engineer	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
4	Maintenance	4	15.600 €	0 €	5.770 €	85.479 €	4	15.600 €	0 €	5.770 €	85.479 €	4	15.600 €	0 €	5.770 €	85.479 €
2	Sales and Marketing m	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
3	Reservation agent	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
3	Events coordinator	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
2	Human Ressources mai	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
2	Finance Manager	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
3	Accountant	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €	1	20.400 €	-10.200 €	3.773 €	13.973 €
2	Art community manage	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €	1	25.200 €	-12.600 €	4.660 €	17.260 €
Overall		27	338.400 €	-120.600 €	87.118 €	622.179 €	27	338.400 €	-120.600 €	87.118 €	622.179 €	27	338.400 €	-120.600 €	87.118 €	622.179 €

Source: Authors own Work

### 13.8 IRR and Payback Period

Table 11

*IRR & Payback period for the Out of the box hotel*

Adj. NOI	-	703.460	844.148	1.066.831	1.093.271	1.119.940							
Total Investment	(12.816.293)		-	-	-								
Turn Key Purchase - Developers Profit		-											
Net Sales Receipt		-	-	-	-	17.229.844							
Cash from/(to) Investment	(12.816.293)	-	-	-	-	17.229.844							
Unleveraged Cash Flow	(12.816.293)	703.460	844.148	1.066.831	1.093.271	18.349.784							
IRR	12,7%												
Payback period perpetual growth		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Inflation rate	1,14%												
Adj. NOI	-	703.460	844.148	1.066.831	1.093.271	1.119.940	1.132.707	1.145.620	1.158.680	1.171.889	1.185.249	1.198.760	
Total Investment	(12.816.293)												
Net	(12.816.293)	703.460	844.148	1.066.831	1.093.271	1.119.940	1.132.707	1.145.620	1.158.680	1.171.889	1.185.249	1.198.760	
Cumulated cash position	(12.816.293)	(12.112.834)	(11.268.686)	(10.201.855)	(9.108.584)	(7.988.644)	(6.855.937)	(5.710.317)	(4.551.637)	(3.379.748)	(2.194.499)	(995.739)	
Payback period	12												
Payback period in cash of sale													
Total Investment	(12.816.293)												
Net change in cash		10.678	151.367	374.050	400.490	427.159							
Sales amount						17.229.844							
Net	(12.816.293)	10.678	151.367	374.050	400.490	17.657.002							
Cumulated cash position	(12.816.293)	(12.805.615)	(12.654.248)	(12.280.198)	(11.879.709)	5.777.294							
Payback period	5												

Source: Authors own Work



### 13.9 Valuation

Table 12

*Valuation chart for the Out of the box hotel*

Projections in Future Values (Fair Maintainable Operating Profit) ('000s)						
Year	1	2	3	4	5	Sale Value
Net Operating Income	703.460	844.148	1.066.831	1.093.271	1.119.940	17.229.844
Discount Rate	0,93	0,86	0,80	0,74	0,69	0,69
Present Value	653.530	728.570	855.410	814.391	775.044	11.923.751
						15.750.696
Pricing Analysis						
Currency	EUR					
Inflation	1,14%					
Number of Keys	50					
Exit Yield	6,50%					
Discount Rate	7,64%					
Future Sale Price	17.229.844					
Future Sale Price per Key	344.596,9					
Net Present Value	15.750.700					
Net Present Present Value per Key	315.014,0					

Source: Authors own Work

### 13.10 Marketing Budget Costs Allocation

Table 13

*Marketing budget for the Out of the box hotel*

Marketing budget 2022-2027							
Tools	% over budget	Y1	Y2	Y3	Y4	Y5	
Revenues		€ 2.076.406,56	€ 2.462.382,90	€ 2.923.609,42	€ 2.974.884,30	€ 3.034.381,99	
M&S %		3%	2,8%	2,5%	2,5%	2,5%	
<b>M&amp;S budget</b>	<b>100%</b>	<b>€ 62.292</b>	<b>€ 68.947</b>	<b>€ 73.090</b>	<b>€ 74.372</b>	<b>€ 75.860</b>	
SEO	6%	€ 3.600	€ 3.985	€ 4.224	€ 4.298	€ 4.384	
SEM	6%	€ 3.800	€ 4.206	€ 4.459	€ 4.537	€ 4.628	
Web maintenance	6%	€ 3.600	€ 3.985	€ 4.224	€ 4.298	€ 4.384	
Google Ads	15%	€ 9.344	€ 10.342	€ 10.964	€ 11.156	€ 11.379	
Facebook Ads	18%	€ 11.213	€ 12.410	€ 13.156	€ 13.387	€ 13.655	
Instagram	20%	€ 12.458	€ 13.789	€ 14.618	€ 14.874	€ 15.172	
Metasearch	8%	€ 5.129	€ 5.677	€ 6.018	€ 6.124	€ 6.246	
Blog	2%	€ 1.539	€ 1.703	€ 1.806	€ 1.837	€ 1.874	
Physical Media	7%	€ 4.103	€ 4.542	€ 4.815	€ 4.899	€ 4.997	
Audiovisual Content	12%	€ 7.475	€ 8.274	€ 8.771	€ 8.925	€ 9.103	

Marketing budget Y1					
Tools	Budget	Euro	Unit	Total units	Units names
Google Ads (display)	€ 9.343,83	1,34	1	6.973	Clicks
Facebook Ads	€ 11.212,60	0,24	1	46.719	Clicks
Instagram	€ 12.458,44	4,5	100	276.854	Views
Tripadvisor	€ 5.129,22	0,7	1	7.327	Clicks
Blog	€ 1.538,77	200	1	8	Posts
Design magazine	€ 4.103,38	2000	1	2	Pages
Youtube	€ 4.975,06	6,8	1000	731.627	Views
	€ 48.761,29				

Source: Authors own Work

## 13.11 Monthly P&L Y1 Realistic scenario

Table 14

Monthly realistic scenario profit & loss statement for the Out of the box hotel

Out of the Box Monthly Financial Statements All Amounts in EUR	Live Case → Realistic											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Financial Statements the Year 2022	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
<b>Profit and Loss Statement</b>												
# of Rooms	52	50	52	50	50	50	50	50	50	51	50	50
# of Days Open	31.00	28	31	30	31	30	31	31	30	31	30	31
Available Rooms	1,592.00	1,400	1,592	1,500	1,550	1,500	1,550	1,550	1,500	1,550	1,500	1,550
Occupied Rooms	1,007.50	952	1,085	1,050	1,085	1,085	1,039	542	1,170	1,085	1,050	930
Occupancy %	63.28%	68.00%	68.16%	70.00%	70.00%	72.33%	67.03%	35.48%	78.00%	70.00%	70.00%	60.64%
ADR	222	232	232	232	232	232	232	232	232	232	232	232
ADR Growth	NA	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
RevPAR	126.76	126.76	126.76	126.76	126.76	126.76	126.76	126.76	126.76	126.76	126.76	126.76
RevPAR Growth	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue	228,955	228,955	228,955	228,955	228,955	228,955	228,955	228,955	228,955	228,955	228,955	228,955
Rooms	122,895	122,895	122,895	122,895	122,895	122,895	122,895	122,895	122,895	122,895	122,895	122,895
Meetings & Events	10,924	11,174	11,174	11,174	11,174	11,174	11,174	11,174	11,174	11,174	11,174	11,174
Other	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732	2,732
<b>Total Revenue</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>	<b>134,550</b>
<b>Departmental Expenses</b>												
Rooms	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)	(44,734)
Variable (other costs)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)	(26,301)
% of room revenue	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%	33.6%
Meetings & Events	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)
Variable (other costs)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)
% of room revenue	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Other	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)
Variable (other costs)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)	(3,348)
% of room revenue	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
<b>Total Departmental Expenses</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>	<b>(48,430)</b>
<b>Departmental Profit</b>												
Rooms	78,159	78,159	78,159	78,159	78,159	78,159	78,159	78,159	78,159	78,159	78,159	78,159
Meetings & Events	7,576	7,576	7,576	7,576	7,576	7,576	7,576	7,576	7,576	7,576	7,576	7,576
Other	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384
<b>Total Departmental Profit</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>	<b>87,119</b>
<b>Unallocated Expenses</b>												
Administrative & General & IT	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)
Variable (other costs)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)	(10,451)
% of room revenue	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Sales & Marketing	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)
Variable (other costs)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)	(6,498)
% of room revenue	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Maintenance	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)
Variable (other costs)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)
% of room revenue	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Utilities (outside)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)	(4,278)
<b>Total Unallocated Expenses</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>	<b>(29,625)</b>
<b>Gross Operating Profit</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>	<b>57,494</b>
FFO (Income)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)
Base Fee (FFO)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)
Management Fee Calculation (20%)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)	(4,451)
Agency Commission	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)	(4,700)
<b>Adj. Gross Operating Profit</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>	<b>45,611</b>
<b>Fixed Income &amp; Expenses</b>												
Fixed Income	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Property Tax	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)	(7,827)
Insurance	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)	(9,269)
<b>Total Net Fixed Income/Expense</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>	<b>(4,896)</b>
<b>Net Operating Profit</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>	<b>40,715</b>
Depreciation and Amortization	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)	(26,622)
Interest Expense	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)	(4,881)
Corporate Income Tax	-	(462)	(1,021)	(9,895)	(9,926)	(11,417)	(5,516)	-	(16,833)	(11,181)	(5,872)	-
<b>Net Income</b>	<b>(254)</b>	<b>1,467</b>	<b>28,488</b>	<b>25,489</b>	<b>23,267</b>	<b>29,508</b>	<b>24,644</b>	<b>(23,043)</b>	<b>93,924</b>	<b>28,863</b>	<b>15,375</b>	<b>(18,022)</b>

Source: Authors own Work

### 3.12 Monthly Balance Sheet and Cash Flow Y1 Realistic Scenario

Table 15

*Monthly balance sheet and cash flow Realistic scenario*

Out of the Box Monthly Financial Statements All Amounts in EUR	Use Case -> Realistic											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Balance Sheet</b>												
<b>Assets</b>												
Cash	121.462	106.679	118.859	127.976	134.599	147.588	155.644	88.942	165.184	177.224	175.522	148.552
FFE Reserve Account	2.732	5.526	8.441	19.232	16.920	20.879	24.622	25.847	21.449	35.766	39.113	41.528
Existing Building & Land Plot	10.601.608	10.583.909	10.566.210	10.548.512	10.530.813	10.513.114	10.495.415	10.477.716	10.460.017	10.442.319	10.424.620	10.406.921
FFE	2.050.190	2.041.267	2.032.344	2.023.422	2.014.499	2.005.576	1.996.653	1.987.730	1.978.807	1.969.885	1.960.962	1.952.039
<b>Total Assets</b>	<b>12.773.260</b>	<b>12.731.856</b>	<b>12.717.414</b>	<b>12.699.909</b>	<b>12.679.910</b>	<b>12.666.277</b>	<b>12.647.312</b>	<b>12.554.388</b>	<b>12.604.099</b>	<b>12.589.427</b>	<b>12.561.104</b>	<b>12.507.512</b>
<b>Liabilities</b>												
<b>Short-term Liabilities</b>												
Bank loans	8.928.626	8.885.775	8.842.853	8.799.859	8.756.794	8.713.657	8.670.448	8.627.167	8.583.814	8.540.388	8.496.890	8.453.320
<b>Total Liabilities</b>	<b>8.928.626</b>	<b>8.885.775</b>	<b>8.842.853</b>	<b>8.799.859</b>	<b>8.756.794</b>	<b>8.713.657</b>	<b>8.670.448</b>	<b>8.627.167</b>	<b>8.583.814</b>	<b>8.540.388</b>	<b>8.496.890</b>	<b>8.453.320</b>
<b>Equity</b>												
Shareholders' Equity	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888	3.844.888
Current Period Profit/(Loss)	(254)	1.447	28.480	25.489	23.067	29.504	24.644	(50.043)	92.974	28.843	15.175	(10.022)
Retained earnings	-	(254)	1.193	29.673	55.161	78.228	107.733	532.377	62.333	175.308	204.151	219.325
<b>Total Equity</b>	<b>3.844.634</b>	<b>3.846.081</b>	<b>3.874.561</b>	<b>3.900.049</b>	<b>3.923.116</b>	<b>3.952.621</b>	<b>3.977.265</b>	<b>3.927.221</b>	<b>4.030.196</b>	<b>4.049.039</b>	<b>4.064.213</b>	<b>4.054.191</b>
<b>Total Liability and Equity</b>	<b>12.773.260</b>	<b>12.731.856</b>	<b>12.717.414</b>	<b>12.699.909</b>	<b>12.679.910</b>	<b>12.666.277</b>	<b>12.647.312</b>	<b>12.554.388</b>	<b>12.604.099</b>	<b>12.589.427</b>	<b>12.561.104</b>	<b>12.507.512</b>
Control number	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow Statement</b>												
<b>Operating Activities</b>												
NOI	44.051	46.205	84.849	80.502	76.969	86.091	79.074	(7.745)	156.589	84.849	65.250	33.176
Interest expense	(14.952)	(14.883)	(14.810)	(14.738)	(14.666)	(14.595)	(14.523)	(14.451)	(14.379)	(14.306)	(14.234)	(14.161)
Income tax	-	(462)	(11.021)	(9.863)	(8.924)	(11.417)	(9.536)	-	(16.613)	(11.161)	(5.872)	-
<b>Gross Cash Flow</b>	<b>29.099</b>	<b>30.862</b>	<b>59.019</b>	<b>55.901</b>	<b>53.376</b>	<b>60.079</b>	<b>55.015</b>	<b>(22.196)</b>	<b>125.598</b>	<b>59.381</b>	<b>45.144</b>	<b>19.015</b>
Change in working capital	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net operating cash flow</b>	<b>29.099</b>	<b>30.862</b>	<b>59.019</b>	<b>55.901</b>	<b>53.376</b>	<b>60.079</b>	<b>55.015</b>	<b>(22.196)</b>	<b>125.598</b>	<b>59.381</b>	<b>45.144</b>	<b>19.015</b>
<b>Investing Activities</b>												
FFE Reserve	(2.731)	(2.794)	(3.517)	(3.791)	(3.688)	(3.953)	(3.749)	(3.225)	(6.002)	(3.917)	(3.347)	(2.415)
Construction	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net investment cash flow</b>	<b>(2.731)</b>	<b>(2.794)</b>	<b>(3.517)</b>	<b>(3.791)</b>	<b>(3.688)</b>	<b>(3.953)</b>	<b>(3.749)</b>	<b>(3.225)</b>	<b>(6.002)</b>	<b>(3.917)</b>	<b>(3.347)</b>	<b>(2.415)</b>
<b>Financing Activities</b>												
Loan received	-	-	-	-	-	-	-	-	-	-	-	-
Loan repaid	(42.779)	(42.851)	(42.922)	(42.994)	(43.065)	(43.137)	(43.209)	(43.281)	(43.353)	(43.425)	(43.498)	(43.570)
Shareholders' equity received	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net financing cash flow</b>	<b>(42.779)</b>	<b>(42.851)</b>	<b>(42.922)</b>	<b>(42.994)</b>	<b>(43.065)</b>	<b>(43.137)</b>	<b>(43.209)</b>	<b>(43.281)</b>	<b>(43.353)</b>	<b>(43.425)</b>	<b>(43.498)</b>	<b>(43.570)</b>
Change in cash	(16.402)	(14.782)	12.180	9.117	6.623	12.589	8.057	(66.703)	76.243	12.039	(1.701)	(26.970)
Starting cash	137.873	121.462	106.679	118.859	127.976	134.599	147.588	155.644	88.942	165.184	177.224	175.522
<b>Ending cash</b>	<b>121.462</b>	<b>106.679</b>	<b>118.859</b>	<b>127.976</b>	<b>134.599</b>	<b>147.588</b>	<b>155.644</b>	<b>88.942</b>	<b>165.184</b>	<b>177.224</b>	<b>175.522</b>	<b>148.552</b>

Source: Authors own Work

### 13.13 Survey

Table 16

*General survey For the Out of the box project*

**Survey/ Sondage /Encuesta**

\*Required

Please, select a language for the survey \*

☒ English

☐ Français

[Next](#)

**Survey/ Sondage /Encuesta**

\*Required

**Art Hotel in Milan**

Soon to be opened Art Hotel based in Milan.

The questionnaire below will help us to validate ideas over an art hotel project.  
This survey will only take 3 minutes.  
Your information will be treated anonymously and with academic purposes only.  
We thank you in advance for your cooperation.

Why would you travel to Milan? (select 2 options maximum) \*

☐ Shopping

☐ Art events

☐ Culture & history

☐ Gastronomy

☐ Business

☐ To visit friends or family

☐ Not going

When you are searching for a hotel on a website, which filters do you put: (select 2 options maximum) \*

- ☐ Price range
- ☐ Location
- ☐ Hotel stars
- ☐ Facilities
- ☐ Reviews

In a hotel what room would you prefer: \*



☐ Standard room



☐ Room with an original design

What type of art do you prefer: \*

- ☐ Classic
- ☐ Modern
- ☐ No preferences

What are you interested in the most: \*

- ☐ Famous, established artists
- ☐ Upcoming artists
- ☐ Both options

What art form do you prefer (select multiple):



☐ Installations



☐ Digital art



☐ Design



☐ Paintings



☐ Prints



☐ Photograph



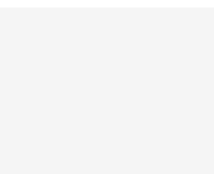
☐ Performance art



☐ Sculpture



☐ Street art



☐ None of the above

In a hotel would you do an art related activity? \*

☐ Yes

☐ No

☐ Maybe

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What workshops/ activities would you attend?

☐ Painting/Drawing

☐ Photography

☐ Perfume making

☐ Paper craft

☐ Graffiti

☐ Cooking classes

☐ Jewelry making

☐ None of the above

☐ Other: \_\_\_\_\_

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In an hotel would you attend an event?

☐ Yes

☐ No

☐ Maybe

[Back](#) [Next](#)

What type of events would you go to? \*

☐ Music concerts

☐ Fashion show

☐ Design event

☐ Art conference with guest speaker

☐ Movie night

☐ Food tasting/show

☐ Exposition of a specific artist

[Back](#) [Next](#)

Imagine an Art hotel in your city, what would be the reasons for you to go there?  
(select 3 options maximum) \*

☐ Network with artistic people

☐ To discover art pieces

☐ For co-working area

☐ To create/showcase your own art

☐ To participate in activities/events

☐ Not interested

What describes you best? \*

☐ I am an artist/ designer

☐ Art is my hobby

☐ I like art, but I don't know much about it

☐ Not interested in art



Gender \*

☐ Female

☐ Male

☐ Other

Choose your age group \*

☐ under 18

☐ 19 to 26

☐ 27 to 34

☐ 35 to 42

☐ 43 to 50

☐ 51 to 58

☐ 59 to 66

☐ 66 +

What is your annual income? \*

☐ Less than €20,000

☐ €20,000 to €34,999

☐ €35,000 to €49,999

☐ €50,000 to €74,999

☐ €75,000 to €99,999

☐ Over €100,000

What's your work status: \*

☐ Employed

☐ Self-employed/freelance

☐ Unemployed

☐ Studying

☐ Retired

☐ Other

Would you rather go to an art hotel with : (select 2 options maximum) \*

☐ Friends

☐ Family

☐ Couple

☐ Alone

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Source: Authors own Work

### 13.14 Survey results

Table 17

*General survey results for the Out of the box Project*



Source: Authors own Work

## 13.15 Interviews

Table 18

*Expert's interviews for the Out of the box Project*

### Interviews with designers

**-Would you be interested to be part of an art community?(yes/no) if yes, what you would be interested in?**

-Co-creation with other artists and the hotel design. Also, having co-working area to work on your own projects

By Yuetong Shi, Milan designer

**-Would you be interested to be part of an art community?**

-Yes, I really would love it. I would like to organize events with schools and Universities

By Ester Manito. Designer and design teacher from Milan

## Interviews with professionals

"Respecting and valuing the community that we come from is important, as it undoubtedly shapes who we are and the art we create."

By Help Desk, Meow Wolf,  
Creative space in USA

"Milan is the most "european" city in Italy, and comparing to the rest of the country has the best facilities. Moreover is an "easy" city, very easy to visit just walking or with public transportation."

By Federico Scotti, Ostello Bello,  
artistic hostel in Milan

"At Meow Wolf, we want guests to get involved with the art - truly interact, rather than viewing it passively as a piece on a wall, like in a traditional gallery setting."

By Help Desk, Meow Wolf,  
Creative space in USA

Source: Authors own Work

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