MASTER IN HOSPITALITY MANAGEMENT

BUSINESS PLAN
OF REPOSITIONING
ÑAUPA HOUSE HOSTEL

By:

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1. ACKNOWLEDGEMENTS.

I want to greed especially to my parents for their unconditional love. To my mom because she shows me how to be strong and a fighter to achieve my dreams. To my dad because I learned from him how the hard work take you a better version of yourself and how to combine with the good times in life. To my older sister because she is supporting my parents and give me the opportunity to be here. To my younger sister that even despite her age she is full of wisdom and always give me the best advice I can receive. To my bosses to let me be part of their company and start a new adventure. To my co-workers because without their couch in this new path will be a nightmare. To my supervisor because she support me in the bud moments and encourage me to work harder. To my dear friends who give me the nicest moments in the words situations. And to me because I pushed myself beyond my limits and built a bridge to reconnect with my dreams.

The life without passion is like dance tango without a partner….

Tango is a dance for two as the life is for you and your passion…

TABLE OF CONTENTS

2. EXECUTIVE SUMMARY

WHAT IS A HOSTEL?

A hostel can be defined as a budget-oriented, shared-room accommodation facility that accepts individual travellers (typically backpackers) or groups for short-term stays and that provides common areas and communal facilities. To qualify as a hostel, a property must provide short-term, shared (dormitory-style) accommodation for individual travellers, though many hostels also provide private guest rooms. Due to their popularity with younger demographics hostels have mainly been associated with the youth hostel and backpacker travellers and have traditionally been perceived as low price-led accommodation for clientele requiring basic standards. In many ways the clientele of hostels has also been perceived as simple and not sophisticated. Primarily owner operated the market awareness for the hostel product has been low.

CHANGING PERCEPTION OF HOSTELS

However, a number of hostel groups are beginning to change this perception with newer on trend product and strong locations, creating a significant opportunity for the hostel market which only accounts for less than 5% of total serviced accommodation supply. The budget serviced accommodation sector is now large and segmented allowing opportunity for hostel products to enter this market, and penetrate market share which is currently very low. These new emerging groups with a product and service offer combining the facilities and services of upscale hotels with modern contemporary design to curate social interactions, are redefining the sector and the traditional perception of the hostel.

SEGMENTATION OF CUSTOMERS USING HOSTELS

The increasing segmentation of clientele in the hostel sector has led to a variety of markets now using hostels. One thing in common is that the hostel market is focused on younger markets, namely Millennials (or Generation Y, categorised as those born after 1980) and Generation Z (born after 1995). This market is also large and segmented with different budgets, travel habits, social, lifestyle and decision making factors for booking a travel. The youth travel market is prominent and outnumbering the Baby Boomer-market. In a large and diverse market there is inevitable segmentation highlighted by the fact that the hostel guest is no longer ‘uniform’. That said, there are key underlying similarities relevant to this younger demographic, namely that they are explorative, tech-savvy, have a global view on travel and seek flexibility when traveling to destinations as well as social interaction and engagement. Furthermore, this segment is described as time rich yet value conscious creating a large and resilient sector, even in economic downturn. This market is also becoming global and not solely focused on consumers from mature and developed markets.

OPPORTUNITIES ARE GLOBAL

Opportunities not only exist in mature markets but also emerging markets including Latin America and Asia, in particular China. Evidence suggests that these emerging markets have similar booking habits and decision making factors to the mature and established markets and that these new markets represent a sizeable demand. Overall assessment of youth and budget travel trends highlight two main opportunities:

- ✓ Developing an already large and existing market which is primarily European and US-led but still under capitalised.

- ✓ Mid-to-longer term strategies to attract larger emerging markets, China being a strong example where there is a target market of approximately 200 million travellers and wider Asia accounting for an estimated 60% of the world's Millennials.

POSHTEL REDEFINING THE SECTOR

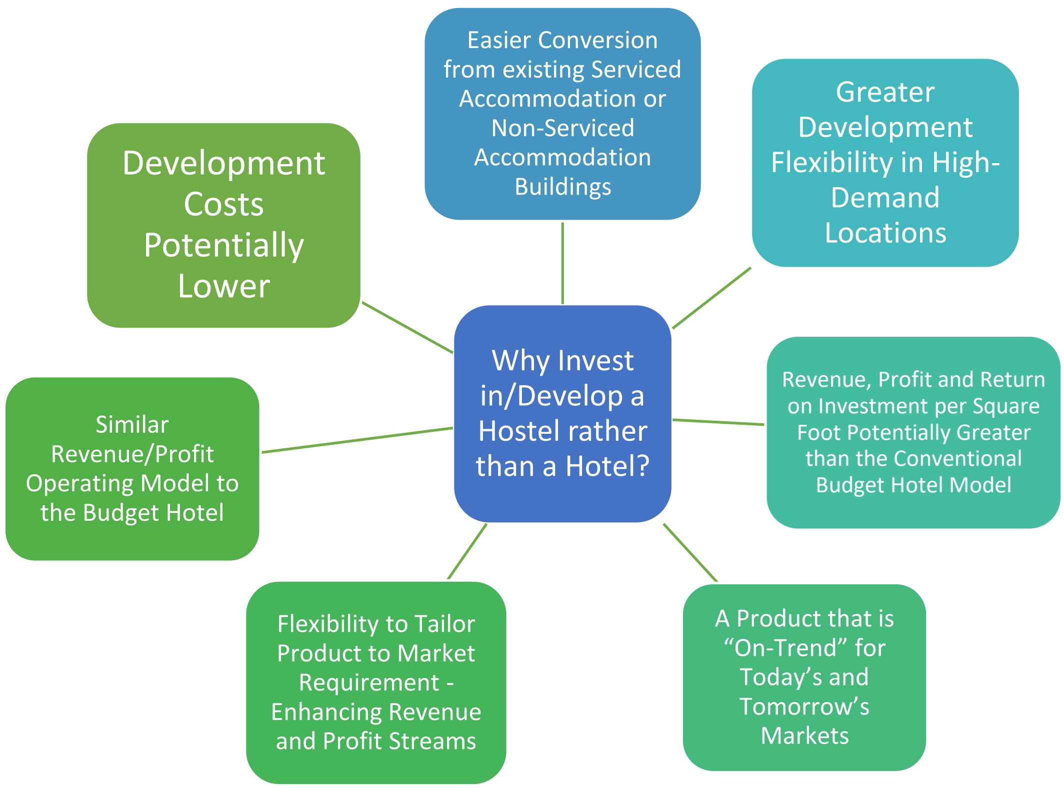
The term 'poshtel' is the blend of 'posh' and 'hostel' and is usually defined as an upscale or luxury hostel which combines the style and comfort of a boutique hotel with the price and sensibilities of a hostel. Furthermore, Poshtels are a higher quality offer defined by being located in key gateway destinations, higher quality amenities, service level and public areas which take elements from the traditional hotel sector such as having a greater proportion of private accommodation in comparison to the traditional hostel product. Such properties look to use the social engagement between guests as a USP and target higher yielding markets such as flashpackers, couples and leisure groups. Without doubt, the key USP of poshtels is the integration of location, product and design revolving around the social strategy, which allows youth travellers the ability to share traveling experiences with like-minded people in a relevant and on trend manner.

HOSTEL MARKET OF RELEVANCE

The global hostel market has continued its growth and many of the larger brands have scaled up over the past decade, mainly in Europe, being the largest hostel market. Whilst there are existing hostel brands in North and South America as well as Asia and Australia, these have not achieved the same size, brand awareness and consistency compared to the main brands in Europe as the continent still accounts for over 60% of global hostel supply. Despite the branded hostel sector's increasing growth, it remains constrained relative to overseas youth traveller numbers (defined as those aged 16-34) highlighting an opportunistic market for expansion. In spite of relatively rapid growth from the largest groups within the hostel sector, brand penetration is extremely low when compared to the hotel industry. The seven largest chains account for a total of 101 hostels – less than 1.5% of estimated total global hostel supply highlighting the growth opportunity for this sector. Nevertheless, groups in the hostel sector are now trying to penetrate the market either through franchising, management agreements, strategic investment or expansion through their existing platform. This highlights that there is now growing interest in the hostel sector with groups recognising the investment and market opportunity. Based on our analysis of the five largest hostel groups by number of properties it is clear that each group has a different product offer, presence and brand awareness which highlights different strategies being pursued at present. There is also the emergence of private equity and institutional investment coming to the sector enhancing the scope for commercial expansion with poshtels entering the lifestyle segment and also positioned as value for money product, there is the inevitable threat of diverse competition. As market awareness and product offer in the hostel sector increases so will competition from the hotel sector and sharing platforms. Therefore, it will be important for hostel brands seeking to expand to have a clear product and brand identity in order to position themselves in the budget hotel sector. This highlights certain challenges larger hostel operators may face as they look to expand. This also holds true for hostels operating in the social and sharing economy space where routes to market and online presence are also important given Millennials' and Generation Z's propensity to use technology based platforms.

THE HOSTEL VS THE TRADITIONAL HOTEL OPERATING & DEVELOPMENT MODEL

The hostel business model is attractive compared to traditional hotels, combining low development costs, high occupancy, higher space yields, multiple revenue streams and low operating costs. All driven by a guest density of almost 4 guests per room compared to 1.2 for a hotel. Compared to traditional hostels, a posthel provides a higher quality offering which allows it to compete concurrently with budget hotels, higher end hostels and lifestyle brands.



UNIQUE CONCEPT AND OPPORTUNITY – BUSINESS MODEL

Innovative Consumer Lifestyle Proposition. Phostel brand focused on design, bar and restaurant as part of a highly engaging experience offering the design and social vibe associated with high-end lifestyle brands at an accessible bed rate.

Unique Hospitality Concept. The asset will be uniquely designed to achieve the “wow” factor for guests, and have a significant social / leisure offering unlike traditional basic lodging improved performance as a destination rather than just a place to stay, with stylish yet affordable accommodation in central locations in Cochabamba with strong emphasis on providing a safe and secure environment for guests.

Growing and Fragmented Market. Growing and unfulfilled consumer demand for lifestyle and experience-based accommodation at good value. Target traveller demographic is expanding and significantly under-served by limited and basic quality of existing global hostel stock. Hostels are an attractive high growth sector appealing to new generations. Tomorrow’s customer base for many strategic operators the sector is highly fragmented with the 7 largest hostel chains representing just 1% of hostels in the whole world.

Strong Growth. Room revenue growth supported by the increment in the capacity of rooms and dorms, and complemented by strong F&B offering and ongoing improvement strategy, opportunity to grow revenue further through increased direct bookings and improved yield management, along with other operational initiatives.

Marketing. The Company aims to attract new customers, increase revenue generation from existing customers and drive customer engagement, by building awareness of the brand and positioning Ñaupa House Poshtel as a company that challenges customers’ expectations of a hostel experience, using pre-existing knowledge of customers to develop a comprehensive customer relationship marketing programme, adopting a flexible approach to its target audiences, continually evaluating and adapting campaigns through email, social media, website, partnerships, events, and developing a blog.

*Financial Projections.*The current development will complete and more capacity will added GOP ramps up quickly in the coming years, increasing from 8.036 € in the first year to 109.431 € in the second year, and achieve 145.787 € in the fifth year.

Ñaupa House anticipates continued improvements in performance of the currently owned asset to stabilize benefit from more than one stream of revenue. Being rooms and Beds revenue the vast majority of revenue owing to its less-than-proportional cost of sales, it also has the highest gross profit margin at 72% by comparison, since cost of sales are disproportionately high for F&B and other ancillary sources of revenue their gross profit margins are 39% and 44% respectively.

3. INTRODUCTION

This document provides research and analysis in the hostel sector in Latin America and using Barcelona as benchmarking to identifying new products and markets opportunities within this sector.

Also provided an analysis of the current situation of Ñaupa House S.R.L. and from this point make a strategy and business plan to create a new concept to achieve more competitiveness in the sector and also increase the income.

4. LITERATURE REVIEW

4.1. EVOLUTION OF THE TOURIST PROFILE

4.1.1. GENERATIONS EVOLUTION

The society and its needs have evolved over the years, and so has the tourism sector, forced to recognized the new characteristics of the consumer to adapt different products and services. The classification of generations as follows, in order to understand how his needs and demands changed (William, & Page, 2010):

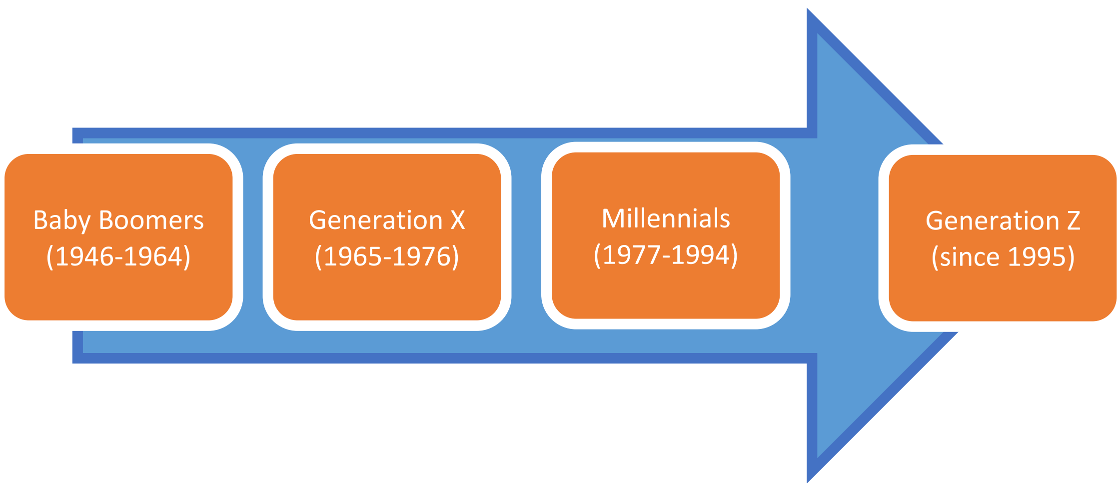


Illustration 1. Source: William, & Page, 2010.

The Baby Boomers, generation born between 1946 and 1964, has been characterized by being more traditional consumers, with greater buying power and more critical. This profile is characterized by traveling less frequently and prefers communication people to people, rather than through social networks. Technology is a complement of life, not a lifestyle as is the case of future generations (Bradon, 2017).

Seniors of this generation also use the internet to book their vacations, although lesser extented than those used by travel agencies; by being retired, mostly look for the best discounts and cheap vacations in companies of high range and solvent reputation to ensure that their money and their vacations are insured (Bradon, 2017).

The majority of people belonging to Generation X live very active and balanced lives, are active population and are currently parents of generation Y. Lovers of reading, consume printed or online content, and engage in outdoor activities. The motivations to travel this generation are family or business (William, & Page, 2010).

The economic crisis, the emergence of low-cost companies and the technological revolution have led to the generation Millennial, the segment of consumers formed by young people born between the mid-80s and the end of the 90s (Golbert, 2016).

The term "Millennial Generation" or Generation Y was defined by US essayists William Strauss and Neil Howe in his book "Millennial Rising: The Next Great Generation", published in 2000 (William, & Page, 2010).

The Millennial have unique characteristics different from the previous generations "X" and "babyboomers". The main features of this type of consumers are (Bejtkovský, 2016):

1. They are fully aware that they live in a globalized and interconnected world. Information technologies are part of your lifestyle.
2. Although they are made to face being spoiled in an era of economic expansion when they were children and adolescents, now the crisis hits them hard.
3. Technology is not an add-on for them, but is part of their lifestyle. They are the biggest exploiters of social networks. This generation has grown with low cost, online reservations, YouTube and comments on the Internet.
4. The factor that most value is the price and the ability to make the reservation online through mobile devices since them act, and increasingly more, from smartphones and tablets.
5. Generation anxious to travel and to know new destinations, most of them consult the websites of reviews, travel blogs and other types of social media, giving more power to comments from other users about experiences before embarking on a trip.
6. In the last 5 years, the variety of communication methods used during the trip has increased, with social networks at the forefront of the rest.

In Spain there are about 8,153,428 people belonging to this generation, according to the latest figures from the National Statistics Institute. And there are just over 1.7 billion worldwide (INE Spain,2017).

Millennial are digital natives, people who are hyper connected through all kinds of devices, especially mobile, and immersed in a culture of capturing and emitting information that converts them into mass media in themselves. Seekers of new experiences to share them through social media For tourism professionals, knowing the needs of this customer profile is necessary to determine their behaviour patterns and their needs in the online environment (William, & Page, 2010).

The new generation, called Generation Z, are people born between 1995 and 2010, grew during the global economic crisis, and in some cases threatened by global terrorism. These circumstances have developed in them aspects of consumer over informed, analyst and with the need to pay the best price at the time when a need arises. However, it has been proven that they are sensitive consumers, committed and aware of the world in which they live, and with a clear idea of how to improve it (Patel, 2017).

Studies carried out by Booking.com on comments made by this generation show some of the needs of adolescents between 12 and 15 years of age when traveling (Bejtkovský, 2016):

1. Most (89%) consider it a vital necessity to have a stable Wi-Fi connection.
2. For almost half (44%) the most important thing is to have the opportunity to make photos worthy of being shared in social media.
3. Other relevant points are staying near a pool or beach, and the existence of many activities to do.
4. It was also mentioned as an important point (44%) the breakfast for sloths is what a wider schedule is so that those who want to have breakfast later can do it without problem.

According to a study carried out by Kantar Millward Brown Company, the generation Z currently represents 27% of the world population (Patel, 2017).

4.1.2. WHY YOUTH TRAVEL IS IMPORTANT

Youth tourism is one of the fastest growing and most dynamic tourism markets in the world. According to UNWTO estimates, 23% of the 1,181 million international tourists traveling around the world in 2015 were young. And by the 2020 the UNTWO has forecasted 300 million international youth trips (UNTOW & WYSE, 2015).

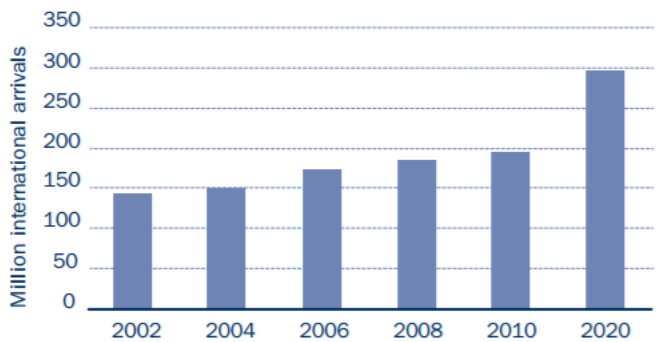


Illustration 2. Source UNTWO, 2015.

Youth tourism is important because it is a market for the future, not only for the future development of young people themselves, but also for the places they visit (UNTWO and WYSE, 2015). Among the benefits we can list for the destination and for young people we have:

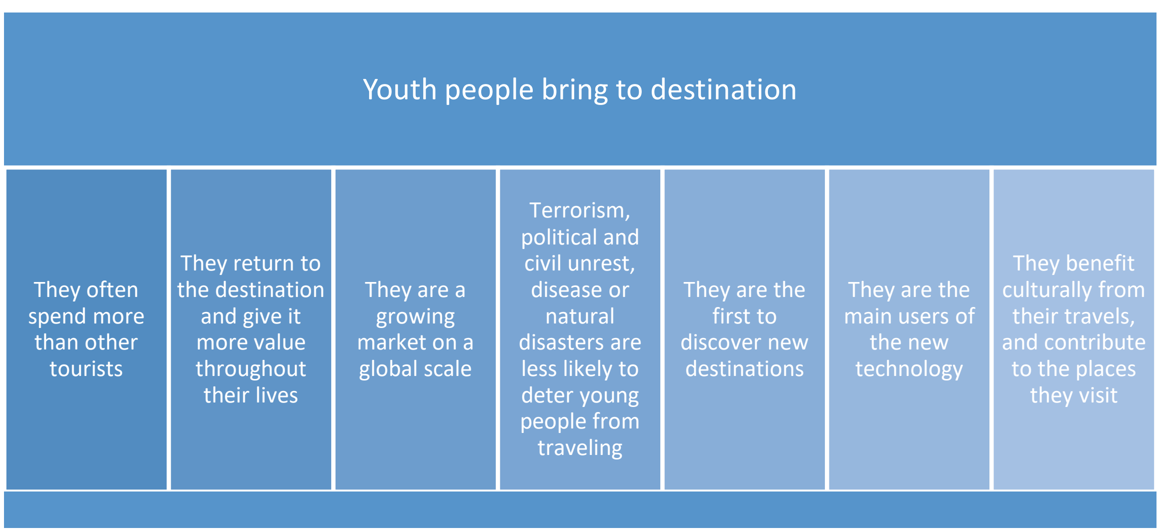


Illustration 3.UNTWO and WYSE, 2015

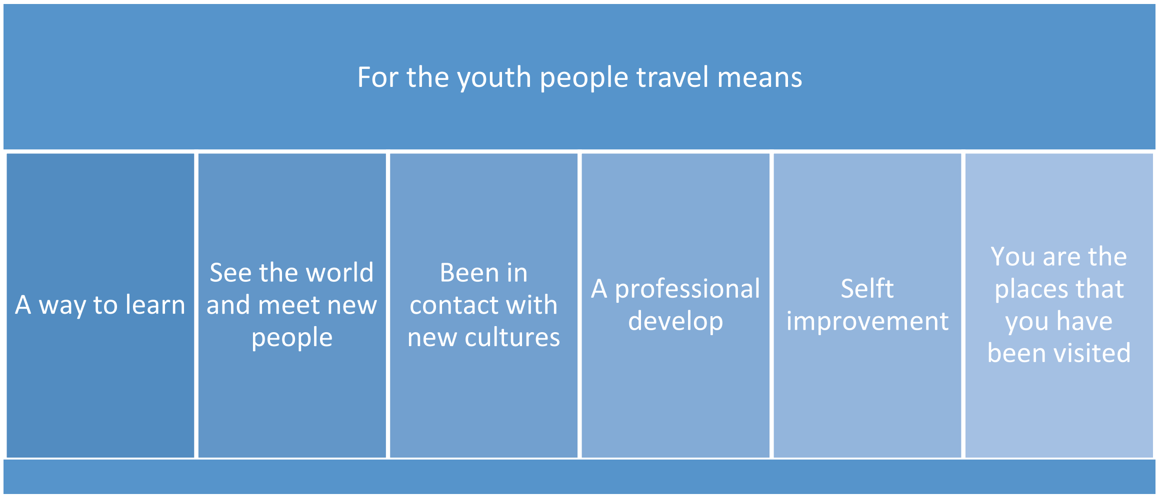


Illustration 4. UNTOW and WYSE, 2015

Young people are more adventurous, they intend to make contact with other people and discover new cultures, and they aim to develop their own knowledge. Since young people tend to travel more frequently for longer periods of time, and often visit places farther away from traditional destinations, they can be of special value to destinations around the world (UNTWO and WYSE, 2015)

According to some experts, young tourism groups people with an age group between the ages of 16 and 24; other experts extend the limit up to 29 years and even up to 36 years. These differences reflect the growing difficulty in linking the concept "youth" to a certain age group (WYSE, 2015). This is because more and more, young people are delaying their entry into the working world and postponing marriage or family formation. And many older people today strive, in their attitudes and lifestyles, to stay "young" (WYSE, 2015).

In turn, this segment includes several subsectors: independent travellers who go on vacation; University students studying abroad; Language tourism; Working holiday (young people who travel from three months to a year to a country, with the aim of combining temporary work and vacations); Or the collective of volunteers (a type of travel in growth, very focused on community and humanitarian tasks).

In the United States, young people between 18 and 36 years old represent 43% of the total population, already surpassing the Baby Boomers.

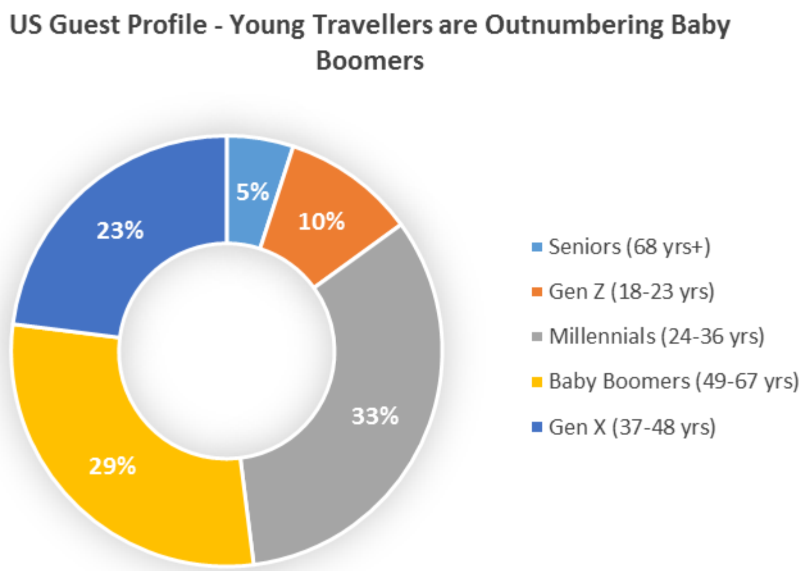


Illustration 5. Source: CBRE, 2016

It represents approximately 276 million international trips a year and has grown faster than world tourism. As shown in the following chart and according to UNWTO forecasts, annual youth travel will amount to almost 370 million by 2020. (UNWTO and WYSE, 2015).

The strength of young tourism is not only economic, the social and cultural benefits for the young traveller and the communities that receive them are important and more sustainable than other forms of tourism, since these are more involved in the places they visit, trying to Deepen local customs and cultures; Are more respectful of the environment and the environment that surrounds them. (UNWTO and WYSE, 2015).

The tourism sector is experiencing an unprecedented change and youth tourism is the one that can contribute most through innovation to the demands of the sector thanks to its entrepreneurial activity, technology and its awareness of social and environmental issues. (UNWTO and WYSE, 2015).

The traditional distribution chains are giving way to a network of more complex value, which is made up of very different suppliers, both from the sector and outside. Tourism no longer depends solely on the infrastructure of the old economy - airline tickets, hotel beds and travel agency products (UNWTO and WYSE, 2015).

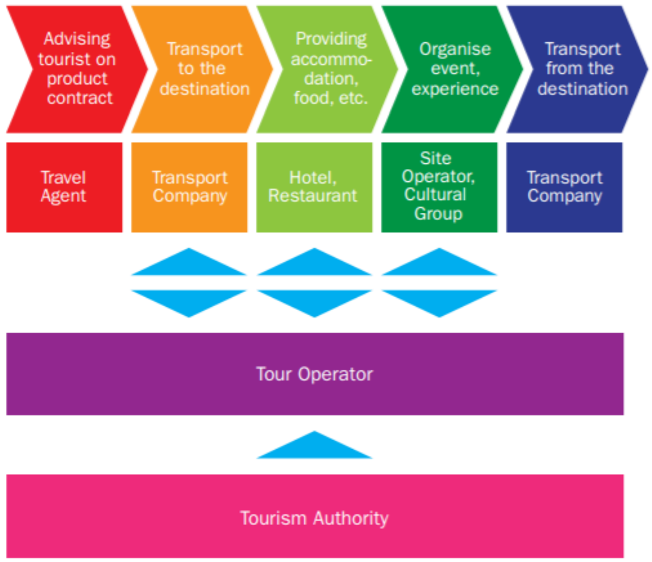


Illustration 6. Traditional tourism value chain. Source: UNTWO and WYSE, 2015

In the new tourism value network, value is created by connecting different forms of agents belonging to the tourism sector and foreign to the same, in order to create and exploit new opportunities. Often young people are at the forefront of this innovation because they want to cross borders and establish new links. As they are quick to adopt the new technology and use it frequently, young people are the ones that use social networks and the media through their mobile phones to find travel information and purchase products (UNWTO and WYSE, 2015).

Ilustración 7. New value web. Source:UNTWO &WYSE, 2015.

ECONOMIC CONTRIBUTION OF YOUTH TRAVELLERS

The following are series of observations on the value of young tourism (UNTWO and WYSE, 2015).

Youth Travel Is High Value

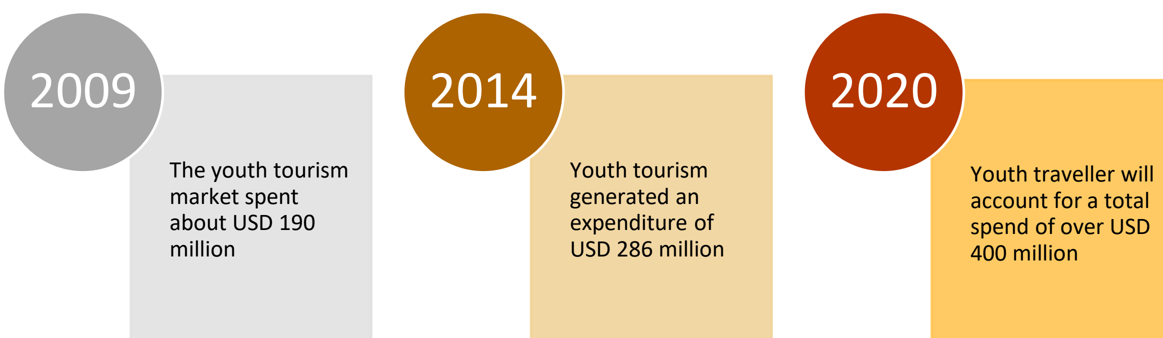


Ilustración 8. Spource: UNTWO & WYSE, 2015

Often young people themselves have few economical resources, but they have lots of time, this is the reason they spend more time in the destination than other tourists. Young travellers spent $ 2,600 in total on their main trip, compared to $ 950 spent on average for international tourists as a whole. Because young people often travel longer than most other tourists, they end up spending more (WYSE New Horizons III, 2012).

This effect can be seen even more dramatic in an investigation conducted in Australia, which shows that a backpacker stayed on average 84 nights in 2013, and a young traveller at least 6 months or more in the country, spending up to 4 times more than other travellers. The average spend of a young traveller averaged $ 7,278 in 2013 (UNTWO & WYSE, 2015)

Youth markets are resilient

In difficult times, young people continue to travel. The recent economic crisis has highlighted once again that young travellers are intrepid and that economic problems, political turmoil or epidemics are unlikely to discourage them from traveling (WYSE Youth and student travel market, 2015). In fact, there is evidence that young people can be encouraged to undertake longer trips when economic activity shrinks - when there are fewer job offers, many young people consider taking a gap year or gaining work experience until the economy will recover again (UNTWO & WYSE, 2015).

As a consequence, youth markets tend to be less volatile than the tourist market in general. According to the WYSE Travel Confederation's "Industry Review" data, although the youth tourism sector was affected by the crisis, overall, its decline was lower and its recovery faster than current tourism (WYSE New Horizons Study, 2012).

Youth people spend their money directly with local communities

Since they travel for longer periods, young people also usually spend a larger part of their total budget on the destination. Studies by the WYSE Travel Confederation indicate that approximately 60% of youth tourism budgets are spent on the destination (WYSE New Horizons Study, 2012).

One of the most important factors in the economic effects of tourism on local communities is the level of flight from the local economy. Particularly in the smaller economies of the developing world, the level of flight may be high, as a large part of the income earned by international companies comes from tourism. Usually, young travellers try to avoid chains and spend their money directly on local suppliers. This tends to increase the local impact of their spending, reducing leaks and allocating a larger part of their budget to local businesses (WYSE Youth and student travel market, 2015).

Purposeful travel

A clear trend has been shifted in the young traveller market, from leisure travel to work and studying abroad, traveling as a volunteer and learning a language. These new ways of traveling are more oriented to personal growth, and can also have a positive impact on the destination as much as on travellers (WYSE New Report, 2017).

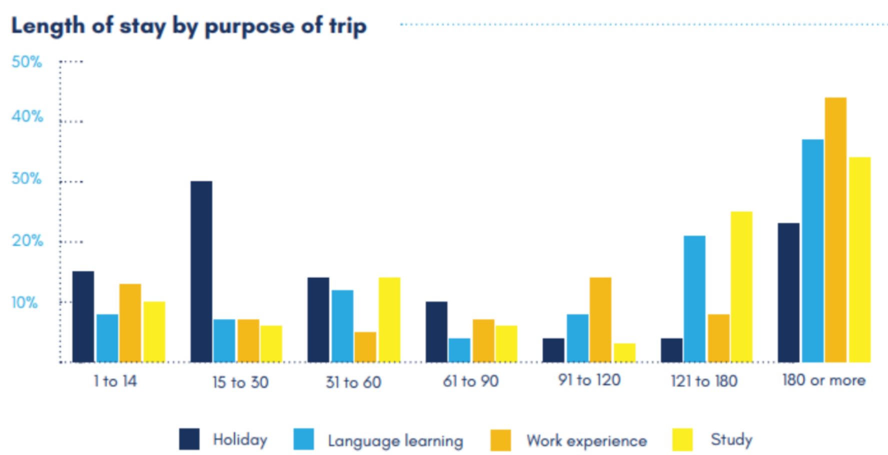


Illustration 9. Source: WYSE New Report, 2017

Youth people make an important contribution to other industries

Young people usually travel to study or work. Study tours are increasingly recognized as an important part of economic growth. The mobility and flexibility of the workforce of young travellers has become irreplaceable in some parts of the world (UNTWO & WYSE, 2015).

In the UK it is estimated that international students generate about 17,500 million pounds for their economy, and they cover at least 22,000 equivalent full-time jobs outside of higher education. Possibly, the money earned by educational institutions of international students makes a contribution to the educational system, allowing the host country to support educational facilities, which otherwise would not have the resources to do so (UNTWO & WYSE, 2015).

In addition, the support young travellers make when spending money on the tourist industry and others often work while traveling, and this type of traveller has grown rapidly (WYSE Youth and student travel market, 2015). Beyond all this, in the globalized economy attracting young talent has become the key to increasing competitiveness (UNTWO & WYSE, 2015).

Youth People Attract Others to the Destination

Young people have a role to play in attracting other visitors to the destination. They also encourage and energize destinations by attracting other visitors and companies. At present, this effect is recognized in many cities around the world, and there are more and more projects to move university facilities to urban centres to act as focal points for cultural and creative activities (HVS, 2014).

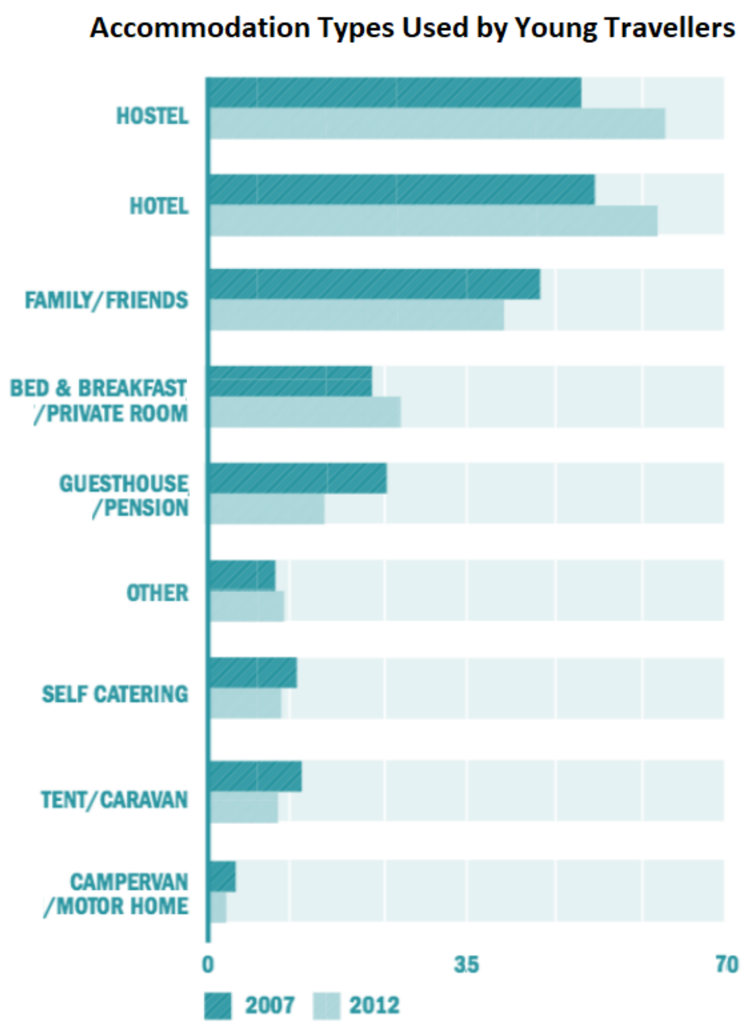
The economic effects not only refer to the level of daily expenditure or the price category of accommodation places for youth tourism, but also to the consequences of longer stays, more expensive trips, a desire to consume local services and the likelihood that young people will attract other travellers and return themselves in the future (HVS, 2014).

One of the latest research conducted by HVS Global Hospitality Services indicates that while the youth group market is the largest consumer segment in European hostels, in combination with the group of single tourists, it becomes the largest segment of the whole market (Canalis, 2013).

Due to the new hostel's classification new markets are attracted to this sector. For traditional hostels their clientele was perceived as uniform, for the new hostels the experts have categorised six new main groups of guests. The only common thing between these categories is that the main focus is younger people as Millennials and Generation Z. They are segmented by the budget, travel habits, social, lifestyle, and behavioural for booking a travel (Canalis, 2013).

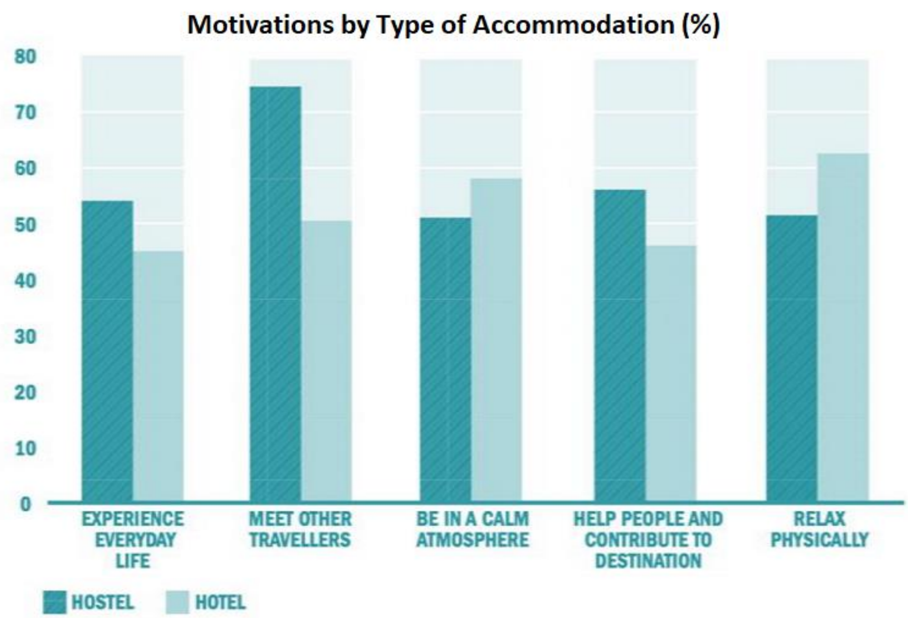
4.2. ACCOMMODATION TYPES USED BY YOUNG TRAVELLERS

There are few changes in the youth travel motivation during the past 10 years. The most important are having a cultural experience, exploring new cultures, learning new things and meeting local people are the most common motivations (UNTWO & WYSE, 2015). Reinforcing this motivations, the social motivations, such as building friendships were much more strongly at the moment of choose the type of accommodation willing to use a hostel-type accommodation or couchsurfing than to the use of hotel accommodation. In 2012 more than 60% of young travellers used hostel has accommodation. (WYSE New Horizons III, 2012).



Graphic 1. Source: WYSE New Horizons III, 2012.

The reason to choose a particular type of accommodation is related with the travel motivation. For instance, those who are lodged in dorms for backpackers are motivated by the search of experience everyday life, adventures, and meet other travellers. Hotels are more used by those who seek rest, relaxation or a calm atmosphere (STAY WYSE Youth Travel, 2013).



Graphic 2. Source: WYSE New Horizons III, 2012.

4.3. HOSTELS

4.3.1. HOSTEL DEFINITION

The definition of a hostel is quite difficult because almost every hostel is different from another. They are unique creations in ambiance and design combine with the experience they offer to guest and the location (Gomio, 2017).

The word HO S TEL try to show a blend between hotel services and social atmosphere (Douglass, 2013). In addition, it is possible add the price differentiation and the shared rooms, but are that the real differences? (Gomio, 2017). Gomio.com asked to the owner and manager from all over the world and these are what they answer.

"A Hostel is not any random accommodation, it's an attitude towards life. You can equate a Hostel with the meeting and communication with several different people. No matter the age, the gender, the ideology, or the skin color – in a hostel its the openness, and curiosity that counts. In a Nutshell: Hostels are cool!"

Cathrin Eszbach – Backpacker Penthouse Osnabrück (Gomio, 2017).

“A hostel is the most intimate way to travel. By sharing your most personal space with total strangers – where you sleep, where you eat, and where you relax. You open yourself to creating lasting relationships with new-found friends. Hostels come in all shapes and sizes, from 672 beds in New York City to 15 beds on the California coast, so get out there and start exploring!”
George Finn – Hostelling International New York City (Gomio, 2017).

After read all definition definitely Hostels are social (Gomio, 2017).

As a formal definition for a hostel is budget basic accommodation facility that provide social atmosphere to people, generally young travellers abroad or in their own country; with different travel motivations, for instance, vacations, education, and travelling individually or in group (Bathia, 2002: Metodijeski, Taskov, & Dimitrov, 2015). Thanks to the social atmosphere travellers can interact between them from different nationalities and social status, due to guests regularly pay for a single bed rather than a private room, they share toilets, bathrooms, and communal areas as kitchen and living room. Also they tender a strategic location in the city centre or they are very well connected with the public transport (Medlik, 2003: Metodijeski et al., 2015).

The emergence of these types of establishments also has to do with a reality linked to the economic crisis: too many empty buildings in the historic centre of cities. A prominent part of new hostels are located in rehabilitated farms that were to be dwellings, but they were not developed. One way to recover the investment was to transform the property into a tourist business and put it in the hands of a company that managed it. These accommodations maintain the premise of their low investment cost but both on the outside and inside they look like hotels (Angulo & Justícia, 2013).

4.3.2.THE TRADITIONAL PERCEPTION OF A HOSTEL

Due to its popularity among young people, hostels have been mainly associated with backpacker travellers, traditionally perceived as leading accommodation at lower prices for clientele requiring basic standards. In many cases hostel clients are seen as "simple" and not as sophisticated. However, a large number of hostels have begun to change this perception with "cheap accommodation" a new trend of design products and better locations (Hostel Management, 2015).

Also these other characteristic were associate to a traditional hostel:

Location

- Secondary or tertiary of a destination location.

Accommodation

- Dormitory accommodation.
- Capacity of between 4 to 20 beds sharing a room.
- In-room amenities reduced to basic such as sheets, blankets, towels.
- No TV, mini-bar, safes or significant furniture for storage.
- Both female and male in the same rooms.
- Inconsistency in the level of accommodation provided.

Communal Facilities

- Communal showers in hallways.
- Communal bathrooms.
- Cooking facility area.
- Extremely limited personal services.

Typical Guest

- Young student/backpacker market.
- Seeking the most basic experience.
- Price conscious, limited income.
- Traveller.
- Quality of accommodation not a prioritising factor.

Key Characteristics

- Owner operated.
- Limited operation - minimal staff.
- Interaction created between guests sharing dorms or staying in the same hostel.
- Lack of security for individual guests.
- Public areas important for social interaction between guests.
- Basic operation and offer.
- Inconsistency in services provided.

Table 1.Source: Brochado, Rita, & Gameiro, 2015.

4.3.3.THE CHANGING DYNAMICS OF THE HOSTEL SECTORS

Nowadays, there is a new kind of hostel, although the sector is still highly fragmented because is compound by small companies and independent, in other face can be compared with the hotel industry when it was starting fifty years ago (HVS, 2014).

The key development in the hostel sector continues to be to increase the segmentation of the offer in an effort to appeal to the specific niche of travellers (CBRE Hostels, 2016). In order to be competitive in this sector many hostels are selling more than just a bed and breakfast, offering new and memorable experiences (HVS, 2014).

The new emerging and redefining Hostels in the sector are merging economy with lifestyle. This new hostels are changing the perception of a traditional hostel in terms of quality, value added and experiences (CBRE Hostels, 2016).

It is difficult to find the right keys to classify the hostels, in Europe the biggest developed market of hostels, some hostel products are competing with some traditional hotels (CBRE Hostels, 2016).

To cover these new sub-markets this is the new segmentation of the Hostel Product.

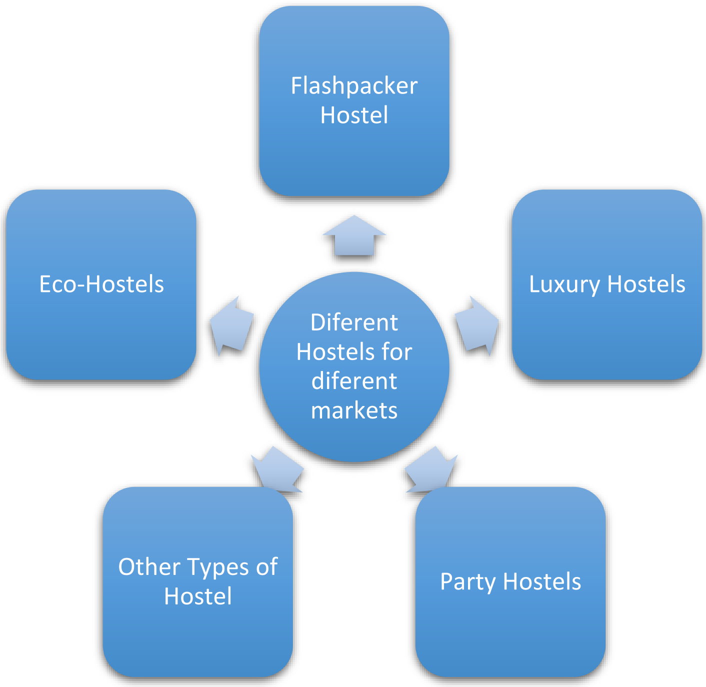


Illustration 10. Source: HVS, 2014

FLASHPACKER HOSTELS

The firsts change in the hostel was adding private rooms with en-suite bathrooms, some of them with own bars or nightclubs, the guest can just focus on the fun part because no more daily chores are no longer required. This is an upscale hostel working at least a decade (HVS, 2014).

ECO-HOSTELS

As the awareness for sustainability, energy consumption and waste manage, this sense is specially in youth people, there are hostels with this particular interest incorporating environmentally friendly features such as the use of renewable energy like solar panel to heat water for showers, recycling facilities, also using biodegradable cleaning products and using leds in the illumination (HVS, 2014).



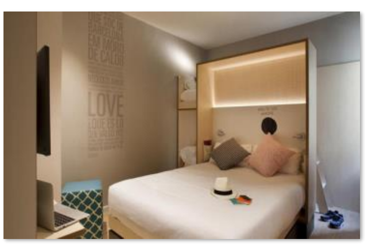
PARTY HOSTELS

For those extremely social travellers a party atmosphere is the most important part of the hostel, this hostel put an extra effort in the activities-related element of a guest's stay in-house, hanging out with other guests (HVS, 2014).



LUXURY HOSTELS

This new trend in hostels offer better quality of design of the ambient, the spaces are more sophisticate and stylish. The accommodation are similar reasonably called as luxury. In order to better services some of the hostel of this category offer swimming pools, cinemas, saunas, gourmet restaurants, terrace bars, and amenities. The location of this hostels is really important point to mention because they are in prime locations (HVS, 2014).



OTHER TYPES OF HOSTELS

This category involve another ones such (HVS, 2014):

- ✓ Ski Hostels
- ✓ Countryside Hostels
- ✓ Beach Hostels
- ✓ Single Sex Hostels
- ✓ Retreat Hostels

- ✓ Student Hostels

4.3.4. REDEFINING THE SECTOR

This emergence type of hostel is the result of the new needs of the customers of the new generations with the combination of the low cost carriers expanded the possibility of youth people reach new destinations than ever before. To cover customer needs this reinventing hostels are focus on design, location, and social interaction (CBRE Hostels, 2016).

European market is the most developed geographical market in the hostel industry, during the last decade this industry has experienced a huge transformation, and nowadays it is extremely difficult to see the main keys of differentiation between a hotel and hostel (CBRE Hostels, 2016). Emerging hostel brands as Generator are redefining the traditional hostel product by increasing the quality standards and providing a consistency product in a variety of markets (Lazard Generator, 2016).

Illustration 11. Generator hostel, front desk.

Illustration 12. Generator hotel, bar.

Illustration 13. Generator hotel, kitchen.

Illustration 14. Generator hotel, dorm.

Illustration 15. Generator hostel, common area

In some sense the new product is competing with conventional hotels, due to the differentiation between them have become more and more difficult. This emerging product has been describe as “luxury and 5-star hotels” and most commonly named as “Posthel”, it has achieved a recognition as a value product and some distribution channels have done a differentiation as new category. (CBRE Hostels, 2016).

Ilustración 16. Ilustración Casa Gracia.

Illustration 17. TOC hostel.

According to Lonely Planet, the term ‘*Poshtel’* is the blend of ‘posh’ and ‘hostel’ and usually defined as an upscale or luxury hostel which combines the style and comfort of a boutique hotel with the price and sensibilities of hostel Griffith-Jones, L. (2015).

Ilustración 18. Beimen WOW Poshtel.

Ilustración 19. Freehand Poshtel Chicago.

A distinguishing characteristic of hostel is the recognition of the importance of provide a point for guest interaction, this value combine with other facilities as bars, lounge areas, in-house events, local tours, and social media (CBRE Hostels, 2016).

The new emerging products have elements and facilities of a hotel sector, combine with other factor as (Lazard Generator, 2016):

- ✓ Located at prime zones of the cities.
- ✓ Great social areas with a stylish ambiance to allow interact guests.
- ✓ Numerous of activities to create social interaction, increasing the use of facilities as the bar or lounges.
- ✓ Offer en-suite private rooms, female-only dormitories with top facilities and services.
- ✓ Manly of the rooms are en-suite bathrooms only.
- ✓ Incredible modern design according to the city and the neighbourhood.
- ✓ High level of security.
- ✓ Eat like local with a competitive prices.
- ✓ The feeling of being unique in character and context.

4.4. INVESTMENT IN THE HOSTEL INDUSTRY

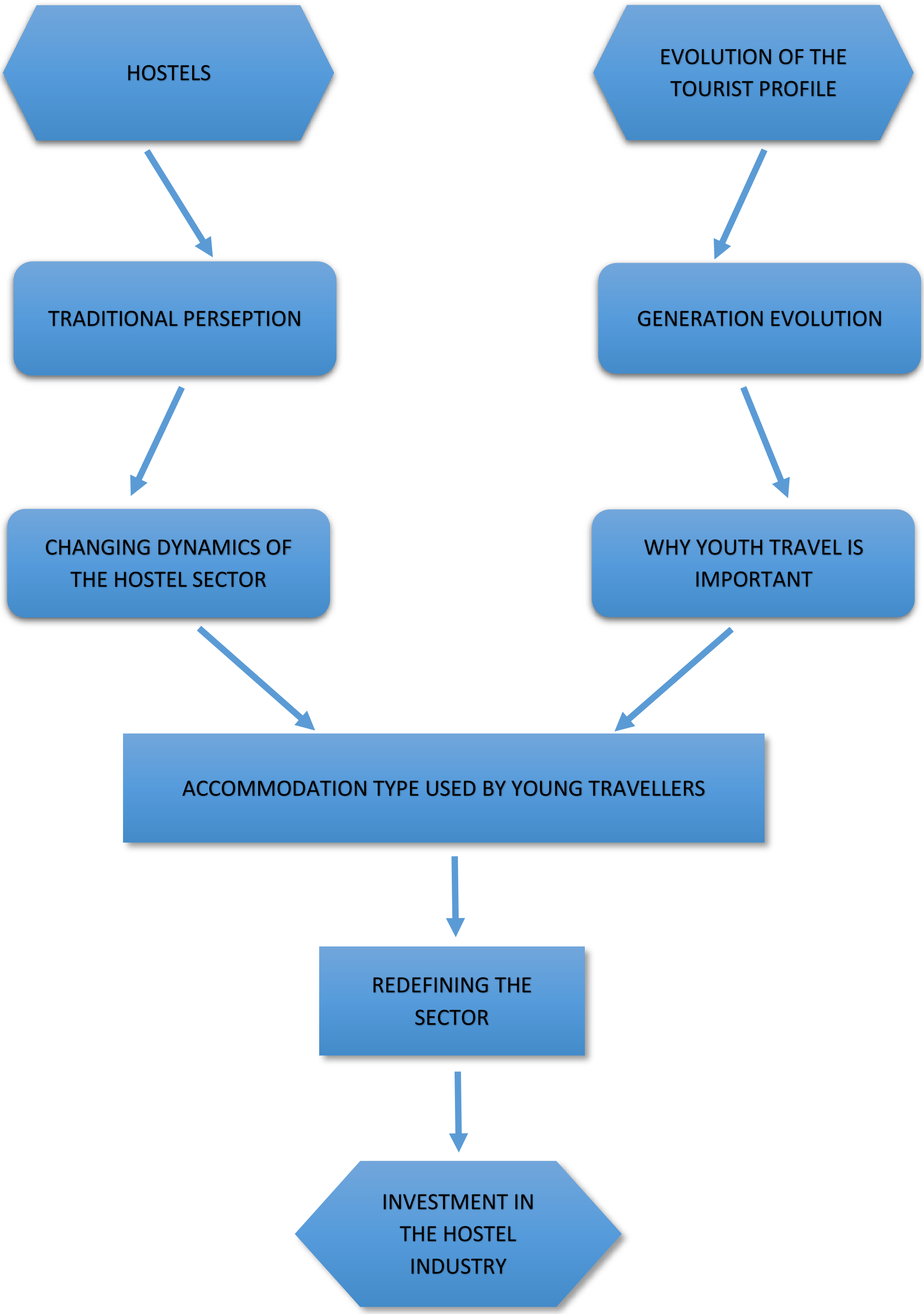
The hostels have crossed the boundaries of traditional markets as Europe and Asia attracting not just travellers and also institutional investors (McKenney, 2017). After many decades of being in the market now the hostel industry is attracting big investors, for instance Patron Capital was involved with Generator and they sold it by 450 million of euros, and the new owner is planning invest 300 million euros in open new properties. Generator hotels with 14 properties, have redefined the concept of a hostel into design-led budget accommodation in prime locations (Whyte, 2017).

The hostels market is attractive for investors for the following reasons (McKenney, 2017):

- ✓ The spending power of young travellers have growth in the last years.
- ✓ The number of travels have increased exponentially.
- ✓ There are many independent operators offering just basic services whiteout any other value. This has an opportunity to invest in new concepts and compete in the market

The hostel industry is not just attracting investor firms is also attracting large operator brands as Meininger by Cox & King, the acquisition of this chain pursuit create a leading German hotel group in Europe providing hotel/hostel hybrids at affordable prices for the service of a hotel and the atmosphere of a hostel (McKenney, 2017).

4.5. LITERATURE MAP



5. BUSINESS DESCRIPTION

5.1. CURRENT SITUATION

The logo of the hostel is:

Illustration 20.Ñaupa House Web, 2017

The present business plan is to upscale a hostel adding a value proposition to achieve a new segment of market and stop to compete by prices. This hostel is operating in a republican house with 140 years of antiquity, it was founded in 2008 in Cochabamba Bolivia by an entrepreneur young lady, it was the first hostel in Cochabamba in that time, there are more than 7 hostels (HostelWorld, 2017) around it in the present, and the hostel is competing in a red sea just by pricing.

The hostel is situated at the very centre of the city surrounded by many restaurant, cafes and bars. It is 200 meters from the main square, and 200 meters from the Paseo del Prado, two main point of the city (Cochabamba City Council, 2017)

PROGRAM MANAGER SYSTEM

Ñaupa House is using as PMS called Hostel System since August of 2015, it is a PMS for hostels that can be connected directly with some OTA's or other channel managers. The information we are going to use for this analysis came from this PMS.

Illustration 21. Source: Hostel System, 2017

CHANNEL DISTRIBUTION

Ñaupa House Hostel has a website but is not using the booking engine of their PMS. They are working with Booking.com and want to add more OTA. The main problem for the staff is to learn how to use the PMS because part their limited computer skills.

ROOMS AND OTHER FACILITIES

Ñaupa House Hostel has a garden, kitchen for the guests and 25 Rooms with a total of 48 bed places organize as follow:

- ✓ 1 Double Bed Room Private Bathroom
- ✓ 2 Twin Rooms Private Bathroom
- ✓ 1 Double bed and Single bed Room Private Bathroom
- ✓ 8 Single Rooms Shared Bathroom
- ✓ 4 Singles Room with TV and Shared Bathroom
- ✓ 4 Twin Beds Private Bathroom
- ✓ 1 Twin Room + TV Shared Bathroom
- ✓ 1 Double Bunk Bed Room Shared Bathroom
- ✓ 1 Double Room + TV hared Bathroom
- ✓ 1 Triple Single Beds Room Shared Bathroom
- ✓ 1 Dormitory Shared Bathroom

Room	Type of Room	Rate	Guests	Rate/Guest
1	Triple Room Private Bathroom	32,54 €	3	10,85 €
2	Double Bed Room Private Bathroom	25,79 €	2	12,89 €
3A	Single Room Shared Bathroom	9,21 €	1	9,21 €
3b	Single Room with TV and Shared Bathroom	10,44 €	1	10,44 €
3d	Single Room with TV and Shared Bathroom	10,44 €	1	10,44 €
4a	Single Room Shared Bathroom	9,21 €	1	9,21 €
4B	Twin Room Private Bathroom	25,79 €	2	12,89 €
5	Double Room + TV Shared Bathroom	17,19 €	2	8,60 €
6A	Twin Room Private Bathroom	25,79 €	2	12,89 €
6B	Twin Room Shared Bathroom	14,74 €	2	7,37 €
6C	Twin Room + TV Shared Bathroom	17,19 €	2	8,60 €
12A	Single Room with TV and Shared Bathroom	10,44 €	1	10,44 €
12B	Single Room with TV and Shared Bathroom	10,44 €	1	10,44 €
12C	Triple Single Beds Room Shared Bathroom	20,26 €	3	6,75 €
13A	Single Room Shared Bathroom	9,21 €	1	9,21 €
13B	Single Room Shared Bathroom	9,21 €	1	9,21 €
13C	Twin Room Shared Bathroom	14,74 €	2	7,37 €
14A	Single Room Shared Bathroom	9,21 €	1	9,21 €
14B	Single Room Shared Bathroom	9,21 €	1	9,21 €
14C	Twin Room Shared Bathroom	14,74 €	2	7,37 €
17A	Single Room Shared Bathroom	9,21 €	1	9,21 €
17B	Single Room Shared Bathroom	9,21 €	1	9,1 €
18A	Double Bunk Bed Room Shared Bathroom	13,51 €	2	6,75 €
18B	Twin Room Shared Bathroom	14,74 €	2	7,37 €
19	Dormitory Shared Bathroom	61,40 €	10	6,14 €
Total Capacity		48 beds		

Table 2. Source: Hostel System, 2017.

NIGHT SPEND BY THE GUESTS

The average spend nights by guests at the hostel during September 2015 to August 2016 was 2,93, and 2,74 from September 2016 to August 2017, showing a decrement of -6,55%.

Month	2015 -2016	2016-2017	Difference
September	4,55	2,27	-50,11%
October	3,08	2,59	-15,91%
November	2,67	3,07	14,98%
December	2,81	2,53	-9,96%
January	2,37	2,71	14,35%
February	2,26	2,74	21,24%
March	2,53	2,92	15,42%
April	2,76	2,93	6,16%
May	3,77	2,96	-21,49%
June	2,59	2,13	-17,76%
July	2,81	3,04	8,19%
August	2,93	2,94	0,34%
Average	**2,93**	**2,74**	**-6,55%**

Table 3. Source: Hostel System, 2017.

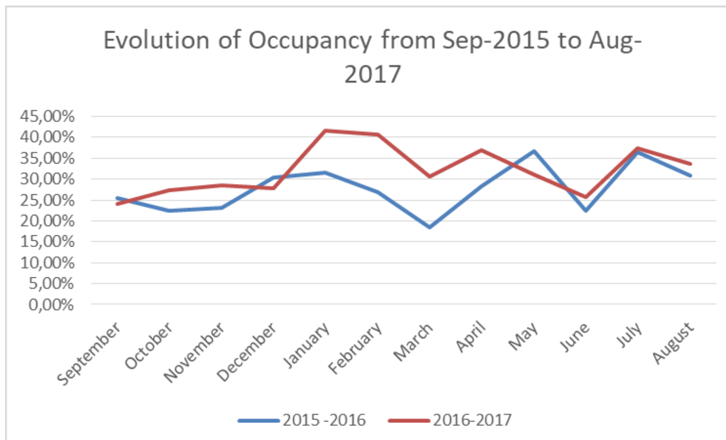
OCCUPANCY

The average occupancy of the Ñaupa House was 27,75% from August 2015 to September 2016 and 32,13% from September 2016 to August 2017, showing and increment of 15,16% from one year to the next one.

Month	2015 -2016	2016-2017	Difference
September	25,56%	24,05%	-5,91%
October	22,39%	27,32%	22,02%
November	23,20%	28,50%	22,84%
December	30,36%	27,89%	-8,14%
January	31,63%	41,68%	31,77%
February	26,77%	40,62%	51,74%

March	18,41%	30,68%	66,65%
April	28,30%	36,99%	30,71%
May	36,69%	31,06%	-15,34%
June	22,48%	25,62%	13,97%
July	36,48%	37,44%	2,63%
August	30,74%	33,65%	9,47%
Average	**27,75%**	**32,13%**	**15,76%**

Table 4. Source: Hostel System, 2017.



Graphic 3. Source: Hostel System, 2017

It is important mention that January and February are the best months with more than 40%, considered as high season because in Bolivia is summer holidays. The other months as March, April, May, July, and August are over 30% of occupancy, because some weeks of these months coincide for instance in 2017 carnival was in March, Easter in April, there is International fair is in May, winter holidays in July, and Virgin Urkupiña Fest is in august. And June, September, October, November, and December are slightly under 30%, is low season, because there are no many activities in the city.

In 2016 the carnival in a Cochabamba and Oruro have attracted 500.000 of travellers local and international, and the economic movement was more than 27 million euros almost 10 days. Oruro's carnival is the most important carnival in Bolivia, has been declared "Human Patrimony" by UNESCO in 2001 as well as "Masterpiece of Oral Heritage and Intangible by Humanity" (UNESCO Cultura, 2008). Oruro is just 4 hours away by bus (ticket prices 5 €) from Cochabamba and is a cold and not very attractive city and during carnival is really expensive to stay there, there many people staying in Cochabamba and goes there for a day tour in carnival.

Illustration 22. Carnival of Oruro

Illustration 23. Carnival of Oruro.

Illustration 24.Carnival of Oruro.

Illustration 25. Carnival of Cochabamba.

Illustration 26. Carnival of Cochabamba.

Urkupiña is the second more important religious Fest, in 2016 this festival was visited by 885.000 people and the economic movement was more than 17 million euros (INE, 2016).

Illustration 27. Urkupiña Calvario Day.

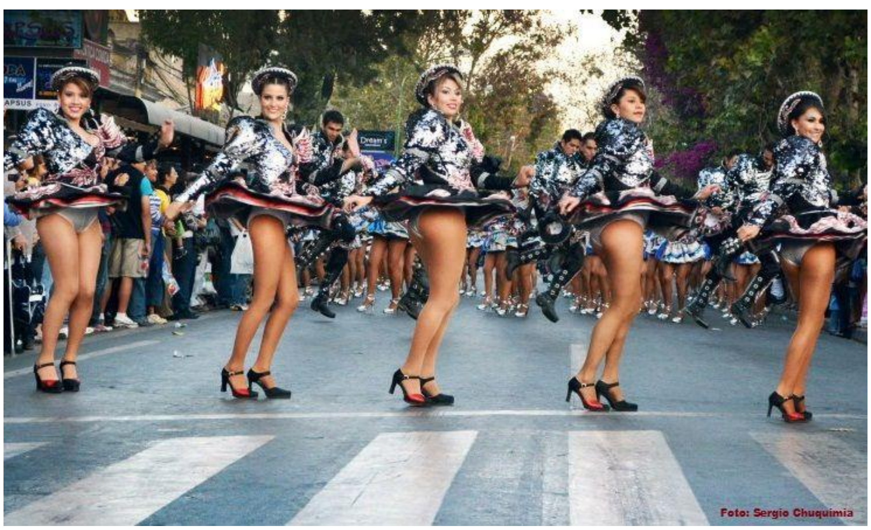


Ilustración 28. Urkupiña Folkloric Dance Day.

GUESTS' NATIONALITY

Ñaupa House received in the last 2 years 50% of national guest and 50% of international guests. The nationalities with major percentage are France with 8%, Argentina with 7%, Chile with 5%, Germany with 4%, Brazil with 3%, Spain with 2%, and Peru with 2%.

The main reason because Cochabamba receive Bolivian travellers as much as International is because is located at the centre of Bolivia, popular for the gastronomy, extremely good climate, and also the prices are affordable more than other cities. These reasons make Cochabamba the perfect city for a short break (Lonely Planet, 2017).

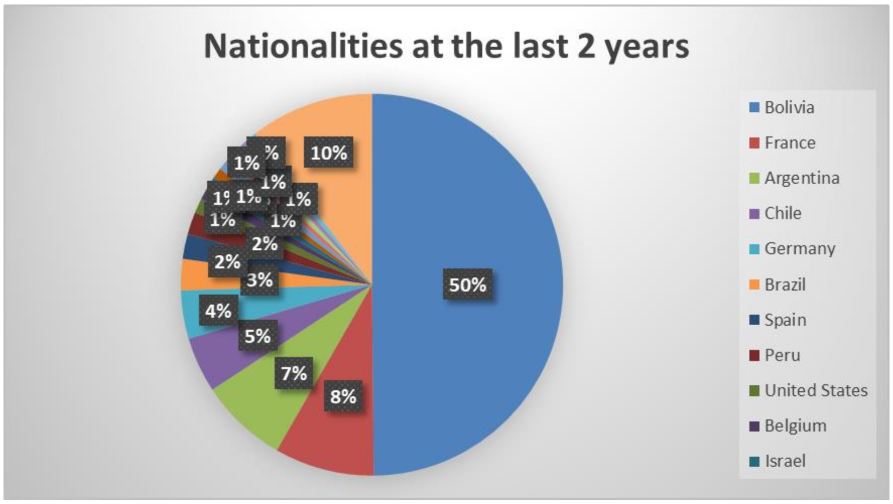


Illustration 29. Source: Hostel System, 2017

From the international guests the majority come from Europe 47%, the second important group is from South America with 40%.

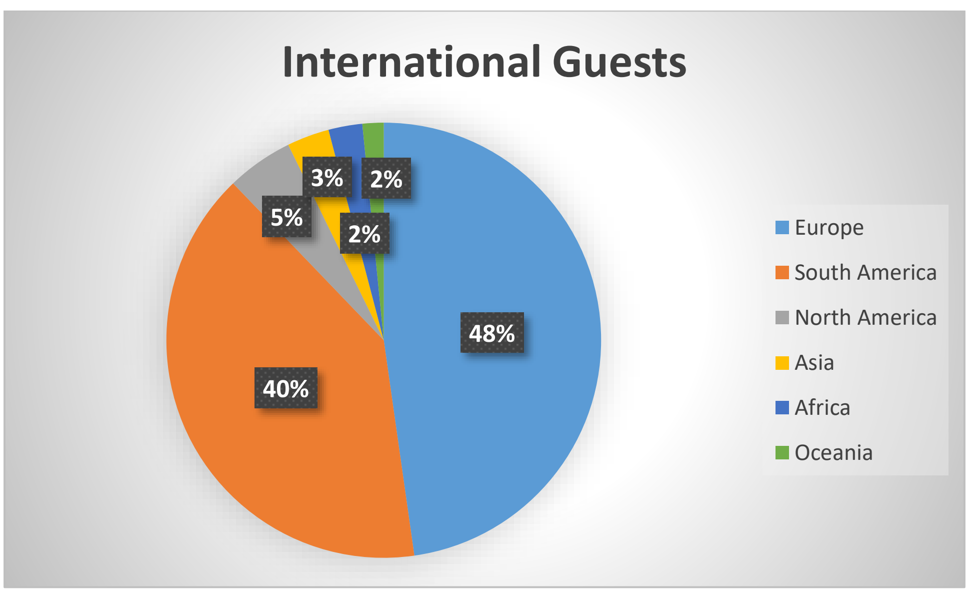


Illustration 30. Source: Hostel System, 2017

MARKET EVALUATION

Ñaupa House is ranked in Tripadvisor website at the position 24 of 37 hostales, B&B, and hostels. It has 28 comments and a punctuation of 2 of 5 with a 17% of review rated of excellent and good comments.

In Booking.com website, the hostel has a punctuation of 5,4 of 10 from 182 comments, with a 23% of review rated of excellent and good comments. The major punctuation is in location 7,2 and the lower are in cleanliness, and comfort with 4,9.

FINANCIAL DEBT

At the moment the company does not have any debt. The company's freehold property.

5.2. BUSINESS MODEL CONCEPT

Ñaupa House is owner operated hospitality brand who needs to be repositioned as affordable lifestyle accommodation called Poshtel, adding in this way value to its prime location and reasonable prices. After a research about the location and analyse competitors of Ñaupa House Hostel has in Cochabamba, adding lifestyle to the mix it will be no enough to make a big difference with the competitors.

In order to mark a really strong differentiation the hostel will improve guest experiences with a traditional and ancient food restaurant as taking advantage of the good reputation as top gastronomic destination that have Cochabamba. This aspect is important because the travellers as millennials prefer the local and uniqueness experiences. Also the restaurant will going to offer some casual national and international food for those who are not adventures with the food. The breakfast will reflect these sense of localness having options of very traditional breakfast as in some small towns are still people eating in this way, in Cochabamba.

Ilustración 33. K'allu y papa waiku.

Illustration 31. Api con pastel.

Illustration 34. Salteña.

Illustration 32. Empanadas of Cheese.

Another important aspect to add more value will be events showing the traditions of Cochabamba to allow the tourist mix with the locals, for instance make a K'oa each month, this is a tradition to say thank you to the Pachamana (mother earth).

Cochabamba has a really big potential in gastronomy sector, to let the guest feel local, the poshtel will organize tours to go to the secret places to try great food, outside of Cochabamba there are restaurants owned by families with very traditional food, where only the locals go and food is amazing.

The rooms will have more design and use the space more efficiently, to achieve a total of 172 beds instead to have 48 bed at the moment.

The *hostel* is freehold building.

REVENUE SOURCE

- ✓ Bed revenue from a mix of shared (26%), private shared bathroom (57%), and private en suite bathroom (19%) rooms of accommodation.
- ✓ Food & Beverage, offering a good food for a good price.
- ✓ Ancillary Revenues, for instance retail, hire washing machine, lockers, hiring out events spaces at the hostel.
- ✓ Sales and Marketing, bed sales through the OTA's, group and travel agent bookings, WhatsApp, Facebook, and walk-ins.

SALES AND MARKETING

- ✓ Bed sales are through the Company's own website, online travel agents (OTAs), group and travel agent bookings, and walk-ins.
- ✓ Multiple marketing channels to position Company's brand and engage with its customers, using online presence, social media, print media, and brand / events partnerships (Tourism fairs).

COSTS

- ✓ The largest constituents of the Company's cost base are payroll, administration costs, F&B raw materials, and booking commissions.

CUSTOMER BASE

- ✓ Hostel's customers will include youth groups, independent travellers, couples, families and corporate travellers.
- ✓ Millennials will be the most dominant age group.
- ✓ Generation Z is a new emerging customer base, this will be the future.

MANAGEMENT

- ✓ Two General Managers, one for accommodation and second for F&B.
- ✓ 12 full time equivalent staff at the hostel level and F&B.

OPERATING STRUCTURE

- ✓ The structure that will use the hostel will be flatarchies, this will allow the company work in hierarchies and flat organizations changing between them as will be necessary.
- ✓

FINANCIAL DEBT

- ✓ At the moment the company does not have any debt. The company's freehold property.

5.3. HISTORY AND POINTS OF INTEREST

Ñaupa House is a Hostel and was founded at 2007 by Ivonne Ortega, a dream that can true after almost 2 years of work doing the refurbishing and the processing of Licenses, opened its doors in 2009. The hostel is located at 250, España Street between Colombia and Ecuador streets.

The hostel is operating in a colonial house with a central garden compound by two parts. The first part that is a two floor building is the oldest part of the house with approximately 120 years old (City Council of Cochabamba, 2017) and was part of a monastery. The second part of the house had been built more recently has approximately 40 years old (City Council of Cochabamba, 2017). During the renovations, it was tried to conserve as much as they can from the original material of the oldest part of the house.

The name of the hostel is composed by English word and Quechua word, the Quechua word "Ñaupa" means ancient, then the whole name is "Ancient House" (Ñaupa House Website, 2017).

5.4. STRATEGY AND COMPETITIVE EDGE

5.4.1. THE HOSTEL VS THE TRADITIONAL HOTEL MODEL

The hostel can be compare with budget hotels, because both achieve a sensitive price market segment.

The main difference between a hostel and budget hotel model are:

THE HOSTEL MODEL CAN OUTPERFORM BUDGET HOTELS.

In the traditional perception a budged hotel model has more income due to the price of the room is higher. After an analysis of Occupancy, Average Room Rate (ARR) for every room sold as a guest purchases a room, and Revenue per Available Room (RevPAR) as the result of product of Occupancy and Average Room Rate in London. In the hostel side accounting the consideration of the operating model is that a guest purchase a single bed instead an entire room, key performance metrics are benchmarked on a “per bed basis”, in order to these basis in the STR sample used an average ratio of 4,8 beds per room in a hostel as equal of a room in a hotel. The result of comparison shows that the hostel model has a Robust Revenue and Profit results higher than a budget hotel. (CBRE Hostels, 2016).

NON ROOMS REVENUE.

Since a hostel is a bed model, the number of guests is higher than in a hotel. This create a great opportunity of have another strong income in food and beverage, in a good balance of price and quality it could attract also demand from out-house customers. According to HVS research it could be around 15%. In a traditional hotel model, the small amount of servings of food and beverage to the guests gives as result a profit of 5% to 10% of the entire revenue. (CBRE, 2016).

OPERATING EFFICIENCIES.

Because of the accommodation standards in a hotel is important to have an en-suite bathrooms, while in a hostel a bathroom can be share for many guests. Apart of the communal bathrooms a hostel can also have shared bedrooms, limited in-room amenities, and cost efficiency can be achieve because of the limited services a hostel need fewer number of employees. Due to this characteristics a hostel has more efficiency operating model than a traditional hotel. (Bunda, 2014).

SOCIAL ENGAGEMENT & DIFFERENTIATED MARKETING STRATEGY.

A conventional hotel gives privacy, in an opposite of that a hostels gives a strong social environment very important for new markets. Because the target market for a hostel is between 18- 35 age group. Furthermore the way the new market are attached to technology and social media interaction with a great hunger of socialization in face or online. The purchase habits are different to other markets, using online options more than other like OTAs, websites reviews, meta searchers, and recommendation through social media, hostels take advantage of this new purchases habits using them in different ways to achieve each market like flashpackers, groups, or others. In contrast of all of these hotel just have a standard and generic products. (CBRE, 2016).

THE DEVELOPMENT MODEL CAN BE MORE FLEXIBLE.

Hostel	Hotel
Lower requirement for extensive furniture, fixtures and equipment in rooms/dormitories	In-room entertainment and extensive furniture and fittings is significantly higher than a hostel
Per bed development out flexes per roomb development	The generic hotel development model has a brand standard for the size of a room, facilities offered and en-suite bathrooms which can restrict the options
The public areas of a hostel are key in order to animate the atmosphere and social environment guests expect.	Low number of public areas
Back of house space and service areas are lower or in the words the same as than a hotel	Back of house of space are not profitable as a hostel
Tailoring to licensing and accommodation laws, and planning requirements	For a hotel is harder have the same flexibility in its standards
Tailoring the development to maximise the market opportunity depending on a location, a higher proportion twin rooms, large dorm rooms and/or female-only dorms may be required.	A hotel has a limit of flexibility to reach some markets

Source: (CBRE, 2016).

5.4.2. WHY INVEST IN OR DEVELOP A HOSTEL RATHER THAN A HOTEL?

The main reason are:

- ✓ The development cost can be potentially lower because there are not standard services of facilities to cover.
- ✓ Easier conversion from existing serviced accommodation or non- serviced accommodation buildings
- ✓ Greater development flexibility in high-demand locations
- ✓ Revenue, profit and return on investment per room potentially greater than the conventional budget hotel model

- ✓ Flexibility to tailor product to market requirement - enhancing revenue and profit streams, also making it unique
- ✓ A product that is “on-trend” for today’s and tomorrow’s markets
- ✓ First Mover Advantage in a “Hotspot” Market - Significant Upside Potential From Investment in a Nascent Sub-Sector of the Budget Serviced Accommodation Market

5.4.3. POSHTEL VS. HOSTEL VS. BUDGET HOSTEL

The upscale hostel can deliver the same level of room/bed revenue as comparable hotel, but with improved profitability due to its high guest density (more guests to spend on F&B and ancillary services) and lower costs because the development costs is lower and they need number of staff than a hotel (Lazard Generator, 2016).

Compared to traditional hostels Generator offers a higher quality offering in prime city centre locations with diversified

Characteristic	Posthel	Traditional Hostels	Budget Hotels
Profitability	Significant profitability due to higher quality offering, more sophisticated commercial practices example revenue management, and wider customer base	Lower operating costs. Better revenue, profit and return on investment per sqm. Strong market and demographic fundamentals driving high growth	Generally higher operating costs and lower profitability per sqm
Guest Density	Average guests per room of 4.1. Combination of low-density private rooms and high-density dormitories. Provides the best of both worlds: better profitability per sqm and less dependence on occupancy per room.	Generally, 4 guests per room yields higher income per sqm and increases ancillary revenue, for example more guests to spend on F&B, larger amount of social space.	Average of 1.2 guests per room

		Typically less density on individual properties with less than 50 beds	
Sources Of Revenue	Large amount of revenue approximately 25% comes from non-room sources and including F&B. F&B attracts locals because they are destinations by themselves	Primarily room revenue; some F&B and ancillary	Primarily room revenue; limited F&B and ancillary
Ease / Cost Of Development	Development costs are slightly higher than traditional hostels due to increased focus on aesthetics and design, but remain lower than comparable hotels History of property is incorporated into unique design and add value	Greater development flexibility in high-demand locations (different types of buildings can be more easily adapted to hostels) Lower development costs due to more basic accommodation, FF&E and easier building conversion	Buildings generally need to be designed specifically to be accommodate a hotel
Room Type	Significant amount of private room stock (incl. premium twin and luxury rooms) High proportion of rooms (both dorms and private) are en-suite Flexibility to tailor product to market requirement	Majority shared accommodation with limited differentiation between room types	Exclusively private rooms
Location	Prime central locations in destination cities	Tend to be somewhat central, but in cheaper neighbourhoods	Varies – budget hotels tend not to be central
Customer Base	More varied customer profiles: millennials, empty nesters, families, business travellers	Typically caters to backpackers and organised groups	High proportion of business travellers

Social / Shared Space	Strong focus on providing a large amount of high quality social / shared space, example bars and cafes, including event and co-working space This serves both to create an enjoyable experience for guests and to generate additional revenue	Variable amount of social / shared space, but generally of low quality	Very limited social / shared space
Fittings	Basic and robust, but design-focused Higher quality and more modern than traditional hostels	Basic, for example rooms with just beds and lockers, cheap, lower quality, and unattractive	More expensive, higher quality
Other	Focus on security for example CCTV, female-only dorms, strong and visible security is a key requirement for guests Deep social media penetration attracts millennials and other techsavvy guests	Comparatively lax security systems / protocols Poor social media presence, especially given guest demographics	Comparatively lax security systems / protocols Generally negligible social media presence

Source: Lazard Generator, 2016.

5.5. MISSION AND OBJECTIVES

5.5.1. MISSION

The mission of the hostel is:

“Give to the travellers the experiences of the being a local”

“That the travellers experience how nice is live in our city”

5.5.2. OBJECTIVES

The objectives for the short term:

- ✓ Maximise financial performance, by driving revenues (Rooms, F&B and Ancillary), optimising bed rates, focussing on operational efficiencies (including deployment of smart technology, people development and employee engagement), and cost management.
- ✓ Protect and enhance brand equity through continued refinement of brand identity, product and service, as well as the careful creation of the Company's culture
- ✓ Use more distribution channels, improve the social media presences and make more conversions trough the hostel's website.
- ✓ Start the use of a Customers Relationship Manager (CRM), search and use this tool reach customers that already have been in the hostel.
- ✓ Start to do Revenue Management manually and in the future use a system, in order to further optimise ADR and ABR.
- ✓ Start the use of a Booking Engine to improve customer booking experience and increase conversion trough the website instead of the other channels.

The objectives for long term:

- ✓ Horizontal Platform Growth, this will consist for the low season explore new business streams (i.e. student accommodation, retail partnerships, F&B) franchise, temporary lodging etc.)
- ✓ Platform Synergies for potential economies of scale, cross-selling, etc. Depend if the company can grow more.
- ✓ Asset Level Initiatives, for instance convert the flat that is working for as a dorm in a duplex flat.

5.6. THE EN TREPRENEURIAL TEAM

Ivonne Ortega, Entrepeneur

- Ivonne has a lot of experience in entrepreneurship because the hostel is her third business, she started a handicraft store and handmade liquor factory. Both of them have been sold at the twice of the value invested.
- She started to work on the hostel project in 2007, she had the idea of openned a hostel after she travelled alone using hostels as accommodation in Europe and South America. when Ñaupa House was openned was the first hostel as it is in other countries.
- In 2009, she oppened a cocktail bar, with a concept of classic never dies. This bar was in a second floor with nice view of the street, achieved his point of balance in 3 months.
- In 2012, she started a coffe place with the concept of a all deserve a good coffee made by a proffesional Barista in a resanoble price. It has achireved the second place of top coffe shops in Cochabamba in 2014.
- She has more than a decade of experience in the entrepeneruship and hostel industry and F&B.
- Ivonne holds a MBA with specialization in finance from Universidad Privada del Boliviana. And Now she is finishing a Master's degree in Hospitality Management.
- With the new Master, she learned the ability of alignment of vision and strategy with the value creation, resulting on build a winning culture based on collaboration, accountability and achievement. Futhermore, gives her a global view of what is happening in mature markes as Europe and new trends.

Bertran Gerbulet, Entrepeneur

- Bertrand is French with Bolivian hart leaving in Cochabamba since 2006, oppenned a restaurant in 2007 with french delicanteces. In 2010 he moved to Colombia for an adeventure travel to enrich his knowledge about South America.
- Back in Cochabamba en 2012, worked for one of the best cuisine schools being the best profesour for 3 years consecutively. Also bring international chefs for master classes.
- He has created a fusion between french and traditional food in 2015.

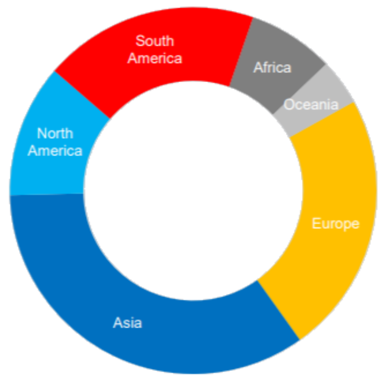
6. ANALYSIS OF THE BUSINESS ENVIRONMENT

6.1. THE MARKET

6.1.1. OVERAL HOSTEL MARKET

Hostels have marked a major transformation of the hospitality industry, and many travellers are now attracted to alternative accommodations. The hostel market constitutes a significant segment of the hospitality sector, there are more than 22.000 properties registered at Hostelworld, established in more than 2.600 across the world. Europe has approximately 7.750 hostels in 1.600. South America has approximately 4.400 in 365 cities (Colliers International Hostels, 2017).

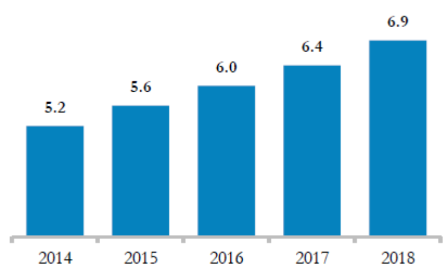
Hostels by Continent



Graphic 4. Colliers International Hostels, 2017.

The hostel market expect to grow 7% to 8% year-over-year annually through to 2018, when the total hostel market is expected to reach nearly $7 billion, valued at $5.2 billion in bed revenue in 2014. 8% of travellers stayed in a hostel at least once in 12 months (Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016).

Global Hostel Revenue 2014 - 2018 ($BN)

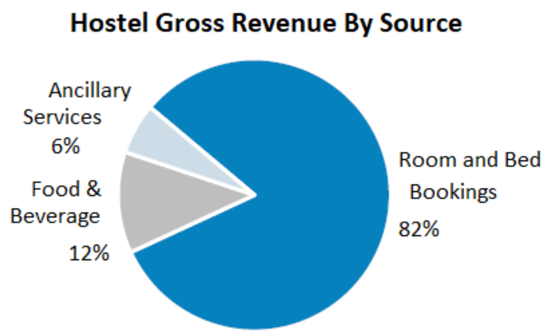


	2014	2015	2016	2017	2018
Annual Change	–	7.8%	7.6%	7.2%	6.9%
Hotels	–	0.6%	6.7%	7.1%	6.9%
Midscale / Economy	–	7.0%	6.0%	5.0%	–

Strong growth projections across market segments

Graphic 5. Source: Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016. Geerts, 2016.

Hostels derive revenues from multiple sources: room and bed bookings make up 82% of hostel gross revenues worldwide, with ancillaries representing 18%, ancillary revenue includes 12% from food and beverage (restaurant / bar / café), and 6% from fees for additional services, four in five hostel guests make use of ancillary services (Lazard Generator, 2016).



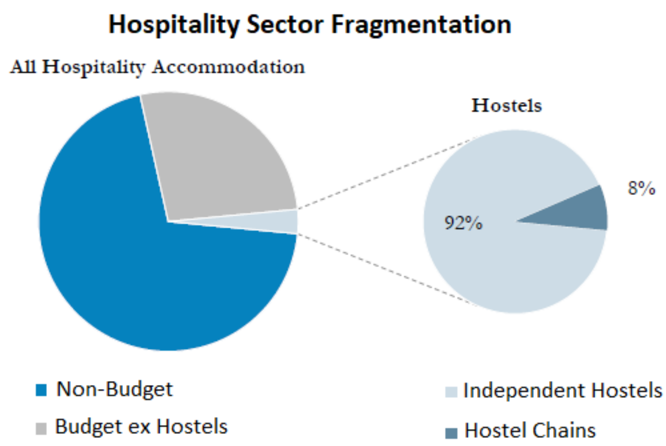
Graphic 6. Source: Lazard Generator, 2016.

Hostels frequently compete directly against budget hotels with the private room, but The “sharing” / “social” aspects of hostels are a key differentiator in the sector; guests view these as providing both advantages (cheaper, greater ability to meet other travellers) and disadvantages (safety, privacy and cleanliness concerns). Newer, higher-end hostel brands such as Generator are able to provide travellers with the same advantages whilst mitigating or eliminating the disadvantages (Geerts, 2016).

Technology plays a very important role in the hostel market 66% of global hostel revenue comes from online bookings (versus less than 40% of hotel gross bookings), websites, apps and online searches are the most common information sources, and online reviews and photos are key sources of influence (Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016).

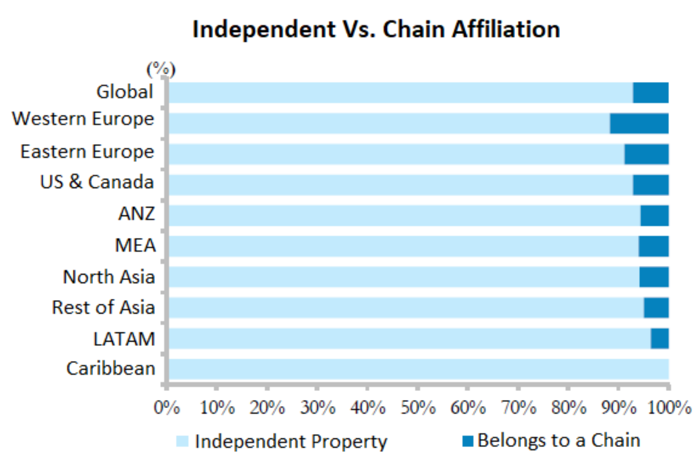
6.1.2. MARKET FRAGMENTATION

The governance structure in the hostel industry is much simpler than in the hotel industry, due to this the hostel market is extremely fragment compound by independent properties operated by the owner (Colliers International Hostels, 2017).



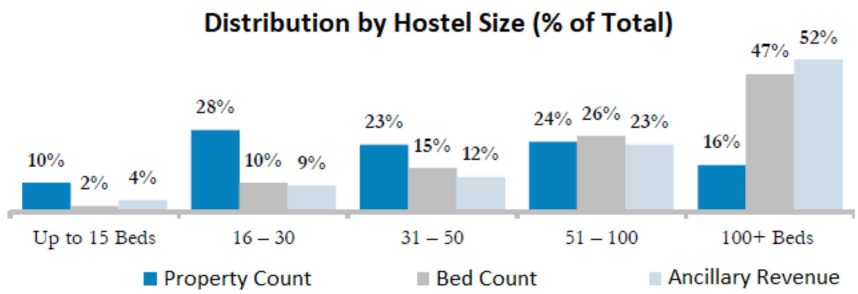
Graphic 7. Source: Colliers International Hostels, 2017.

Globally, 8% of the hostels are part of a hostel chain. The biggest players are located in Europe, Western Europe with 13% and Eastern Europe with 10%. In South America there are few chains and represent the 3,6% of the hostel market. Despite is small part of the market hostel chains account for more than 38% of the total revenue in hostel industry, in comparison hotel chains account for around 30% in Europe and 70% in USA (Ariyakula, 2016).



Graphic 8. Source. Lazard Generator, 2016.

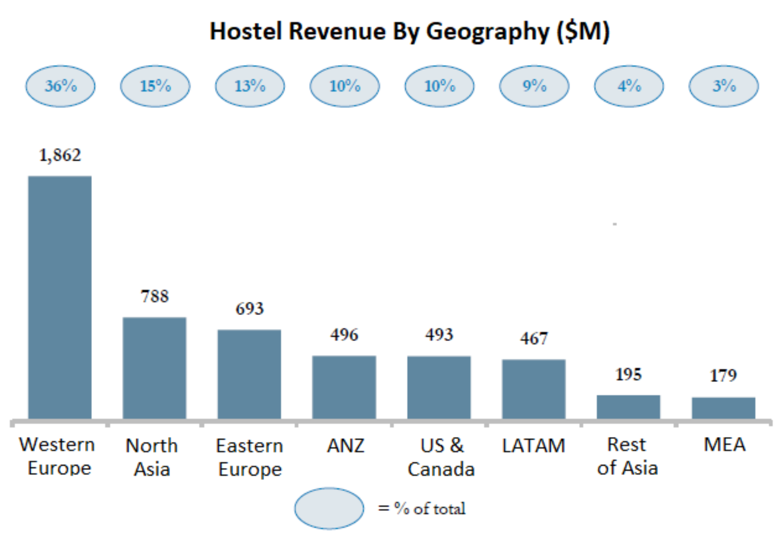
No all hostels are profitable, there is a very long tail, with 70% of hostels reporting less than $200,000 in annual revenue and only 14% of hostels having annual revenues higher than $500,000 and from this profitable hostels 40% have more than 50 beds. There is a directly relation between the number of beds and ancillary revenue, a higher number of beds higher ancillary revenue (Lazard Generator, 2016).



Graphic 9. Lazard Generator, 2016.

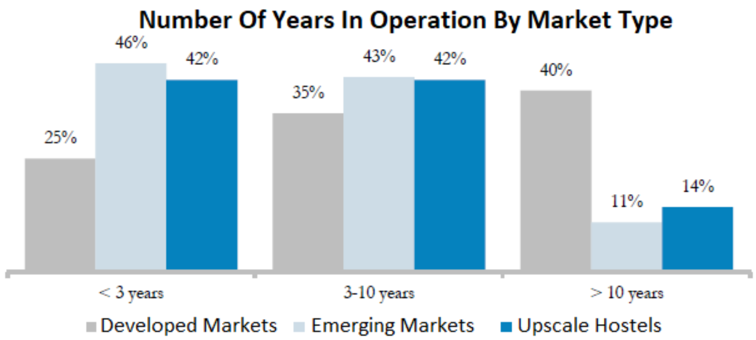
6.1.3. GEOGRAPHY

Even though the hostel market is bigger in Europe, in other parts of the word there are a great opportunities of growth for innovating products and companies. Nearly 50% of global hostel revenues are counted in Europe, Asia is the second with the 18% of the total hostel revenue, and the two continents generate 68% of revenue, in comparison higher than the 58% of hotel bookings contribution. The South America also remains a huge opportunity for the hostel industry penetration is low compared to Europe, only 9% of global hostel revenue is generated in the South America with 3,6% of the properties (Ariyakula, 2016).



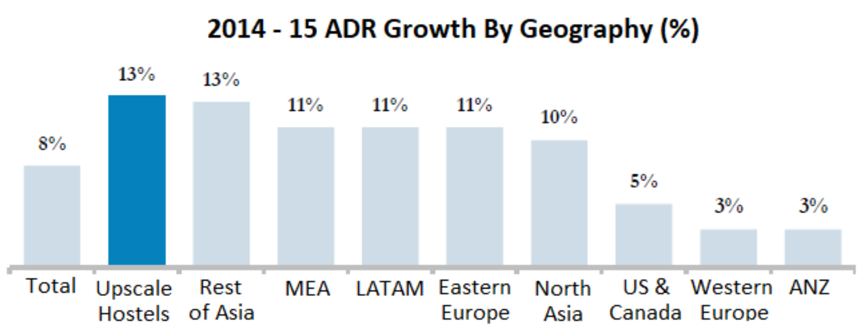
Graphic 10. Ariyakula, 2016

The global supply has increase largely over the past last years in global hostel supply by growth in emerging markets nearly half of the hostels opening less than 2 years ago were opened in emerging markets, while only roughly a 11% of hostels have been opened for more than 10 years are located in those countries months (Bunda, 2014).



Graphic 11. Source: Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016

In the emerging markets are also driving ADR growth in the hostel market although growth of hostel properties in Western Europe of 3% seems modest, the market primarily consists of traditional hostels; upscale hostels achieved a 13% of growth, this market is compound by new innovative offerings with strong brands, especially those with assets in prime locations within destination cities, that are able to grow revenues through increasing their market share within the overall economy and budget sectors. In Latin America achieved 11% as it is an emerging market (Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016).

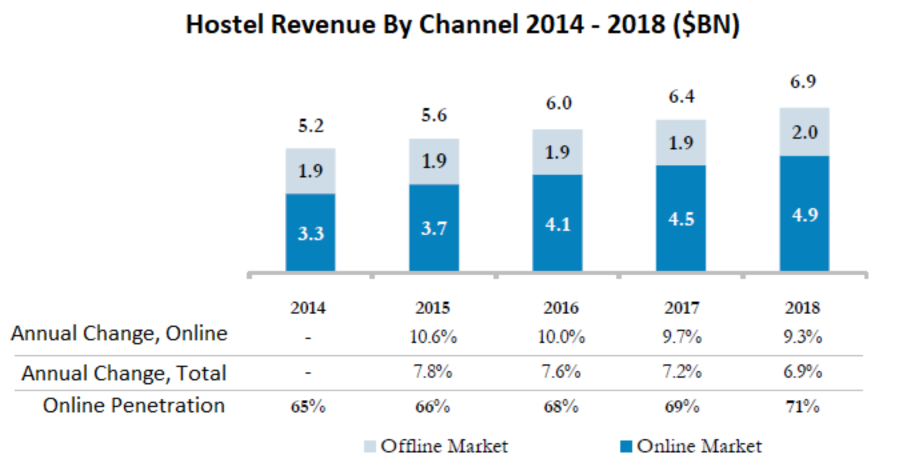


Graphic 12. Source: Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016.

6.1.4. CHANNEL DISTRIBURTION

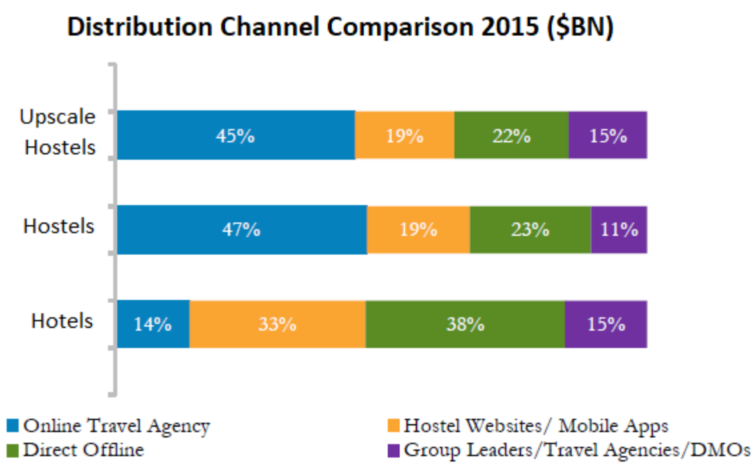
Online distribution channels are key for the hostel market, as guests tend to be tech-savvy leisure travellers.

Nearly two-thirds of hostel bookings come from online channels this is partly driven by the fact that hostel customers tend to be more tech savvy. Online hostel bookings, largely via online travel agencies, exceed 70%, whereas global hostel revenue is expected to grow at 7-8% per year through to 2018, the amount coming from online channels is expected to grow at 10% per year, increasing online penetration from 65% in 2014 to 71% in 2018. Online growth will begin to slow down as digital penetration approaches maturity (Google Travel Study, 2014).



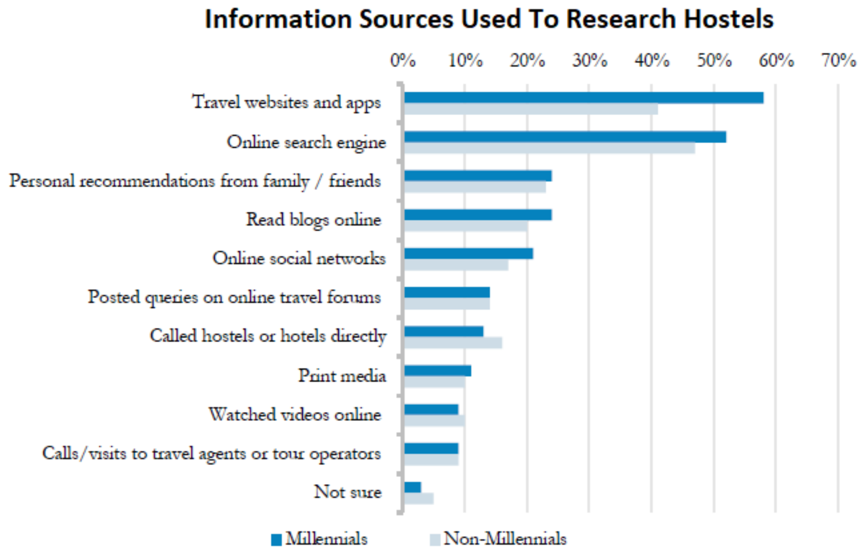
Graphic 13. Source: Quinby, Liu, Walsh, Eisenbeis, & Jain, 2016. Geerts, 2016; Google Travel Study, 2014

By comparison, almost two-thirds of hotel bookings come from offline channels as travel agencies, call centres, and direct with the properties. Part of these differences can be explained by the different customer focus: hotels have a large base of business guests, but hostel guests are mostly independent leisure travellers (UNTWO Tourism Highlights, 2015).



Graphic 14. Source: UNTWO Tourism Highlights, 2015.

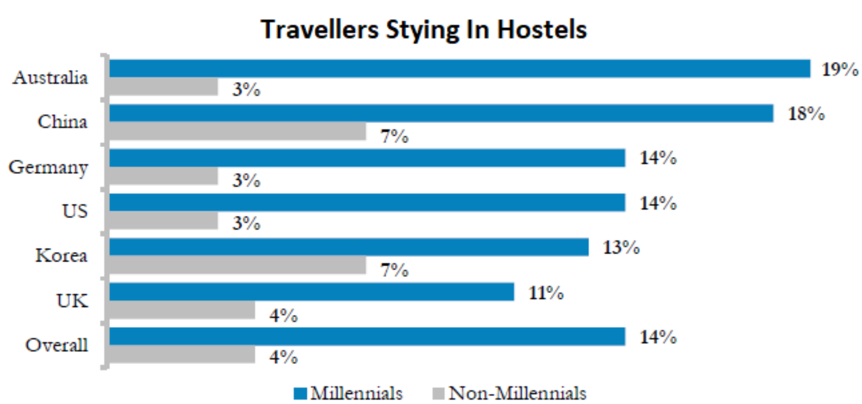
The use of technology extends beyond bookings. The main sources of information used to research hostels or get inspiration for travels are online and this applies to both millennials and non-millennials, and this is particularly relevant in the case of upscale hostels, because one of the key for success is had a high social media penetration, as have shown brands as Generator and Casa Gracia (Lazard Generator, 2016).



Graphic 15. Source: Lazard Generator, 2016.

6.1.5.SEGMENTS

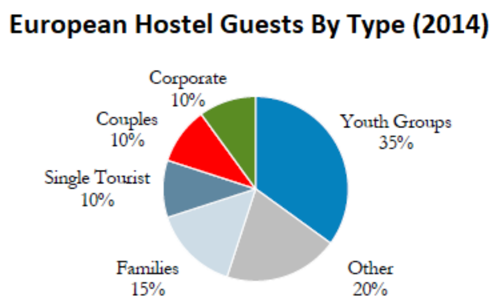
WYSE Travel Confederation noted that the youth travel market aged between 15 and 29 years has grown significantly over recent years and accounted for 23% of all tourist arrivals in 2015 making it one of the fastest growing segments of international tourism (UNTWO & WYSE, 2015). 26% of the worldwide population were with ages under 15 years in 2015, this age category is bigger in emerging economies as in Africa is 41%, in Latin America is 27%, and Asians is 25% of the populations. Indicating the market potential for accommodation providers targeting this growing youth segment, making them core target markets for hostels (WYSE New Report, 2017).



Graphic 16. Source: STAY WYSE Youth Travel, 2013

This growth trend is expected youth travel will grow from 270 million in 2015 to 320 million trips by 2020, reflecting a 19% increase (WYSE New Horizons III, 2012).

Whilst the youth group market is the largest customer segment for European hostels, in combination with the single tourists, these segments now account for more than half of total market demand. The new segments attracted by the upscale hostels are families, mature couples and corporate travellers which can be attributed to the increase in the standard of hostel accommodation, the experience they offer, their cost and enhanced market presence and awareness. However, major percentage of the market still is from leisure (HVS,2014).



Graphic 17. Source: HVS,2014.

Hostel travellers were since the beginning different from the rest of the hospitality market, now the new upscale hostel attract more segments but they also different in some sense from the rest of the hospitality market.

The Traditional Backpacker

- They are the conventional hostel guest.
- The backpacker make long time travels.
- They have limited budget.
- They can travel alone or in small groups.

Youth Groups & Organised Tour Groups

- Also traditional custumers for hostels.
- They could be student groups, orgnised tours, friends groups, any kind of groups with a limited budget.
- They usually use large dorm rooms for the main group and prive rooms for groups leaders.

The Flashpacker

- The backpacker has evolved thanks to the new generations influences.
- These travellers are full equipped with the last technology as tablets, smarthphones, camaras, and any new technology. Wi-Fi and power sockets are the most important needs to be covered by the hostel.
- This segment has more buy power but they want to avoid the traditional hotels, they want more upscale facilities and accomodation.
- The duration of the flashpacker travel could be short or longer.

Families

- With the new upscale hostels and new brands, the number of families has increased.
- Most of the time they book just the private rooms, avoiding the extracharge of family rooms in the hotels.

Couples

- The branded hostels are taking advantage of this segment, with a upscale private rooms.
- The couples also look for socialization, that is why they prefer a hostel instead a hotel.

Business

- Hostels have now the best city locations and with more services and better facilities, they has attracted this segment with the potencial of stay in the accomodation during the weekdays, instead of the weekends as other travellers.

Source: Source: Douglas, 2013; HVS, 2014.

Taking in account the apparition of the new segmentation of market attracted by hostels, the hostels are trying to understand then to increase the size of that target markets, especially segments as families, couples, and business.

These new segments have others behaviours in the moment they have to decide book a place to stay. The researchers found the key differences between the emerging segments that are using hostels now. They are:

DIFFERENT SPENDING POWER

The new segments as flashpackers, couples and corporate, they have no limited budget as the hostels guest in the past (HVS, 2014).

DEMAND FOR NON-TRADITIONAL LOCATIONS

According to Mintel, Europe has saw a decreasing number of youth travellers compare to few years ago, the new travellers have appetite for new destinations like Australasia, North Africa and South America (Mintel, 2013).

TECHNOLOGY SAVVY

The new generations use technology almost for everything, this has change the way of found the inspiration for a trip, the way to book a flight or accommodation. These groups or traveller seek for rarely experience or they live almost like a nomads, travelling more frequently (WYSE New Horizons III, 2012).

TRAVEL HABITS ARE DIFFERENT

With the emergence of budget airlines, there has been a significant increase in younger travellers from developed and emerging economies travelling to locations that were traditionally perceived as expensive (Mintel, 2013).

CONSUMERS MORE EMOTIONAL

Nowadays, the customers are not loyalty to any brand, for this reason the loyalty programs or reward points are not working with them. The latest generations as Millennial needs to have an emotional attach to the brand, feel as is part of the company. The hostels can create this emotional connection because they thought that people in hostels mostly share the love for travel, want to create memories, and want to meet different people, if the hostels somehow show that they support a cause that millennials care about it or they are locally owned, almost guarantee that they will become loyal to the hostel brand (STAY WYSE Youth Travel, 2013).

6.2. COMPETITIVE ENVIRONMENT AND SECTOR

6.2.1.COMPETITION – CURRENT AND NEW ENTRANTS

On the hotel industry the entry barriers are very high, making then the threat of new entries being very low. Some reasons that explain the high barriers to entry are the fact that it is required a large amount of investment to build a specialized infrastructures for accommodation and that it is also needed a national brand presence to build competitive advantage in the industry (Chang, 2013).

Due the Hostels are an exception of the rule. Actually, these accommodation categories do not need much investment compared with a hotel because they can be run on a place built for another use than accommodation, indeed one of the key factors of being unique from other hostels is use an old building. (CBRE Hostel, 2016).

In 2008 when the hostel Ñaupa House was opened was the first hostel at Cochabamba at this time its main competitors were lodging house with 3* and 2*. This category of accommodation is cheaper than a regular hotel and with less facilities and amenities as well. Here the most well-known places. The first 7 there were before Ñaupa House opening and the other ones open after (Booking, Hostelworld, 2017)

1. Ñaupa House Hostel
2. Hostal Jardin 2*
3. Residencial Familiar
4. Residencial Familiar II
5. Hostal Elisa 1*
6. Hostal Aires Buenos
7. HI-Hostal Versalles
8. Hostal Jordan
9. Residencial Jordan
10. Running Chaski
11. Jaguar House
12. Hostal Maya Bolivia
13. Hostal Jem
14. Samay Hostel
15. Brasilia Hostel

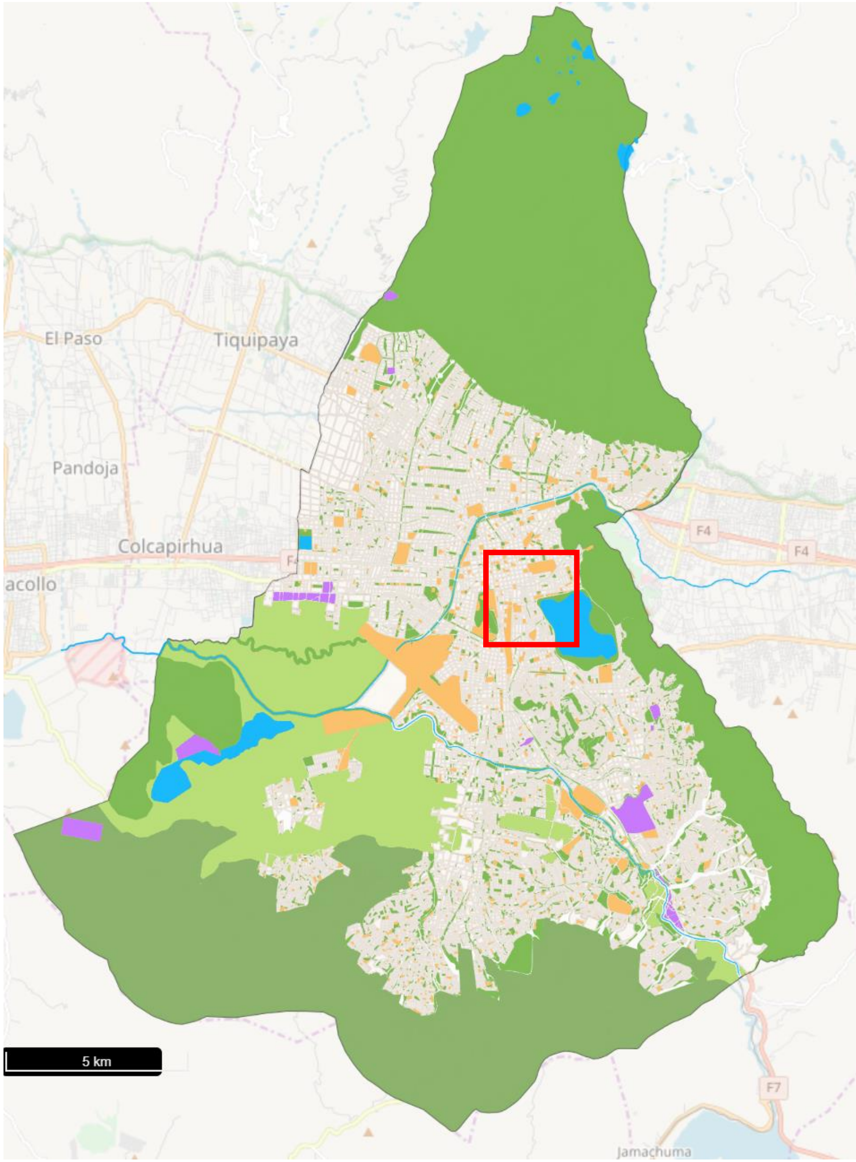


Illustration 35. Cochabamba City Map. Source: Cochabamba City Council, 2017.

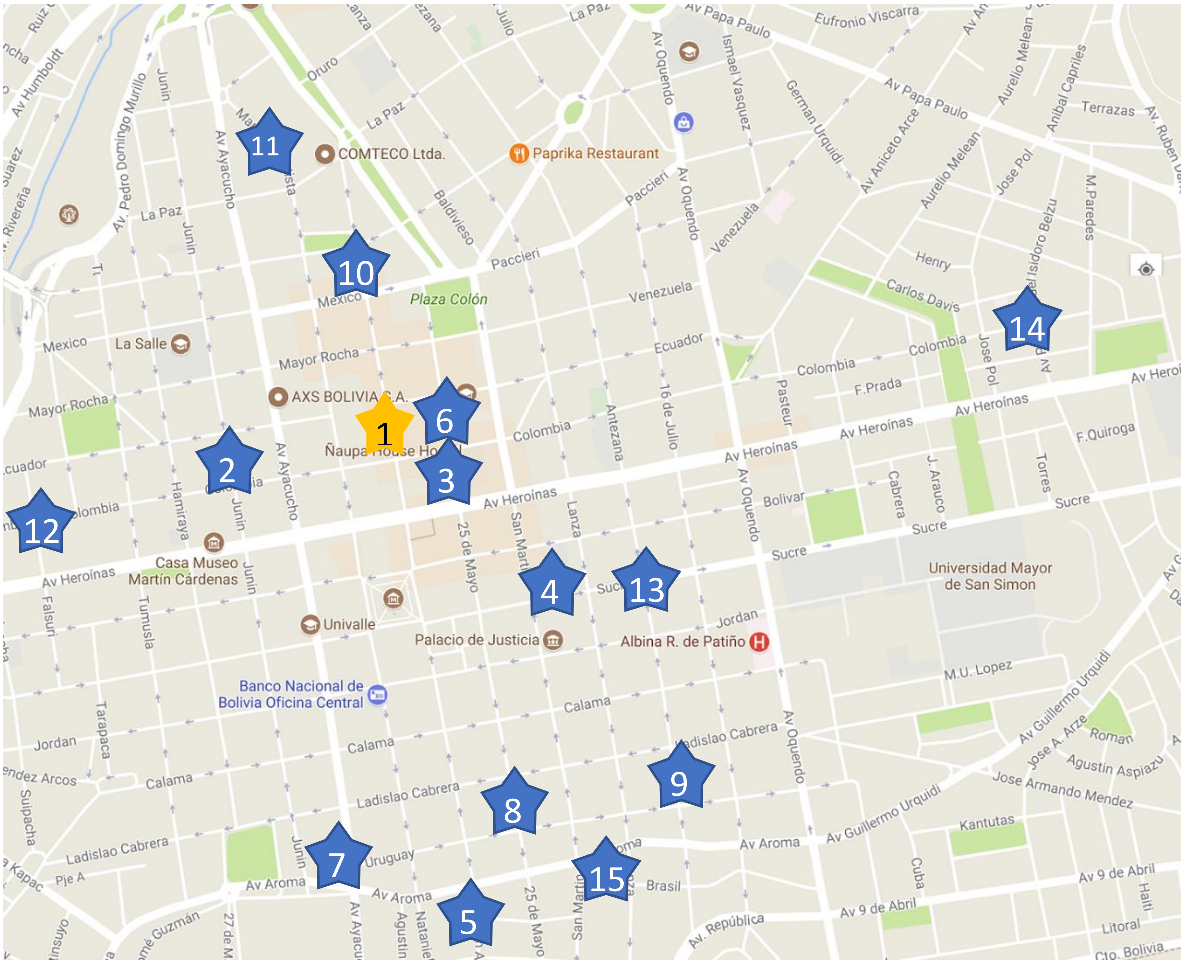


Illustration 36. Source: HostelWorld, Booking, 2017.

6.2.2.SUPPLIERS' BARGAINING POWER

Due to the fact that there are a large number of suppliers for goods, furniture, or other needs, their bargaining power is very low. No single supplier dominates the lodging market. It is expected that the suppliers bargain power keep being low during the next years.

6.2.3.CLIENTS' BARGAINING POWER

The clients' bargaining is high because the follow reason:

- ✓ The switch cost is very low. The guest can change accommodation very easily.
- ✓ The client is price sensitive. They sometimes walk around to see if they can find something cheaper. And nowadays, with just a click, it is possible to be well-informed about prices and services provided by the accommodation companies.

6.2.4. THREAT OF ALTERNATIVE PRODUCTS/SERVICES

AIRBNB

The Airbnb is an online community that connect people who wants find a people who is looking for rent a part or their entire house to people who are looking for accommodation for short time. Airbnb is present in 192 countries around the world, and during the last year has raised 1.5 billion in funds (Folger, 2017).

Airbnb is present in Cochabamba and is an alternative for accommodation, offering really cheap accommodation with 218 properties for rent in the entire city, 115 of them with a price under 20€, and 33 properties surrounding the hostel with a price under 20 €, pointing the same target of the hostel.

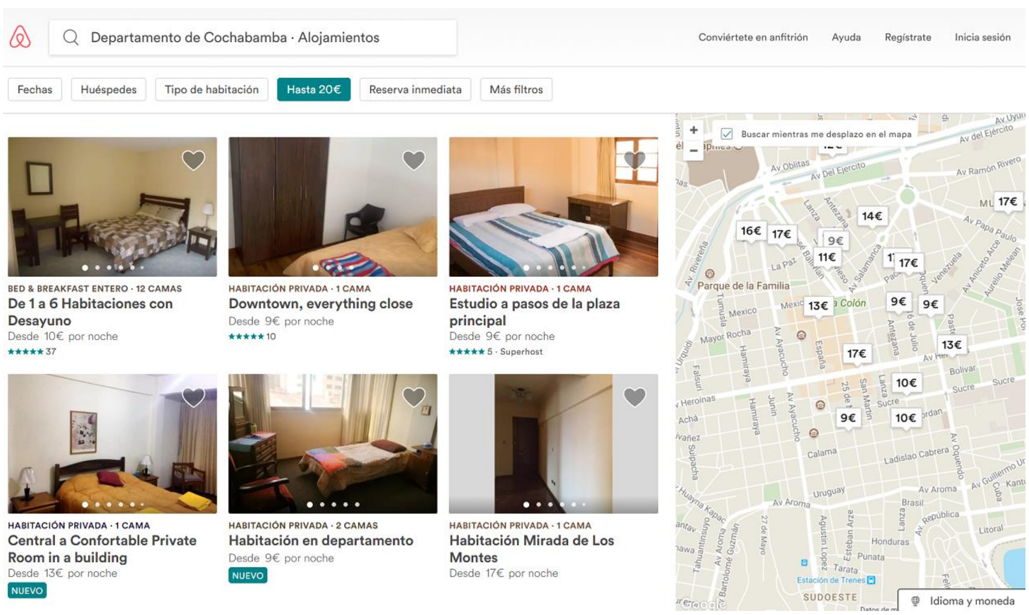


Illustration 37. Source: Airbnb, 2017

Pros

- ✓ This community allow to travellers live like a local while they are travelling. (Folger, 2017).
- ✓ It is cheaper than a regular hotel (Folger, 2017).
- ✓ Sometime the services provide by the host to the guest can be tailor made (Folger, 2017).
- ✓ Use the other facilities of the property like the kitchen or terrace (Dam, 2017).
- ✓ Most of the time the price for room is fixed even if 2 or 3 people will stay at the room using the same bed or a sofa the price will be the same (Dam, 2017).

Cons

- ✓ The major concern for the guest is that the property does not match with the descripiton (Folger, 2017).
- ✓ Some host are not concern about the guest needs (Folger, 2017).
- ✓ Additional fees are not shown in the listing, after the guest choose book a property some other fees like Airbnb service fee will be added to the total (Dam, 2017).
- ✓ In some cities as Stockholm the price of a room is very similar of a hotel or in the case is cheaper the location is far from the centres or they are bad connected with the public transport (Dam, 2017).
- ✓ The local experience promoted by Airbnb is not always a reality because for the host is not an obligation provide this service (Dam, 2017).
- ✓ The host can cancel the reservation until one day before of the check in day (Dam, 2017).
- ✓ Airbnb is not so popular in Latin America because the use of credit card is not so spread (Dam, 2017).

In Cochabamba the different price from a hostel or an Airbnb property is not really big, and the payment methods that Airbnb use are not the most common Latin America. At the moment is not a really big threat for cheap accommodations.

To avoid the Airbnb trend the hostels need to show a strong connection between the travellers and the 'local' experience offered by the city, they can be reflect in the style of the place and also in the F&B (Stoyle, Connelly, Perrin, Armitstead, & Hickey, 2016).

Even though Airbnb was perceive as a high treat by hostels because their low prices were attracting a huge number of budget travellers. In order to avoid this treat some hostel operators are selling beds trough the Airbnb because the commissions are lower than the OTAs (Online travel agents) and they can still reach to the budget segment. And also the both sides review used by Airbnb can help to Hostels avoid problematic guests (Stoyle, Connelly, Perrin, Armitstead, & Hickey, 2016).

COUCHSURFING

Couchsurfing is a community website where the people can create a profile sharing their information with other people who are interest in meet people around the world, or people is looking for an accommodation can meet people who is offering accommodation for free. This website is connecting people since 2004 and has 10 million of members in 200.000 cities around the world (Eubanks, 2016).

This popular website has 1.296 members in Cochabamba, from them 271 accept guests in their houses, 871 may be can accept guests in their houses, and 248 want to meet people for some activities (Couchsurfing, 2017).

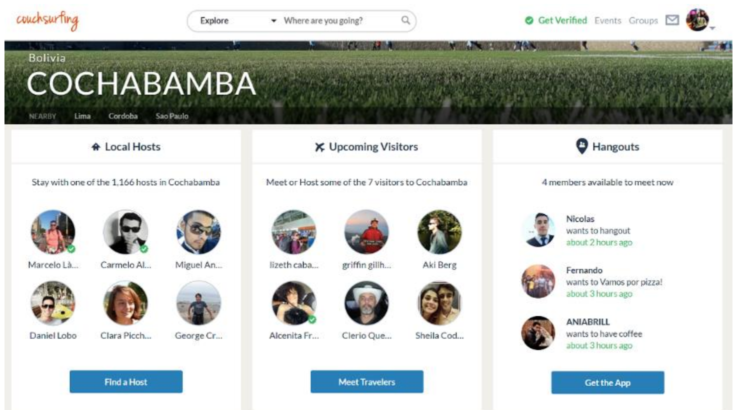


Illustration 38. Couchsurfing, 2017

Pros

- ✓ The community is full of opened mind people who wants share their place with strange to have fun with them, share some time, and learn from another culture. As a guest they need to have some courtesies as cook a thank you dinner or bring a gift for the host. This is not really for free but it could be really cheap (Mest, 2016).
- ✓ For some travellers, life as a local is one of key factor for a nice travel, couchsurfing can make real this dreams since the traveller can spend the time with an inhabitant share their routine and other things (Mest, 2016).
- ✓ Being part of this community allow meets people with different backgrounds, religion, activities, or interest (Mest, 2016).

Cons

- ✓ Since the point of view of the hosts, they are offering their places for free, may be this place will be not the most comfortable place at the house (Mest, 2016).
- ✓ As a traveller you need to adjust your behaviour to the host lifestyle during your staying at their house (Mest, 2016).

- ✓ To avoid some horror histories about robbers or inappropriate sexual proportions the both sides of the community, the surfers and the hosts need verified the information provided and also read other references (Mest, 2016).

In Cochabamba there are just 6 verified members, even though there are many members there are really few people who is verified by the community. And 129 members have references from another members of the community. These number are still very small to consider as alternative accommodation (Couchsurfing, 2017).

7. MARKETING PLAN

7.1. TARGET SEGMENTS AND KEY SUCCESS FACTORS PER SEGMENT

Whilst the upscale hostels welcome a mix of segments, the prime European gateway, destination, and locations of the larger hostel chains' portfolios provide access to a wide variety of target markets (HVS, 2014). Through contemporary modern generations, the design reflect a social and stylish environment for "hip" and "cool" travellers, the key target markets being the higher yielding flashpacker, couples and leisure groups. The niche lifestyle hostel market makes a concerted effort to cater to these primary markets offering technologically friendly facilities and amenities for its guests in a stylish environment and the key USP are the public areas (Griffith-Jones, 2015).

These upscale hostels often cater to those desiring to experience the local culture, food and attractions in an authentic manner, deliberately separating themselves from typical mass tourism by providing a tailored tourism offer to this target market. Employees are encouraged and often trained to be informed about local events and give tips about the best places to go to. These primary and secondary markets enjoy the night life and are keen on exploring popular places to go out (Douglass, 2013).

As Ñaupa House Hostelwants to attract guest from a wide variety of backgrounds target segments, demographics are explained as follow:

SEGMENTS

Target Segments	Upscale Hostel Market	Information	Key Success Factors
Flashpacker, Couples, Families	Primary	✓ The key target markets for this emergency upscale markets will be the higher yielding markets which have higher disposable incomes, are international and will pay a premium, typically during periods of peak demand. ✓ The upscale product is fundamentally geared toward these markets which seek	*Flashpackers* are technology-savvy, with higher discretionary spending power than traditional backpackers (often supported by their parents), they seek a higher quality offering than a conventional hostel, but want to avoid budget hotels. *Couples* with an increasing number of private rooms, they are able to make the

		engagement and delivery of a different but also local experience.	most of the social aspect of a hostel while retaining privacy at night *Families* will book a dorm room and take advantage of the low bed rates offered by hostels (compared to a hotel, which will normally charge a surplus for family rooms)
Students, Business	Secondary	✓ The student, academic and corporate markets require a mixture of central and local marketing focus. ✓ The profile of results in the property is in proximity to recognized universities, which attract national students on a short term basis through courses. These markets provide to the hostel with strong occupancy during low demand periods at a reasonable price point. In contrast, the emerging corporate market is higher yielding and seeks the same facility and experience as the upscale hostel primary target market. This would be younger employees on training or graduate programmers, as well as some level of transient demand.	*Students* are very interested in a location near the academic places and also fun places as bar or where they can socialize. *Business* are emerging sub-segment, drawn by the increase in private rooms, the central locations, and lower rates relative to comparable hotels; attracting more business guests will allow hostels to increase weekday revenue and revenue from ancillaries.
Backpackers, Youth Groups	Secondary	Typically price sensitive, these are our primary target at the moment. They pursuit location and quality in order to secure price.	These guests tend to be price conscious and are happy to avoid for certain luxuries that are standard in hotels in order to reduce cost.

Source: Douglas, 2013; HVS, 2014; Quinby, Liu, Walsh, Eisenbeis,& Jain, 2016)

DEMOGRAPHICS

- ✓ Young travellers, more than 70% of hostel travellers are millennials with age between 18 and 34 years old (WYSE New Horizons III, 2012).
- ✓ Passionate about travelling, 87% of millennial hostel travellers consider travel to be a very important part of their lifestyle and they end up taking more than twice as many trips as the average travellers and for longer periods (UNTWO & WYSE, 2015).

- ✓ Seeking shared experiences, more than 30% of hostel travellers choose where they stay based on the opportunity to meet other travellers and 25% on the fun / social environment (WYSE New Horizons III, 2012).
- ✓ When choosing where to stay, hostel travellers consider location, price and overall value for money as the most important factors (WYSE New Horizons III, 2012).

7.2. POSITIONING STRATEGY

Ñaupa House wants reposition in the market by focusing on lifestyle market segments specially targeting millennials and expanding the offering to business and school travellers.

Illustration 39. Ñaupa House Offering

LIFESTYLE

- ✓ Large public areas that provide a relaxed and elegant atmosphere, allowing guests (individuals or groups) to meet or interact.
- ✓ Frequent events and a strong social interaction in bars and attractive salons taking full advantage of social media technology.
- ✓ Greater inclusion of rooms with private bathroom, shared or private rooms for girls only, bedrooms with higher quality facilities and with bathroom in the same bedroom in some of them.

- ✓ A modern and contemporary design in compares with the area in which the hostel is located.
- ✓ An environment with greater security.
- ✓ Offer food and beverages with local products almost at any time at very competitive prices.
- ✓ Property with historical context and individual character.

LOCATION

- ✓ Ñaupa House are located in the centre of the historical neighbourhood and surrounded by sights, bars, and restaurants.
- ✓ It is also really well communicated by buy public transport to go anywhere.

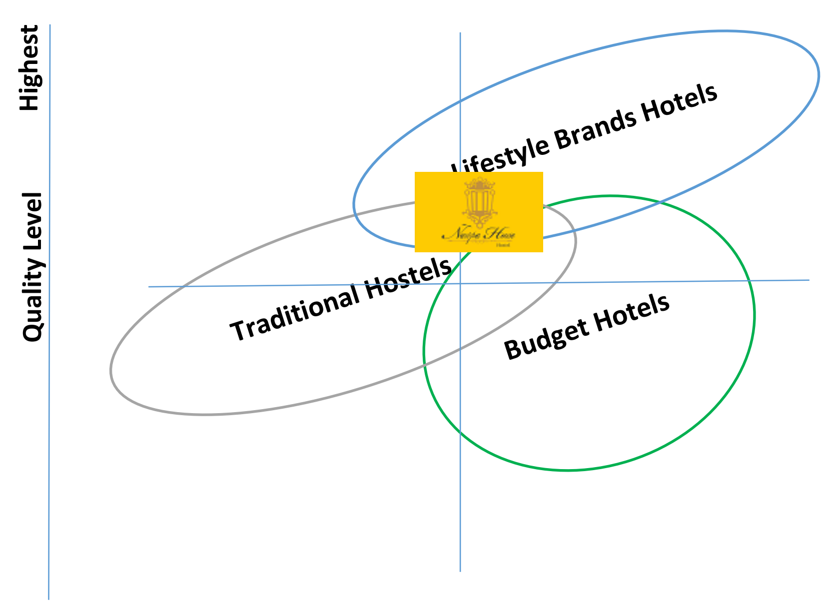
REASONABLE PRICES

- ✓ The shared accommodation offers lifestyle at a budget price point.
- ✓ Private rooms allow raising prices and attract segments of customers with greater purchasing power competing with cheap hotels.

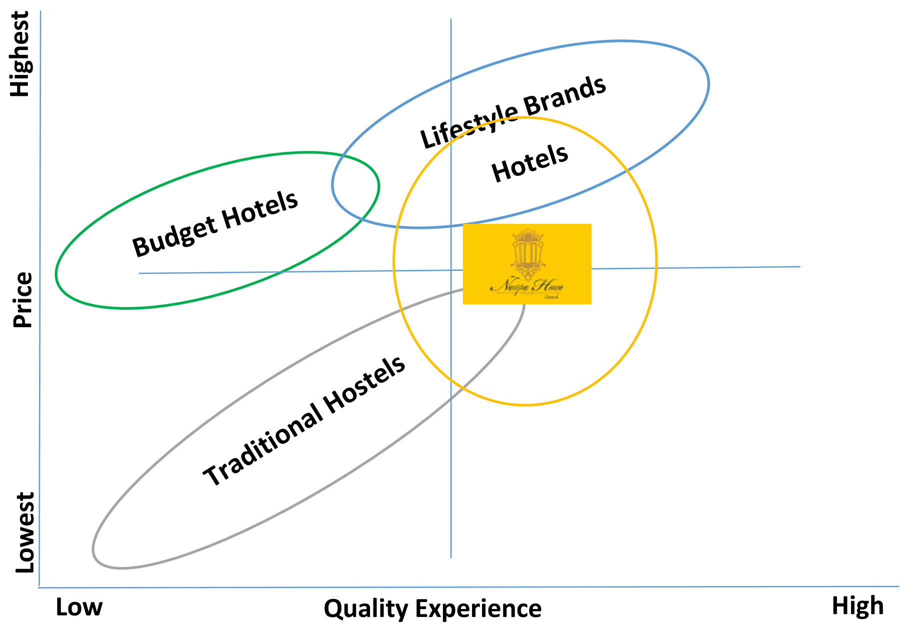
POSITIONING IN THE MAKET

Ñaupa House will be able to straddle multiple market segments, attracting guests who are seeking an engaging social experience at a reasonable price, it competes concurrently with budget hotels, traditional hostels and lifestyle brands.

Quality Level vs. Price Poing



Prices vs. Quality Experience



7.3. MARKETING MIX

7.3.1.PRODUCT AND/OR SERVICE STRATEGY

There will be 172 beds divided as follow:

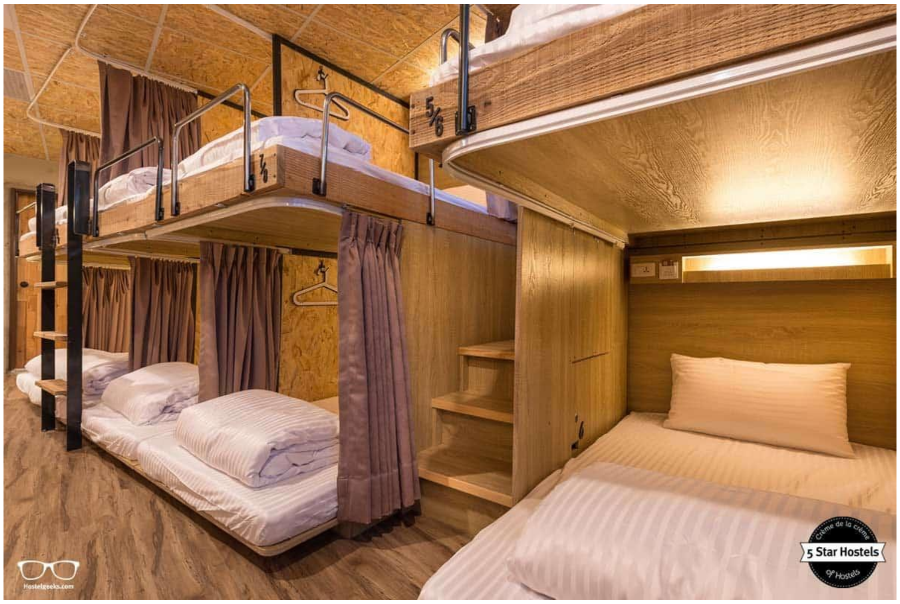
Room	Type of Room	Name	Guests
1	Double and Bunk Beds Room Private Bathroom	Ayllupax	4
2	Double bed Room Private Bathroom	Sawapax	2
3A	Bunk bed Room Shared Bathroom	Iskaypax	2
3b	Two Bunk Bed Room with TV and Shared Bathroom	Tawapax	4
3d	Double Bed with TV and Shared Bathroom	Iskaypax	2
4a	Double Bed Shared Bathroom	Sawapax	2

4B	Double and Twin Beds Room Private Bathroom	Ayllupax	4
5	Double Room + TV Shared Bathroom	Sawapax	2
6A	Double and Twin Beds Private Bathroom	Ayllupax	4
6B	Single and Bunk Beds Room Shared Bathroom	Kinsapax	3
6C	Single and Bunk Beds + TV Shared Bathroom	Kinsapax	3
7A	Double and Bunk Beds Room Private Bathroom	Tawapax	3
7B	16 Mixed Dorm Private Bathroom	T'uxpapax	16
8	14 Mixed Dorm Shared Bathroom	T'uxpapax	14
9A	Doble Bunk Bed Shared Bathroom	Tawapax	4
9B	Doble Bunk Bed Shared Bathroom	Tawapax	4
9C	Doble Bunk Bed Shared Bathroom	Tawapax	4
12A	Bunk Bed Room Shared Bathroom	Iskaypax	2
12B	Bunk Bed Room Shared Bathroom	Iskaypax	2
12C	Two Bunk Beds Room Shared Bathroom	Tawapax	4
13A	Bunk Bed Room Shared Bathroom	Iskaypax	2
13B	Bunk Bed Room Shared Bathroom	Iskaypax	2
13C	Two Bunk Beds Shared Bathroom	Tawapax	4
14A	Bunk Bed Room Shared Bathroom	Iskaypax	2
14B	Bunk Bed Room Shared Bathroom	Iskaypax	2
14C	Two Bunk Beds Room Shared Bathroom	Tawapax	4
15	14 Mixed Dorm for Private Bathroom	T'uxpapax	14
16	14 Female Dorm for Private Bathroom	T'uxpapax	14
17A	Bunk Bed Shared Bathroom	Iskaypax	2
17B	Two Bunk Bed Shared Bathroom	Tawapax	4
18A	Bunk Bed Room Shared Bathroom	Iskaypax	2
18B	Double and Bunk Beds Room Shared Bathroom	Tawapax	4
19A	20 Mixed Private Bathroom	T'uxpapax	20
19B	Flat With Two Doble Beds and Sofa Bed	Suxtapax	10

36 Rooms	Total Capacity	171 beds

The bunk beds will not the normal bunk bed they will have design and style of other amenities such as a reading lamp, two plugs, and enough space for the guest to have their most precious belongings near them. The size for a single person will be 1,10 x 2 m, for doble bed will be 1,90 x 2 m.

The female dorm will have a dressing table, hair dryer, and hair straightener.



The Food & Beverage will offer traditional and ancient food, also fusion national and international food.

The ancillary Revenues is going to include:

- ✓ Retail
- ✓ Paid-for events
- ✓ Bike rental
- ✓ Tours

- ✓ Commissions with other agencies

7.3.2. PRICING STRATEGY

The BAR price per each type of room is:

#ROOM	TYPE OF ROOM	PEOPLE					
Private Rooms and Flat		**1**	**2**	**3**	**4**	**5**	**6**
1	Double bed Room Private Bathroom	20,87 €	31,91 €				
4	Double and Bunk Beds Room Private Bathroom	20,87 €	31,91 €	41,73 €	50,32 €		
2	Double Bed + TV and Shared Bathroom	12,27 €	20,87 €				
1	Two Bunk Bed Room + TV and Shared Bathroom	12,27 €	20,87 €	28,23 €	34,37 €		
1	Single and Bunk Beds + TV Shared Bathroom	9,82 €	18,41 €	25,77 €			
1	Double Bed Shared Bathroom	9,82 €	18,41 €				
9	Bunk bed Room Shared Bathroom	9,82 €	18,41 €				
1	Single and Bunk Beds Room Shared Bathroom	9,82 €	18,41 €	25,77 €			
3	Doble Bunk Bed Shared Bathroom	9,82 €	18,41 €	25,77 €	31,91 €		
1	Double and Bunk Beds Shared Bathroom	9,82 €	18,41 €	25,77 €	31,91 €		
4	Two Bunk Beds Room Shared Bathroom	9,82 €	18,41 €	25,77 €	31,91 €		
1	Flat	34,37 €	45,41 €	55,23 €	63,82 €	71,19 €	77,32 €
29	**Total Rooms & Average Price**	**13,11 €**	**21,68 €**	**31,76 €**	**40,71 €**	**71,19 €**	**77,32 €**
DORMS		**PRICE PER BED**					
14	Beds in Mixed Dorm Shared Bathroom	7,36 €					
14	Beds in Female Dorm Private Bathroom	7,36 €					
14	Beds in Mixed Dorm Private Bathroom	7,36 €					
16	Beds in Mixed Dorm Private Bathroom	6,14 €					
20	Beds in Mixed Private Bathroom	4,91 €					
78	**Total Beds & Average Price**	**6,63 €**					

For groups the discount will 10%. For guest that are more than 5 days the discount will be 10%, more than 2 weeks 15% and 20% for more than a month. In low season the discount will be 20%.

ANALYSIS OF THE RATES BY SEGMENT AND DISCOUNTS						
Segments	**Youth Groups**	**Single Tourist**	**Families**	**Couples**	**Corporate**	**Others**
Price per Segment	42,63 €	6,63 €	42,63 €	21,68 €	13,11 €	6,63 €
High Season Discount	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Mid Season Discount	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Low Season Discount	20,0%	20,0%	20,0%	20,0%	20,0%	20,0%

7.3.3.CHANNEL STRATEGY

The more important Online Travel Agencies for the Ñaupas House Posthel will to sell the rooms and beds are Hostelworld, booking.com, and hostelbookers. All this OTAs will be connect directly with the PMS.

As Airbnb is very relevant now and the commission is lower than a regular OTA, it will be used as channel distribution too.

The posthel need to be present in all major social channels including Snapchat, Instagram, Twitter, Facebook, Pinterest, TripAdvisor, and Foursquare. All of them will redirect to the website to increase the conversion for bookings or events.

One Website with all information about the pohstel, things to do in Cochabamba, news, and a booking engine connected with the PMS. The poshtel will have two numbers connected to WhatsApp. The restaurant will have its own website allowing customers locals or foreign interact with it, make easily reservations, and see directly the next events.

Make contact with local agencies for groups or students located in the other cities of Bolivia.

The posthel will use the email customer data approx. 30.000 emails to launch promotions or events.

7.3.4.COMMUNICATION STRATEGY

The posthtel will create a blog to increase the attention into Cochabamba as destination. Also the poshtel will host unique events in the restaurant and the garden to create a sense of social experience for guests and attract locals to the poshtel.

Partnerships with tour companies for paragliding, rafting, or other activities to create desirable events that help to position the poshtel at the cutting edge of the sport, music, arts and fashion scenes.

As the majority of the staff are women head of household, the website will tell the history of each one.

7.4. FORECASTING AND SALES OUTLOOK

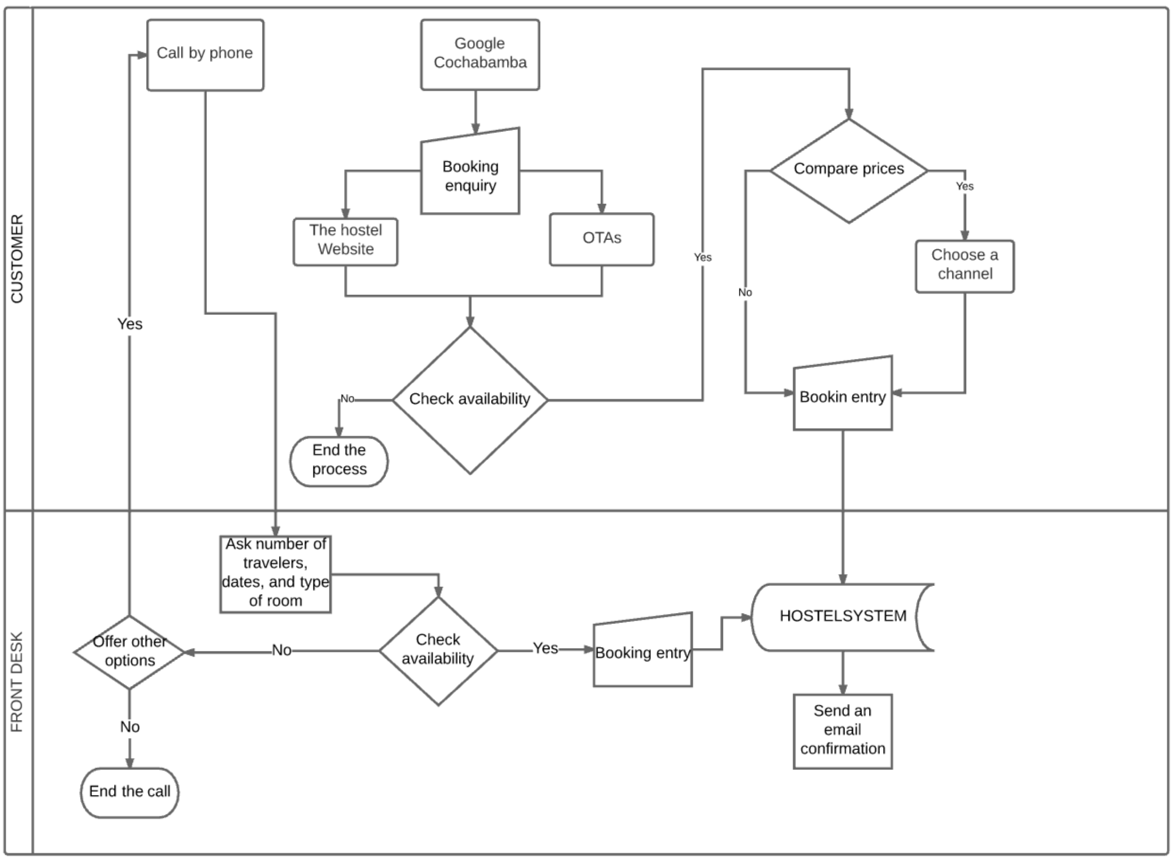
Sales Forecast						
	Nights	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Rooms	**Sold**					
Year 1	2.873	48.053 €				
Year 2	3.610		94.046 €			
Year 3	3.698			98.951 €		
Year 4	3.761				102.526 €	
Year 5	3.826					106.233 €
Beds						
Year 1	1.197	5.169 €				
Year 2	9.709		56.717 €			
Year 3	9.946			59.841 €		
Year 4	10.117				62.088 €	
Year 5	10.291					64.420 €
Total Revenue		**53.221 €**	**150.763 €**	**158.792 €**	**164.614 €**	**170.653 €**

8. OPERATIONS PLAN

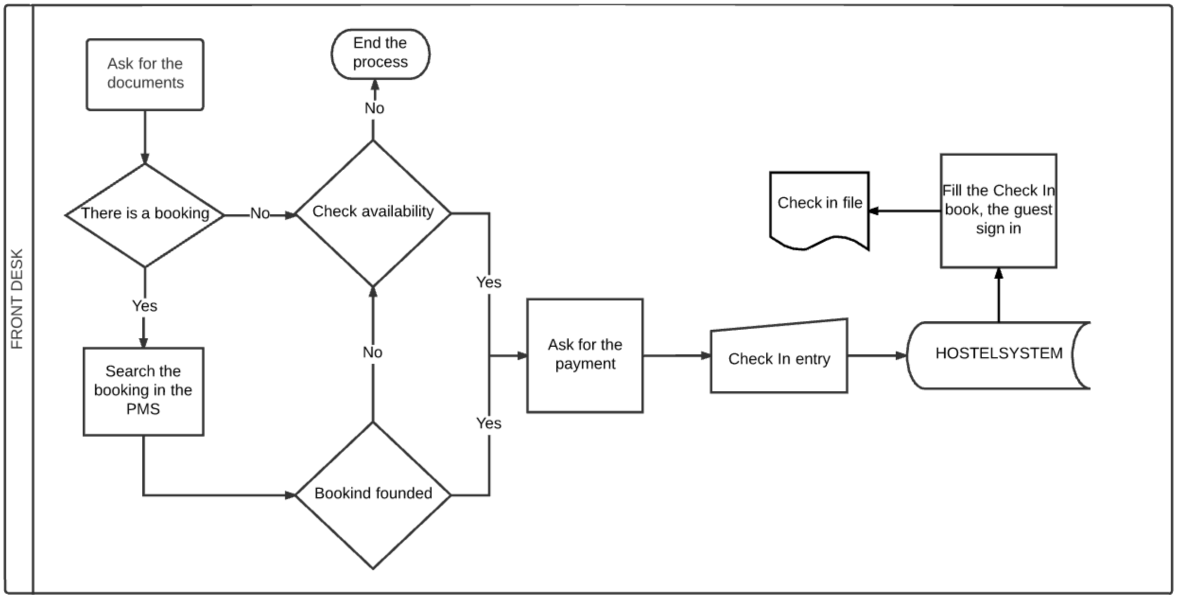
8.1. PROCESS IDENTIFICATION AND MAP

The process identify in the hostel are the follow:

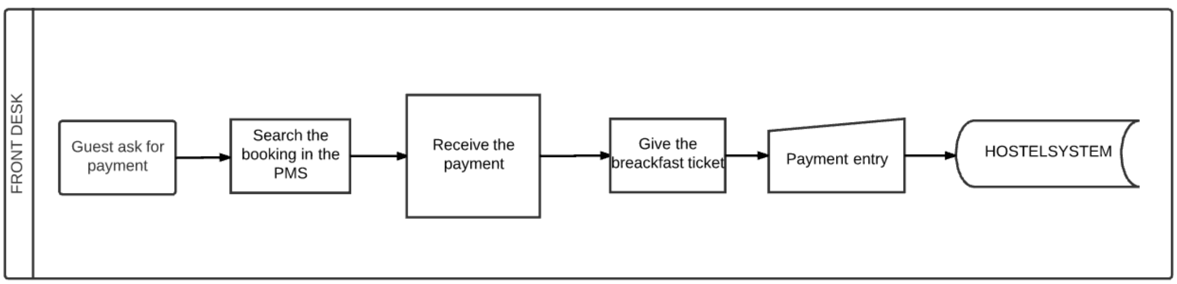
8.1.1. BOOKINGS



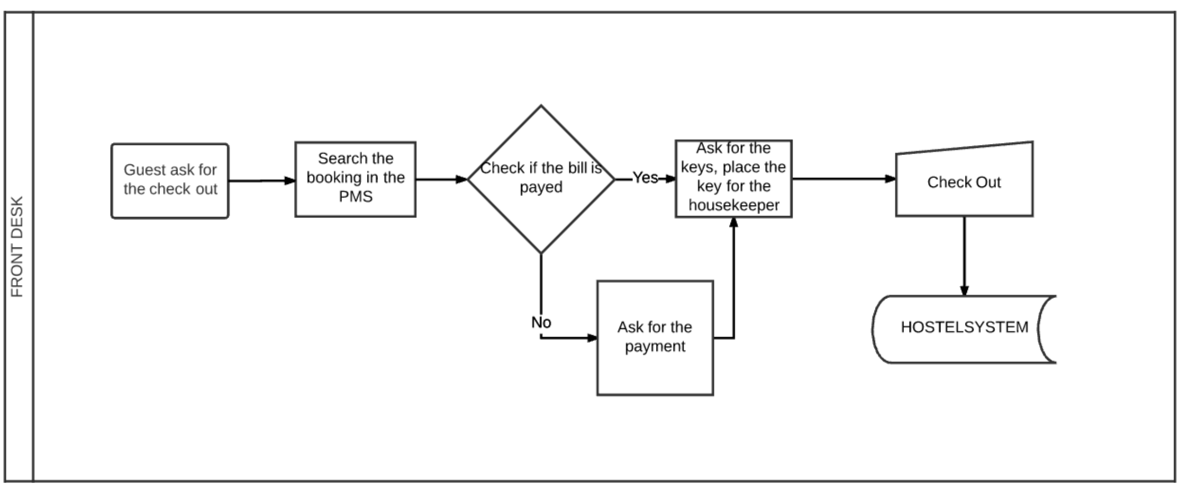
8.1.2.CHECK IN



8.1.3.PAYMENT



8.1.4.CHECK OUT



8.2. LOCATION, PHYSICAL INFRASTRUCTURE AND LAYOUT

8.2.1.NORTH AMERICA

It extends from the Arctic Archipelago of Canada to the Isthmus of Tehuantepec (Mexico), and between the Pacific Ocean by the West and the Atlantic by the East. This part of the American continent has a triangular shape, with super base in the Arctic Ocean and sum apex in the union with Central America (Zelinsky,W., Hoffman, P. F., Wreford Watson, J., & Schaetzl, R. J., 2017).

It consists of three large countries: Canada, the United States and Mexico. The population in each country, are 35 millions in Canada, 323 million in United State, and 123 millions in Mexico. The total population of this part of the continent is 428,525,182 (Zelinsky,W., Hoffman, P. F., Wreford Watson, J., & Schaetzl, R. J., 2017).

8.2.2.SOUTH AMERICA

South America referred as the new world, the name of America comes from Amerigo Vespucci, a European explorer who was one of the earliest because was discovered by an European expedition in it is the fourth biggest continent of the world with a total area of 17,814,000 square km. The continent is surrounded by the north to the northwest for the Caribbean Sea, by the northeast, east, and southeast for the Atlantic Sea; and by the west for the Pacific Ocean (Mikel, Hayford, Gade, Griffin, Germani, Knapp, … Ramos, 2017).

Illustration 40. Source: Mikel, Hayford, Gade, Griffin, Germani, Knapp, … Ramos, 2017.

The countries that belong to South America are: (Mikel, Hayford, Gade, Griffin, Germani, Knapp, … Ramos, 2017).

- ✓ *Argentina.* This country covers the south part of the continent, it includes huge portions of plains, deserts, tundra, and forests. The population of Argentina is 43.85 million.
- ✓ *Bolivia.* The main characteristic of this country is that the lagers cities are located in highlands close to Andes range. This country is situated at the west-central of the continent without any direct access to de Pacific or Atlantic Ocean. The population of the country is 10.89 million.
- ✓ *Brazil.* This country is the biggest on of South America, It occupied the half of the continent's landmass. The population in 2016 were 207.7 million. The official Portuguese-speaking country in South America.
- ✓ *Colombia.* It is located at the northwester part of the continent, it has 1,600 kilometres of cost to the Caribbean Sea and 1,300 kilometres of cost to Pacific Ocean. The population in Colombia is 48.65 million.

- ✓ *Chile.* This country is a long narrow located at the western seaboard part of the continent, the majority of the country is covered by mountains part of the Andes range. The population of Chile is 17.92 million.
- ✓ *Ecuador.* This country has one of the biggest biodiversity of the world helping to some Scientifics to find the basis for their theories about how the life was created in the world. It is located at the north-western of the continent with a coast to the Pacific Ocean. The population is 16.39 million.
- ✓ *French Guyana.* It is the only French speaking country in South America because is part of France. Located on the north-eastern part of the continent. It has access to the Atlantic Ocean. The population is 250.377.
- ✓ *Guyana.* This country was the last country to achieve its independency from British and Dutch colonization in 1966. Because of this is the unique English-speaking country in South America. Guyana is reach in natural resources but anyway of this richness is one poorest country of the continent. The population of Guyana is 773,303.
- ✓ *Paraguay.* In conjunction with Bolivia, they are the only countries landlocked in South America. This country is located at south central of the continent. It is a country proud of its Guarani ancient culture heritage, due to this Uruguay has more Guarani speaking than Spanish speaking population. The population of Paraguay is 6.715 million.
- ✓ *Peru.* This country is mainly a tropical and is located at the western part of the continent. Even this tropical situation Peru has a quite diverse climate variety. The population of Peru is 31.77 million.
- ✓ *Uruguay.* It is the second smaller country in South America, even though it is five times bigger than Holland. It is located at the southeastern of the continent and shares a lot of similarities with Argentina and Brazil. The population of Uruguay is 3.44 million.
- ✓ *Venezuela.* With an almost triangle form, this country is situated at the northern of South America, bordered by the Caribbean Sea and the Atlantic Ocean. The population of the country is 31.54 million.
- ✓ *Suriname.* One of the smallest countries and with the major divers of ethnical population, it is located at the northern coast of South America. Due forest area cover almost the whole country its economy is based on the bauxite mining. The population of Suriname is 590,549.

Mexico and Caribbean are also considered part of Latin America because they share the same Iberian heritage than the South American countries.

Tourism in South America

Latin America has a lot of potential to attract more travellers, generate more income to increase the economy, and also develop social benefits. Due to tourism is one of the fastest growing economic in the world, during the past decade has demonstrate is an important source of economy developing and employee generator (UNTWO Tourism Highlights, 2015).

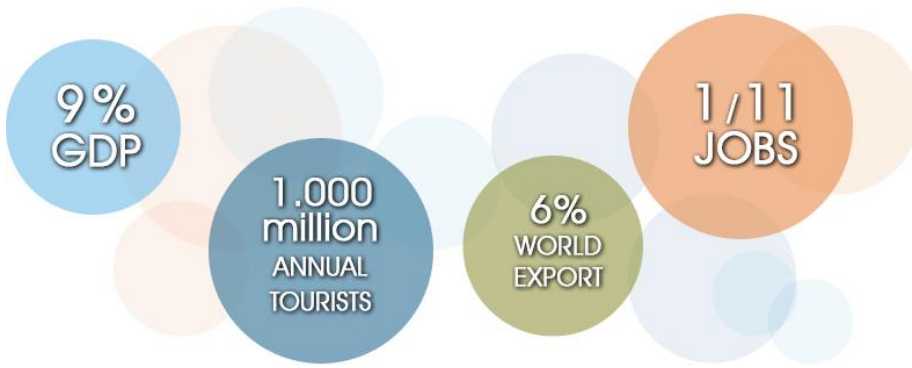


Illustration 41. Source: UNTWO Tourism Highlights, 2015

International arrivals grow in South America tourism 5% in 2014 and 4% in 2015 according to World Tourism Organization (UNTWO Tourism Highlights, 2015).

The main travel motivation to go to Latin America are 53% to spend holidays, the second main reason are for health, visiting a friend or family, or religion.

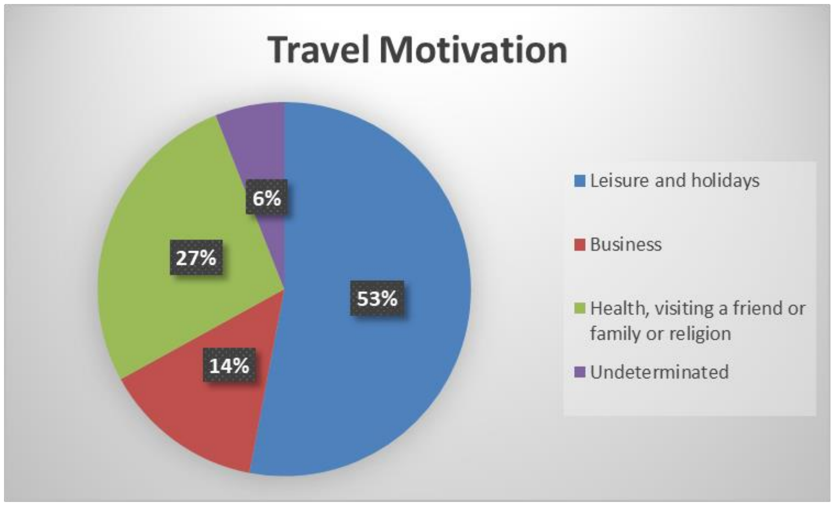


Illustration 42. Source: UNTWO Tourism Highlights, 2015

Also is important mention due to some of the countries are poor South America is it a paradise for **Backpackers** or **young travellers**. No all countries are cheap but the least expensive countries are Peru, Ecuador, and Bolivia, because of this reason those countries attract a huge number of budget travellers, expending around 1000 dollars per month depending which country are more time (Indie Traveller, 2016).

8.2.3. BOLIVIA

Pluractional State of Bolivia is situated in the centre of South America, with an extension of 1.098.580 Kilometres square, it is the 8th biggest country of America. It has a population of 10,8 millions of habitants, it occupied in population the 83 position in a table of 196 countries, and it has a density of 10 inhabitants per kilometre square. It is a country with really low density. It borders al North and East with Brazil, South with Argentina and Paraguay, and the West to Peru and Chile (Datos Macro, 2017).

The capital of Bolivia is Sucre and the seat of government is La Paz. The current president is Juan Evo Morales Ayma since January 22th of 2006. The official languages are Spanish, Aymara, and Quechua. Also there are recognized with co-official status other 36 pre-Columbian languages. The country has a rich history because in the past was first part of Tiawanacu Empire, then part of Inca Empire, and at the end was conquered by Spain, to whom it provided with immense wealth in Silver. (Arnade, & McFarren, 2017).

The main cities are La Paz, Murillo province, with 1.814.314 inhabitants, Santa Cruz de la Sierra, Andres Ibañez province, with 1.777.213 inhabitants, and Cochabamba, Cercado province, with 611.068 inhabitants (Datos Macro, 2017).

Geography

The country is divided in three parts: (Arnade, & McFarren, 2017).

- ✓ The Altiplano is in occidental part of the country, it covers the 28 % of the territory, the principal characteristic is the altitude of this region between 3000 and 6000 meters above the sea level. The average temperature is between 15°C during the day and in the night the temperature drop drastically and is around 0 °C.

- ✓ The Subandinan is located between the Altiplano and tropical plains, the major portion of this zone is valley with and average altitude of 2500 meters above the sea level. The weather is warm, wet and rainy, which constitute agricultural areas by excellence.

- ✓ The plains Tropical are in the east of the country, the altitude of this part is really low going between 200 and 300 meters above the sea level. Cover 60% of the Bolivian territory, they consist of extensive grasslands, savannahs, moist and semi-moist forests with precious wood and with a many navigable, long, and mighty rivers.

Source: Homes School Journal, 2015.

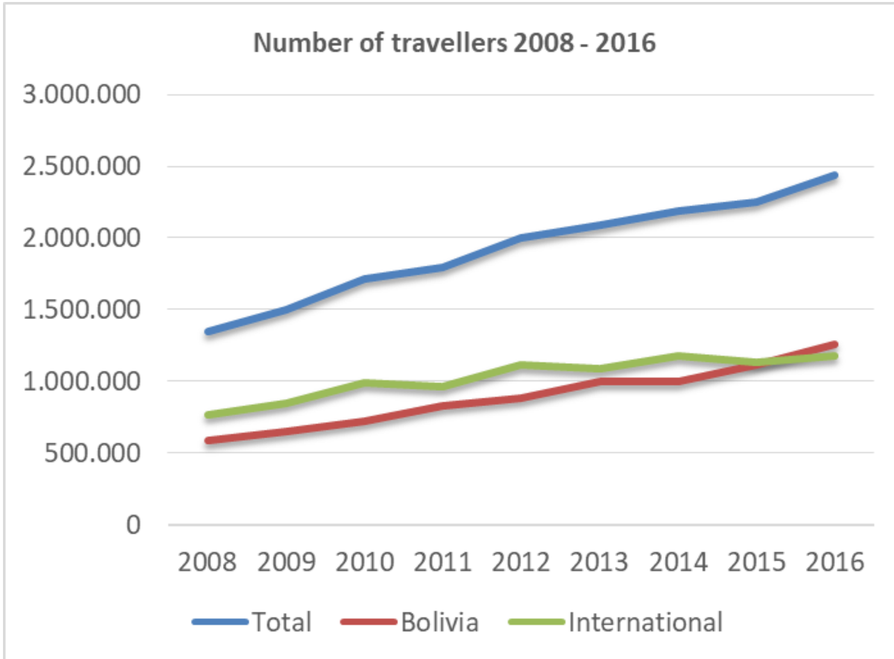
Tourism Demand

Even though the Bolivia's economic has grown in the last years is still one of the cheapest country in Latin America. The travellers can find a good deals for food and accommodation.

Bolivia has received 2,437,354 million of total travellers in 2016, 9% more than previous year. 52% are national and 48% are international travellers. The national travellers has grown 13% and international travellers has grown 4% from 2015 to 2016.

Country of Residence	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bolivia	586,475	649,669	723,071	829,625	883,325	1,000,918	1,002,519	1,114,326	1,259,899
International	763,928	851,113	992,608	965,646	1,114,467	1,090,258	1,180,450	1,131,441	1,177,455
TOTAL	**1,350,403**	**1,500,782**	**1,715,679**	**1,795,271**	**1,997,792**	**2,091,176**	**2,182,969**	**2,245,767**	**2,437,354**

Table 5. Travellers. Source: INE, 2016.

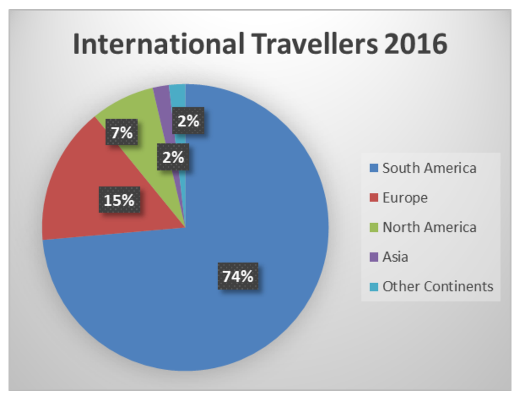


Graphic 18. Source: INE, 2016.

The major number of international travellers 78% are from South America, the main countries are Peru, Argentina, Chile, and Brazil.

The second place is occupied by Europeans with 16%, the main nationalities are Spain, France, Germany, and UK.

North America is in the third place with 7%, the majority of travellers came from United States.



Graphic 19. Source: INE, 2016

8.2.4.COCHABAMBA

Cochabamba is the third largest city in Bolivia, thanks to its altitude 2.558 meters above the sea level the climate is like spring all year around with an average temperature of 20°C, named for this reason as the city of the eternal spring. It is located in the centre of Bolivia communicated with 6 of the 9 departments. It is a city full of dynamism and energy especially during the nights.

Illustration 43. Turistic Places of Cochabamba.Source: City Council, 2017.

The city is located in a valley at the foot of the majestic mountain range, the closest mountain is Cerro Tunari located at the northwest of the city, the highest point of this region has 5.035 meters. Thanks to this range Cochabamba was declared Paragliding Capital of the country in 2011, the government is developing programs to support this sport. The other side of the city in the northeast is guarded by the Christ de la Concordia, this monumental statue is in the top of the San Pedro hill.

Respect to tourism Cochabamba has not been well promoted, for this reason it has less visibility for tourism than Potosí and Sucre. However Cochabamba is a place to visit due the excellent climate, and as it received influence of the other departments, it was declared as the Gastronomic Capital, due the agricultural products that arrive from the whole country.

Cochabamba has listed in the Creative Cities list by UNESCO in October 31, 2017 (UNESCO Creative Cities, 2017). Cochabamba's gastronomic potential was revealed in the findings of a study conducted by the Inter-American Development Bank (IDB) to strengthen the cuisine of that region and make its title as the gastronomic capital of the country, through a national law in 2011 .(Los Tiempos, 2017).

Tourism Demand

The number of travellers from 2007 to 2015 are:

	International	National	Total	Diff
2007	38.453	160.118	198.571	
2008	36.778	165.514	202.292	**1,87%**
2009	38.105	169.092	207.197	**2,42%**
2010	39.435	173.858	213.293	**2,94%**
2011	30.290	202.820	233.110	**9,29%**
2012	34.831	222.453	257.284	**10,37%**
2013	38.053	229.986	268.039	**4,18%**
2014	38.469	230.058	268.527	**0,18%**
2015	40.649	231.184	271.833	**1,23%**
2016	36.224	249.866	286.090	**5,24%**

Table 6. Source: INE, 2017.

Graphic 20 Source: INE, 2017.

The number of travellers has a tendency of growing each year, the bigger growth was 10,37% in 2012 where the national travellers growth dramatically because the economic in Bolivia has growth. In average the 84% of the travellers are national and 16% international. The number of local travellers has growth 44% from 2007 to 2016. And the international travellers have remained more or less the same number since 2007.

8.2.5. SIGHTS

Cochabamba has more than 93 registered sight as important museums and other sights, the most important are:

1. Ñaupa House Hostel
2. Palacio Portales
3. Cristo Concordia
4. Convento de Santa Teresa
5. Museo Arqueológico

6. La Cancha
7. La Catedral
8. Museo de Historia Natural Alcides d'Orbigny
9. Iglesia de la Recoleta
10. Convent of San Francisco
11. Colon Square
12. Paseo del Prado
13. Dancing Water Fountains
14. Alalay Lagun
15. Bus Terminal
16. Airport Wilstermann

Illustration 44. Source: Cochabamba City Council, 2017

PALACIO PORTALES

It is a symbol of the Bolivia's gilded mineral age, the owner was the tin baron Simón Patiño and he built it with an inspiration of European style, the gardens and the exterior of the house were inspired by the palace at Versailles, the games room is similar of Granada's Alhambra and the main hall takes its design inspiration from Vatican City and the mirror hall of palace at Versailles.

CRISTO DE LA CONCORDIA

It is the second biggest statue of Christ named Cristo de la Concordia located at the top of San Pedro (2800 m), it is 4,2 m higher than the famous Cristo Redentor from Rio de Janeiro, 33 m high because is 1 m for each year of Christ's life. Cochabambinos justify saying that Christ lived little bit more of 33 years. The tourist can enjoy an amazing 360° panoramic views of the city and the valley.

CONVENTO DE SANTA TERESA

It is a convent church and complex, the original building was from 1769, and rebuilt in 1790 after it was destroyed in an earthquake. The most interest part of visiting this place is imagined how the life was for a cloistered nuns.


MUSEO ARQUEOLOGICO

This museum show a very interesting overview of the ancient cultures of Bolivia. It is divided in 3 parts starting in the indigenous culture from Cochabamba.


LA CANCHA

It is the main market in Cochabamba, full of colour, very busy, people, sprawling, and chaotic.



CATEDRAL

The Cathedral is located at the main square “14 de Septiembre” and is the oldest religious building in the Cochabamba’s valley, from 1571.


MUSEO DE HISTORIA NATURAL ALCIDES d’ORBIGNY

It is a museum located next to Palacio Portales, it is the perfect way spend half hour before tour of Palacio Portales begum.


IGLESIA DE LA RECOLETA

It is a church located at the part north of the river, famous by its wooden Christ.


8.2.6.THINGS TO DO

- ✓ Tandem paragliding. There are 3 very professional companies that are flying in paragliding from Tunari Montain, Sacaba, and Tiquipaya. The tour last half of the day and cost approximately 60 €. And include the transport, equipment, and a pilot.
- ✓ The Angostura Lagoon is a dam located 17 km from Cochabamba, it is the perfect place to eat fish from sweet water and after sail in a small boat, ride jet, or just walk around it.
- ✓ Tunari Park is perfect for a nice walk all year around is located 3 km from Cochabamba.
- ✓ Cochabamba has a great variety of typical dishes, many of them dating from ancestral times. Others are relatively new but they have penetrated deep into the taste of the Cochabambinos. Since the city is in a fertile valley, its privileged soil makes Cochabamba the Gastronomic Capital of Bolivia.

8.2.7.OUSIDE COCHABAMBA

- ✓ Small towns. There are small towns around Cochabamba that keep the ancient atmosphere, and the traveller can eat in a traditional places too.
- ✓ The national park of Toro Toro is located at the north of Potosí, but the best to get there is from Cochabamba, 4 hours by car. In this park there are 2,000 dinosaur footprints, fossils, caverns with stalagmites and stalactites, archaeological sites, and cave paintings.
- ✓ Villa Tunari is located on the banks of the Espíritu Santo river, 4 hours away from Cochabamba, very close to the confluence with the Chapare river, it is located on the new Cochabamba-Santa Cruz highway, belongs to the Cochabamba tropics, located between the Andes and the Amazon, in the Chapare area. Villa Tunari is a small town surrounded by incredible landscapes, provided with exuberant vegetation and abundant hydrography in rivers, streams, waterfalls and natural pools. It has a humid and warm tropical climate. Nearby there are national parks such as the Machía Park and the National Carrasco, where animals in danger of extinction are preserved.

8.3. RESOURCES: MACHINERY AND FACILITIES

The facilities will refurbish and decorate to be stylish. The posthel need change the floor, install funs, and change the furniture. Other major changes will be made in some of the facilities to achieve the standard.

8.4. STOCKS MANAGEMENT AND PURCHASES

The poshtel will have 3 stocks, one will be the retail in the reception, the restaurant will storage its food, and we will have a warehouse with cleaning products, bed line, toilet paper, toiletries , retail products, and others. The general manager will have the control on the warehouse and the purchases. There will be a small quantity of retail products in the reception and they receptionists need to count in each change of turn and when the number of product will achieve the minimum they need to inform to the general manager.

In the restaurant the executive chef will be in charge of the food purchases, and they have enough space to have the food and the other resources they need. The purchase will be twice a week.

8.5. SUBCONTRACTING

The Poshtel need to subcontract a community manager to have an online strong presence the pay for then will be monthly. They already have an accountant, three electrical technician, and three plumber, the payment for them depend of the problem that they will fix.

8.6. PRODUCTION CAPACITY OF FUTURE COMPANY

The Posthtel will have cooking workshops once a week, yoga workshop in the garden four times a week, gastronomy tours three times a week, cinema in the garden 3 times a week with a life show of music before. Other events two times a week.

The guest will have the option of buy a package for have picnic in the garden.

8.7. OPERATIONS PLAN PARAMETERS

8.7.1.INVESTMENTS

The investment in the refurbishment, decoration, and furniture will be 90.296,16 €, and will be refurbished 1050,51 sqm.

8.7.2.STOCKS

There will be 172 beds divided as follow:

Room	Type of Room	Name	Guests
1	Double and Bunk Beds Room Private Bathroom	Ayllupax	4
2	Double bed Room Private Bathroom	Sawapax	2
3A	Bunk bed Room Shared Bathroom	Iskaypax	2
3b	Two Bunk Bed Room with TV and Shared Bathroom	Tawapax	4
3d	Double Bed with TV and Shared Bathroom	Iskaypax	2
4a	Double Bed Shared Bathroom	Sawapax	2
4B	Double and Twin Beds Room Private Bathroom	Ayllupax	4
5	Double Room + TV Shared Bathroom	Sawapax	2
6A	Double and Twin Beds Private Bathroom	Ayllupax	4
6B	Single and Bunk Beds Room Shared Bathroom	Kinsapax	3
6C	Single and Bunk Beds + TV Shared Bathroom	Kinsapax	3
7A	Double and Bunk Beds Room Private Bathroom	Tawapax	3
7B	16 Mixed Dorm Private Bathroom	T’uxpapax	16
8	14 Mixed Dorm Shared Bathroom	T’uxpapax	14
9A	Doble Bunk Bed Shared Bathroom	Tawapax	4
9B	Doble Bunk Bed Shared Bathroom	Tawapax	4
9C	Doble Bunk Bed Shared Bathroom	Tawapax	4
12A	Bunk Bed Room Shared Bathroom	Iskaypax	2
12B	Bunk Bed Room Shared Bathroom	Iskaypax	2
12C	Two Bunk Beds Room Shared Bathroom	Tawapax	4
13A	Bunk Bed Room Shared Bathroom	Iskaypax	2
13B	Bunk Bed Room Shared Bathroom	Iskaypax	2
13C	Two Bunk Beds Shared Bathroom	Tawapax	4
14A	Bunk Bed Room Shared Bathroom	Iskaypax	2
14B	Bunk Bed Room Shared Bathroom	Iskaypax	2
14C	Two Bunk Beds Room Shared Bathroom	Tawapax	4
15	14 Mixed Dorm for Private Bathroom	T’uxpapax	14
16	14 Female Dorm for Private Bathroom	T’uxpapax	14
17A	Bunk Bed Shared Bathroom	Iskaypax	2
17B	Two Bunk Bed Shared Bathroom	Tawapax	4

18A	Bunk Bed Room Shared Bathroom	Iskaypax	2
18B	Double and Bunk Beds Room Shared Bathroom	Tawapax	4
19A	20 Mixed Private Bathroom	T'uxpapax	20
19B	Flat With Two Doble Beds and Sofa Bed	Suxtapax	10
36 Rooms	Total Capacity	171 beds	

8.7.3.UNIT COSTS

The hostel need to do some refurbishment in the rooms as follow:

Room	What to do?	SQM	Price by SQM	Total Price
1	Furnish, decorate, and change the floor	14,31	98,19 €	1.405,09 €
2	Furnish, decorate, and change the floor	12,42	98,19 €	1.219,90 €
3A	Furnish, decorate, and change the floor	6,53	98,19 €	641,57 €
3B	Furnish, decorate, and change the floor	10,68	98,19 €	1.048,66 €
3D	Furnish, decorate, and change the floor	8,56	98,19 €	840,01 €
4A	Furnish, decorate, and change the floor	8,05	98,19 €	790,67 €
4B	Furnish, decorate, and change the floor	15,54	98,19 €	1.525,42 €
5	Furnish, decorate, and change the floor	9,75	98,19 €	956,95 €
6A	Furnish, decorate, and change the floor	15,87	98,19 €	1.558,40 €
6B	Furnish, decorate, and change the floor	10,68	98,19 €	1.048,66 €
6C	Furnish, decorate, and change the floor	9,02	98,19 €	885,77 €
7A	Change the floor, refurbish the bathroom, change the ceiling, furnish, and decorate	12,23	128,87 €	1.576,38 €
7B	Change the floor, refurbish the bathroom, change the ceiling, furnish, and decorate	48,60	128,87 €	6.263,25 €
8	Furnish, decorate, and change the floor	25,20	98,19 €	2.474,37 €
9A	Furnish, decorate, and change the floor	9,66	98,19 €	948,51 €
9B	Furnish, decorate, and change the floor	9,46	98,19 €	928,87 €
9C	Furnish, decorate, and change the floor	9,30	98,19 €	913,16 €
12A	Furnish, decorate, and change the floor	6,38	98,19 €	626,17 €
12B	Furnish, decorate, and change the floor	6,20	98,19 €	608,62 €
12C	Furnish, decorate, and change the floor	9,26	98,19 €	908,84 €
13A	Furnish, decorate, and change the floor	6,11	98,19 €	600,04 €
13B	Furnish, decorate, and change the floor	5,82	98,19 €	571,46 €
13C	Furnish, decorate, and change the floor	9,30	98,19 €	913,46 €
14A	Furnish, decorate, and change the floor	6,15	98,19 €	604,16 €

14B	Furnish, decorate, and change the floor	5,86	98,19 €	575,39 €
14C	Furnish, decorate, and change the floor	9,10	98,19 €	893,72 €
15	Change the floor, refurbish the bathroom, change the ceiling, furnish, and decorate	28,91	128,87 €	3.725,22 €
16	Change the floor, refurbish the bathroom, change the ceiling, furnish, and decorate	22,43	128,87 €	2.890,38 €
17A	Furnish, decorate, and change the floor	7,28	98,19 €	714,33 €
17B	Furnish, decorate, and change the floor	10,30	98,19 €	1.011,61 €
18A	Furnish, decorate, and change the floor	7,25	98,19 €	711,87 €
18B	Furnish, decorate, and change the floor	9,61	98,19 €	943,97 €
19A	Change the floor, refurbish the bathroom, change the ceiling, furnish, and decorate	62,12	128,87 €	8.006,14 €
19B	Change the floor, refurbish the bathroom, change the ceiling, make a mezzanine in the bedroom, soundproof the bedroom, dimming lights, furnish, and decorate	71,81	306,84 €	22.032,81 €
Hallways	Furnish and decorate	250,71	6,14 €	1.538,56 €
Shared Bathrooms	Furnish and decorate	29,75	128,87 €	3.833,99 €
Restaurant	Furnish and decorate	221,08	30,68 €	6.783,60 €
Garden	Furnish and decorate	75,22	12,27 €	923,19 €
Reception	Furnish and decorate	136,25	42,96 €	5.852,99 €
	Total sqm	1050,51	Total Investment	90.296,16 €

8.8. LAUNCHING: PROVISIONAL PLANNING

The *refurbishment* will be the longest task, it need to be done gradually because the hostel will still working and separated in sections to avoid bother guests.

The *management* structure will change, the task are: buy the furniture, make the manuals for procedures, also hire, train, and evaluate staff until find the right people. The entire website need to change and create a restaurant website too.

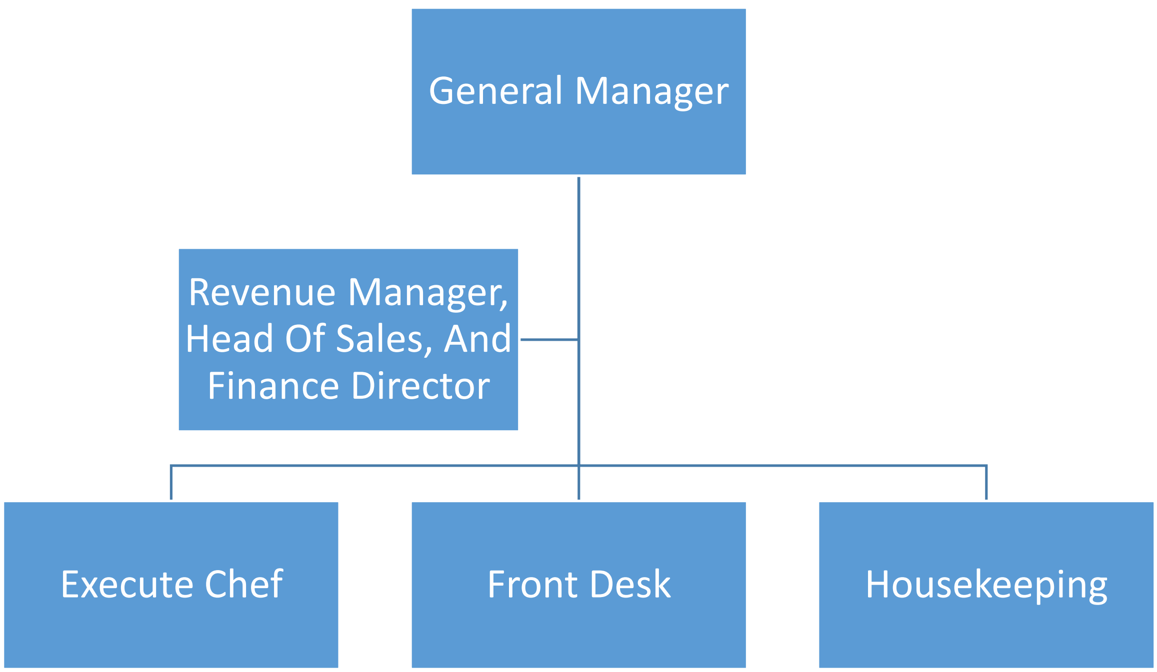
In Food &Beverage, also is important area needs develop manuals, create the menus, evaluated them, hire the right people, and train them.

9. ORGANIZATIONAL PLAN AND HUMAN RESOURCES

As service providers, hotels should take into consideration the importance of good employees as they make the difference concerning the service quality. To provide service excellence, excellent workers are needed.

9.1. ORGANIZATIONAL STRUCTURE

The poshtel will have flatarchies structure. This structure is very dynamic and flexible, and works between a flat and hierarchy structures, the company will work commonly in hierarchy structure and it will be form ad-hoc teams for create solutions or new products or events.



9.2. JOB DESCRIPTIONS

9.2.1. FRONT DESK

This is key point of the business as it will be the person with more contact with the client. They will give the first impression and also the last one. People who are working in this place need to be very professional, friendly, hands-on, focused on solutions, and very pleasant, even in hard situations.

They need to smile all the time and greet the guest each time they come to the front desk, also give any information they need or ask, if they do not the information they need to ask or research about it.

The main responsibility of the front desk are check the guest in and out. They review the guest information and required the identification document to full any information are missing at the registration.

Responsibilities

- ✓ Greet guests and patrons as they arrive
- ✓ Ask if guests have a prior booking
- ✓ Manage the registration process
- ✓ Ask for identification and ensure that the provided credentials are accurate
- ✓ Handle guest check-ins and check-outs appropriately
- ✓ Operate hotel switchboard, take calls and provide information and transfer calls
- ✓ Manage accurate accounting of all rooms
- ✓ Provide guests with room keys and call for bellboys
- ✓ Take reservations over the telephone, through emails and in person
- ✓ Answer queries regarding the hotel's services, charges, dining facilities, sports facilities and travel directions
- ✓ Refer guests to appropriate departments to resolve complaints or provide suggestion
- ✓ Compute bills and take payments
- ✓ Provide guests with directions around the hotel
- ✓ Contact housekeeping and maintenance departments when a problem is reported
- ✓ Explain appropriate use of keys and ensure that guests are satisfied with the rooms allotted to them
- ✓ Balance cash at the end of the shift and generate accounting reports for the benefit of the next shift

9.2.2. HOUSEKEEPER

To maintain a clean, sanitary, comfortable and tidy environment for either private households or commercial establishments

Responsibilities

- ✓ Sweep, scrub, mop and polish floors
- ✓ Vacuum clean carpets, rugs, and draperies
- ✓ Shampoo carpets, rugs and upholstery
- ✓ Dust and polish furniture and fittings
- ✓ clean metal fixtures and fittings
- ✓ Empty and clean trash containers
- ✓ Dispose of trash in a sanitary manner
- ✓ Clean wash basins, mirrors, tubs and showers
- ✓ Wipe down glass surfaces
- ✓ Make up beds and change linens as required
- ✓ Tidy up rooms
- ✓ Wash windows as scheduled
- ✓ Sort, wash, load, and unload laundry
- ✓ Iron and press clothing and linen
- ✓ Sort, fold and put away clean laundry
- ✓ Operate mechanized cleaning equipment
- ✓ Maintain all cleaning equipment and materials in a safe and sanitary working condition
- ✓ Monitor and report necessary domestic repairs and replacements

9.2.3.EXECUTIVE CHEF

The Executive chef will plan and direct food preparation and culinary activities, modifying menus or create new ones that meet quality standards, estimate food requirements and food/labour costs.

The executive chef need to be creative and proficient in all aspects of food preparation, and maintain complete control of the kitchen.

Responsibilities

- ✓ Plan and direct food preparation and culinary activities
- ✓ Modify menus or create new ones that meet quality standards
- ✓ Estimate food requirements and food/labor costs

- ✓ Supervise kitchen staff's activities
- ✓ Arrange for equipment purchases and repairs
- ✓ Recruit and manage kitchen staff
- ✓ Rectify arising problems or complaints
- ✓ Give prepared plates the "final touch"
- ✓ Perform administrative duties
- ✓ Comply with nutrition and sanitation regulations and safety standards
- ✓ Keep time and payroll records
- ✓ Maintain a positive and professional approach with co-workers and customers

Requirements

- ✓ Proven working experience as a head chef
- ✓ Excellent record of kitchen management
- ✓ Ability to spot and resolve problems efficiently
- ✓ Capable of delegating multiple tasks
- ✓ Communication and leadership skills
- ✓ Keep up with cooking trends and best practices
- ✓ Working knowledge of various computer software programs (MS Office, restaurant management software, POS)
- ✓ Hold a degree in Culinary science or related certificate

9.2.4.SOUS CHEF

Sous chef will help in the preparation and design of all food and drinks menus, produce high quality plates both design and taste wise, and ensure that the kitchen operates in a timely way that meets the quality standards.

The sous chef to be the second in command in the kitchen, following the Executive Chef's specifications and guidelines. The successful candidate will employ its culinary and managerial skills in order to play a critical role in maintaining and enhancing the customers' satisfaction.

Responsibilities

- ✓ Help in the preparation and design of all food and drinks menus
- ✓ Produce high quality plates both design and taste wise

- ✓ Ensure that the kitchen operates in a timely way that meets our quality standards
- ✓ Fill in for the Executive Chef in planning and directing food preparation when necessary
- ✓ Resourcefully solve any issues that arise and seize control of any problematic situation
- ✓ Manage and train kitchen staff, establish working schedule and assess staff's performance
- ✓ Order supplies to stock inventory appropriately
- ✓ Comply with and enforce sanitation regulations and safety standards
- ✓ Maintain a positive and professional approach with coworkers and customers

Requirements

- ✓ Three years of experience as a Sous Chef
- ✓ Understanding of various cooking methods, ingredients, equipment and procedures
- ✓ Excellent record of kitchen and staff management
- ✓ Accuracy and speed in handling emergency situations and providing solutions
- ✓ Familiar with industry's best practices
- ✓ Working knowledge of various computer software programs (MS Office, restaurant management software, POS)
- ✓ BS degree in Culinary science or related certificate would be a plus

9.2.5. BARISTA AND BARMAN

This person will prepare alcoholic or non-alcoholic beverages base or not with coffee for bar, café and patrons, interact with customers, taking orders while paying attention to details (example preferences of coffee blend, dairy and sugar ratios), serve snacks and drinks, answer questions regarding ingredients and assess customers' needs and preferences and making recommendations.

The Barista and Barman needs to be enthusiastic to provide an excellent guest experience, also will be able to| create classic and innovative drinks exceeding customers' needs and expectations. Compensation includes salary and tips.

Responsibilities

- ✓ Prepare alcohol or non-alcohol beverages for bar, café and restaurant patrons
- ✓ Interact with customers, take orders and serve snacks and drinks
- ✓ Assess customers' needs and preferences and make recommendations
- ✓ Mix ingredients to prepare cocktails

- ✓ Plan and present bar menu
- ✓ Check customers' identification and confirm it meets legal drinking age
- ✓ Restock and replenish bar inventory and supplies
- ✓ Stay guest focused and nurture an excellent guest experience
- ✓ Comply with all food and beverage regulations
- ✓ Greet customers as they enter
- ✓ Give customers drink menus and answer their questions regarding ingredients
- ✓ Take orders while paying attention to details (example preferences of coffee blend, dairy and sugar ratios)
- ✓ Prepare beverages following recipes
- ✓ Serve beverages and prepared food, like cookies, pastries and muffins
- ✓ Receive and process payments (cash and credit cards)
- ✓ Keep the bar area clean
- ✓ Maintain stock of clean mugs and plates
- ✓ Check if brewing equipment operates properly and report any maintenance needs
- ✓ Comply with health and safety regulations
- ✓ Communicate customer feedback to managers and recommend new menu items

Requirements

- ✓ Resume and proven working experience as a bartender and barista
- ✓ Excellent knowledge of in mixing, garnishing and serving drinks
- ✓ Computer literacy
- ✓ Knowledge of a second language is a plus
- ✓ Positive attitude and excellent communication skills
- ✓ Ability to keep the bar organized, stocked and clean
- ✓ Relevant training certificate
- ✓ Previous work experience as a Barista or Waiter/Waitress
- ✓ Hands-on experience with brewing equipment
- ✓ Knowledge of sanitation regulations
- ✓ Flexibility to work various shifts
- ✓ Basic math skills
- ✓ Ability to gauge customers' preferences
- ✓ Excellent communication skills

- ✓ High school diploma; relevant training is a plus

9.2.6. WAITRESS

The waitress need to be enthusiastic, friendly, charming, and pleasant.

Responsibilities

- ✓ The right Waiter/Waitress uplifts the dining experience for customers, someone who will have the patience, personality and perseverance to thrive in this role.
- ✓ Greeting and serving customers, providing detailed information on menus, multi-tasking various front-of-the-house duties and collecting the bill.
- ✓ Be polite with the customers and make sure they enjoy their experiences.
- ✓ Be a team player and be able to effectively communicate with our kitchen Staff to make sure orders are accurate and delivered promptly.
- ✓ Keep in mind that Waiter/Waitress duties may require working in shifts and/or occasionally during weekends and holidays.
- ✓ Greet and escort customers to their tables
- ✓ Present menu and provide detailed information when asked (example about portions, ingredients or potential food allergies)
- ✓ Prepare tables by setting up linens, silverware and glasses
- ✓ Inform customers about the day's specials
- ✓ Offer menu recommendations upon request
- ✓ Up-sell additional products when appropriate
- ✓ Take accurate food and drinks orders, using a POS ordering software, order slips or by memorization
- ✓ Check customers' IDs to ensure they meet minimum age requirements for consumption of alcoholic beverages
- ✓ Communicate order details to the Kitchen Staff
- ✓ Serve food and drink orders
- ✓ Check dishes and kitchenware for cleanliness and presentation and report any problems
- ✓ Arrange table settings and maintain a tidy dining area
- ✓ Deliver checks and collect bill payments
- ✓ Carry dirty plates, glasses and silverware to kitchen for cleaning

- ✓ Meet with restaurant staff to review daily specials, changes on the menu and service specifications for reservations (e.g. parties)
- ✓ Follow all relevant health department regulations
- ✓ Provide excellent customer service to guests

9.3. HUMAN RESOURCE POLICY: SELECTION, MANAGEMENT, COMPENSATION

The values of the company are family oriented, and wants support woman. In this sense the majority of the employees are woman head of household. They will received 10% more of the official salary marked by the government, have time flexibility in the case they are studding.

The selection will make as flat structure, to see if the employee can work with the rest of the team, also a dismissal will be took in the same way. The last decision will be took by the General Manager. They will received all benefits ask by the Bolivian government.

The evaluation will through the comments by the guests through all distribution channels, also a questioner will be sent to each customer during or after the stay.

9.4. MANAGEMENT TEAM AND BOARD OF DIRECTORS

9.4.1.GENERAL MANAGER

The General Manager need experienced in Hospitality manager to organize and oversee daily operations of the facilities, be responsible for coordinating activities and helping people reach their full potential. Be always focused on ensuring excellent customer experience, be leader and problem solvers. Excellent communication and organizational skills are vital.

Also have experience in food and beverage manager to be responsible for managing all F&B operations and for delivering an excellent guest experience. The candidate need to be able to forecast, plan and manage all F&B orders, staff and finance. The goal is to maximize sales and revenue through customer satisfaction and employee engagement.

Responsibilities

- ✓ Hire qualified personnel according to standards
- ✓ Organize and coordinate operations to ensure maximum efficiency
- ✓ Supervise and evaluate staff

- ✓ Ensure supplies and equipment are adequate in quantity and quality
- ✓ Handle customer complaints when necessary
- ✓ Assist in pricing products or services
- ✓ Assume responsibility of budgeting and monitoring expenses
- ✓ Enforce adherence to regulations and quality standards
- ✓ Ensure all records are kept properly and consistently
- ✓ Review and prepare reports for senior management
- ✓ Manage all F&B and day-to-day operations within budgeted guidelines and to the highest standards
- ✓ Preserve excellent levels of internal and external customer service
- ✓ Design exceptional menus, purchase goods and continuously make necessary improvements
- ✓ Identify customers' needs and respond proactively to all of their concerns
- ✓ Lead F&B team by attracting, recruiting, training and appraising talented personnel
- ✓ Establish targets, KPI's, schedules, policies and procedures
- ✓ Provide a two way communication and nurture an ownership environment with emphasis in motivation and teamwork
- ✓ Comply with all health and safety regulations
- ✓ Report on management regarding sales results and productivity

Requirements

- ✓ Proven experience as hospitality manager
- ✓ Hands-on experience in customer service or sales
- ✓ Solid understanding of hospitality procedures and best practices
- ✓ Knowledge of quality standards
- ✓ Excellent organizational and leadership skills
- ✓ Outstanding communication (verbal and written) and interpersonal skills
- ✓ Problem-solving aptitude
- ✓ Business administration in hospitality management
- ✓ Proven food and beverage management experience
- ✓ Working knowledge of various computer software programs (MS Office, restaurant management software, POS)
- ✓ Up to date with food and beverages trends and best practices

- ✓ Ability to manage personnel and meet financial targets

9.4.2. REVENUE MANAGER, HEAD OF SALES, AND FINANCE DIRECTOR

As Revenue Manager needs to spend a lot of time analysing trends in the hotel industry, will be tracking the bedroom and conference space rates offered by the competitors, and making sure to sell the rooms at the right price and the right time to the right people. Also needs to maintain parity with room rates offered by online booking companies and be poised to spot peaks and troughs in the market.

As Head of Sales responsibilities include developing key growth sales strategies, tactics and action plans. Successful execution of these strategies is required to achieve your financial targets, include hitting annual targets, building relationships and understanding customer trends.

As a Financial Director will analyse every day financial activities and subsequently provide advice and guidance to upper management on future financial plans. The goal is to enable the company's leaders to make sound business decisions and meet the company's objectives.

Responsibilities:

- ✓ Analysing booking patterns and market trends
- ✓ Monitoring competitor performance
- ✓ Effective yield management
- ✓ Initiating promotions to generate business at key times
- ✓ Forecasting revenue performance
- ✓ Liaising with the sales teams, reception and the general manager
- ✓ Owning and hitting/exceeding annual sales targets within assigned territory
- ✓ Developing and executing strategic plan to achieve sales targets and expand our customer base
- ✓ Building and maintaining strong, long-lasting customer relationships
- ✓ Providing financial reports and interpreting financial information to managerial staff while recommending further courses of action.
- ✓ Advising on investment activities and provide strategies that the company should take
- ✓ Maintaining the financial health of the organization.
- ✓ Partner with customers to understand their business needs and objectives

- ✓ Effectively communicate the value proposition through proposals and presentations
- ✓ Reporting on forces that shift tactical budgets and strategic direction of accounts
- ✓ Analyse costs, pricing, variable contributions, sales results and the company's actual performance compared to the business plans.
- ✓ Develop trends and projections for the firm's finances.
- ✓ Conduct reviews and evaluations for cost-reduction opportunities.
- ✓ Oversee operations of the finance department, set goals and objectives, and design a framework for these to be met.
- ✓ Lease with auditors to ensure appropriate monitoring of company finances is maintained.
- ✓ Correspond with various other departments, discussing company plans and agreeing on future paths to be taken.

Requirements

- ✓ Computer literacy
- ✓ Sales awareness
- ✓ Understanding of yield management
- ✓ Business acumen
- ✓ Ability to motivate and manage a team
- ✓ Proven sales executive experience, meeting or exceeding targets
- ✓ Previous experience as a sales executive, sales manager or sales and marketing director
- ✓ Ability to communicate, present and influence all levels of the organization, including executive and C-level
- ✓ Proven ability to drive the sales process from plan to close
- ✓ Proven ability to articulate the distinct aspects of products and services
- ✓ Proven ability to position products against competitors
- ✓ Demonstrable experience as head of sales, developing client-focused, differentiated and achievable solutions
- ✓ Excellent listening, negotiation and presentation skills
- ✓ Excellent verbal and written communications skills
- ✓ Business Administration degree or equivalent in Finance, Accounting or Economics
- ✓ Proven experience as a Financial Manager
- ✓ Experience in the financial sector with previous possible roles such as financial analyst

- ✓ Extensive understanding of financial trends both within the company and general market patterns
- ✓ Proficient user of finance software
- ✓ Strong interpersonal, communication and presentation skills
- ✓ Able to manage, guide and lead employees to ensure appropriate financial processes are being used
- ✓ A solid understanding of financial statistics and accounting principles
- ✓ Working knowledge of all statutory legislation and regulations

10. FINANCIAL PLAN

10.1. FINANCIAL HYPOTHESES/ASSUMPTIONS

The operational projections carried out for the Ñaupa House Poshtel project have been prepared on the basis of the market analysis carried out in the area of influence and information obtained from similar hotel operations in the area.

The operational estimates have been made for a period of 5 years, and based on the analysis of supply and historical demand, current and future, of the area of influence. From this, we have established the fourth year as the stabilized year for the projections.

The number of operating days per year estimated for the entire operational projection has been 365.

The classification of accounts responds in general to the definitions prescribed by the American Association of Hotels and Motels in the Uniform System of Accounting for hotels.

For the occupancy analysis and the average price, we have the following factors:

- ✓ Operational data obtained from the analysed hotels.
- ✓ Segments of objective demand and segmentation planned for the project.
- ✓ Capacity, category and complementary offer of the Poshtel and its surroundings.
- ✓ Positioning of the project for the market.
- ✓ Analysis of competitors' prices by marketing channel and season of the year.

Based on this, we have defined the price per demand segment and its increase for the first years of operation:

AVERAGE PRICE PER SEGMENT AND ANNUAL INCREMENTS					
Demand	Year 1	Year 2	Year 3	Year 4	Year 5
Segment	Average Price	Increment	Increment	Increment	Increment
Youth Groups	18,46	38,37 €	3,00%	2,00%	2,00%
Single Tourist	4,32	5,84 €	3,00%	2,00%	2,00%
Families	30,24	36,29 €	2,00%	1,50%	1,50%
Couples	18,92	19,10 €	2,00%	1,50%	1,50%

Corporate	8,14	11,62 €	1,00%	1,00%	1,00%
Others	4,51	6,10 €	1,00%	1,00%	1,00%
Average Increment	**--**	**--**	**2,73%**	**1,87%**	**1,87%**

Taking into account the previously mentioned points, we estimate that the occupation levels and the average price per person for the first five years of operation of the project would be the following:

AVERAGE PRICE, OCCUPANCY AND DEMAND SEGMENTS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Occupancy	32,8%	34,1%	34,9%	35,5%	36,1%
Average Price	26,00 €	27,14 €	27,88 €	28,40 €	28,93 €
DEMAND SEGMENTATION					
Youth Groups	38,6%	39,0%	39,2%	39,3%	39,5%
Single Tourist	16,2%	16,4%	16,5%	16,5%	16,6%
Families	16,9%	16,7%	16,6%	16,6%	16,6%
Couples	16,2%	16,1%	16,0%	16,0%	15,9%
Corporate	5,0%	4,9%	4,8%	4,8%	4,8%
Others	7,1%	6,9%	6,8%	6,8%	6,7%

An important factor to take into account in the definition of demand segments and occupations, in the seasonality of the project. For the project, taking into account the activity in the area, we have defined the next seasonality:

SEASON	MONTHS	DAYS
High Season	January, February	59
Mid Season	March, April, May, July, August	154
Low Season	June, September, October, November, and December	152
TOTAL OPEN DAYS		**365**

10.2. PRO FORMA INCOME STATEMENTS

10.2.1. INCOME FROM LODGING

Revenues for rooms are based on the number of rooms and number of beds in the dorms of the poshtel, the total of operating days, the occupancy levels, and annual average prices that are presented below and the results of the segmentation of the demand obtained during the first five years of projection:

INCOME LODGEMENT					
	YEAR 1	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Rooms	24	29	29	29	29

Beds	10	78	78	78	78
Occupancy	33%	34%	35%	36%	36%
Average Room Rate	16,72 €	26,05 €	26,76 €	27,26 €	27,76 €
Average Bed Rate	4,32 €	5,84 €	6,02 €	6,14 €	6,26 €
RevPAR	5,49 €	8,88 €	9,35 €	9,69 €	10,04 €
RevPAB	1,42 €	1,99 €	2,10 €	2,18 €	2,26 €
INCOME LODGEMENT	**53.221,31 €**	**150.762,51 €**	**158.792,48 €**	**164.613,83 €**	**170.652,66 €**

10.2.2. INCOME FOOD & BEVERAGE

The projections are based on research in hostel sector and similar categories, and the combination of income that this type of poshtel has.

To establish the growth of each point of sale, the evolution of each of the demand segments has been taken into account. In addition, it has taken into account the maturation process and location of the poshtel of these characteristics, which as of the third year already has a more stabilized demand.

Most of the points of sale have been connected to external customer numbers, that is, they are not housed in the hotel.

INCOME FOOD & BEVERAGE					
	YEAR 1	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Breakfast					
Use of in-house customer		60,00%	60,00%	60,00%	60,00%
Average income per client	- €	3,1 €	3,1 €	3,2 €	3,2 €
Use of out-house costumers	-	2040	2081	2122	2165
Average income per client	- €	2,0 €	2,1 €	2,1 €	2,2 €
TOTAL BREAKFAST	**- €**	**50.455 €**	**52.050 €**	**53.548 €**	**55.095 €**
Restaurant					
Use of in-house customers		30,00%	30,00%	30,00%	30,00%
Average income per client	- €	10,2 €	10,4 €	10,6 €	10,8 €
Use of out-house costumers	-	3060	3121	3184	3247
Average income per client	- €	12,2 €	12,5 €	12,7 €	13,0 €
TOTAL RESTAURANT	**- €**	**114.610 €**	**118.501 €**	**122.282 €**	**126.194 €**
TOTAL INCOME F&B	**- €**	**189.767 €**	**196.867 €**	**202.989 €**	**209.318 €**

Breakfast service: The average price will be 3 € with a use of 60% of the poshtel customers and a total of approx. 5 external customers per day with average price of 2 €. The average price of external customers is lower because they will not have a breakfast might something small.

Restaurant: The average price will be € 10 with a first-year use of 40% of total customers and a total of 8 external customers per day with average price of 12 €. The average price for external customers is higher because they will not have the same discounts as guests.

10.2.3. EXPENSES BY REVENUE SOURCES

Within the expense item by departments, we include all those expenses that are directly attributable to the revenue resources and in this case are the rooms and beds, and food and beverages departments.

ANALYSIS OF OPERATING EXPENSES					
Rooms	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Labour Cost	36.433 €	37.162 €	37.905 €	38.663 €	39.437 €
Other Cost	4.585 €	4.677 €	4.771 €	4.866 €	4.963 €
Total Rooms Expenses	**41.019 €**	**41.839 €**	**42.676 €**	**43.530 €**	**44.400 €**
Food & Beverage					
Labour Cost	- €	56.028 €	57.148 €	58.291 €	59.457 €
Row Material	- €	34.383 €	35.550 €	36.684 €	37.858 €
Other Cost	881 €	925 €	972 €	1.020 €	1.071 €
Total F&B Expenses	**881 €**	**91.336 €**	**93.670 €**	**95.996 €**	**98.386 €**

10.2.4. NON-DISTRIBUTABLE EXPENSES

Regardless of the expenses attributable to each of the departments that generate income, there are a series of expenses that we can define as general, basic and not attributable to the different departments:

NON-DISTRIBUTABLE EXPENSES					
Management Cost	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Labour Cost	23.735 €	38.453 €	40.376 €	42.395 €	44.514 €
Energy Supply	791 €	3.007 €	3.137 €	3.255 €	3.378 €
Repairs and maintenance	1.187 €	4.511 €	4.706 €	4.883 €	5.067 €
Other Cost	2.374 €	9.022 €	9.411 €	9.766 €	10.133 €
Total Management Cost	**24.526,26 €**	41.460,62 €	43.512,99 €	45.649,86 €	47.892,19 €

10.2.5. LABOR COST

Below is a summary of the labour cost account for the first 5 years, even though in each of the departments analysed it has been treated individually.

	Year 1		Year 2		Year 3		Year 4		Year 5	
Total Labor Cost	60.168 €	76,0%	131.638 €	43,8%	122.720 €	39,1%	128.856 €	39,6%	135.299 €	40,1%

- ✓ The calculation of salaries has been made based on the Bolivian Law, where the last 5 years the average annual increment was 10%.

- ✓ Salaries have been estimated based on 14 payments, for full-time annual contracts, even the staff will work partial time will have this 14 payments.

- ✓ As the turn are straight the poshtel will provide the alimentation.

A summary of the template provided by departments for the project is shown in annex I.

10.2.6. OTHER EXPENSES

	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5	
Provisions for replacements	791 €	1,00%	6.015 €	2,00%	9.411 €	3,00%	9.766 €	3,00%	10.133 €	3,00%
Long-Term Loan (Principal)	6.183 €	7,81%	10.985 €	3,65%	10.985 €	3,50%	10.985 €	3,37%	10.985 €	3,25%
Long-Term Loan (Interest)	9.576 €	12,10%	8.939 €	2,97%	8.236 €	2,63%	7.460 €	2,29%	6.605 €	1,96%
Property Taxes	2.946 €	3,72%	2.916 €	0,97%	2.887 €	0,92%	2.858 €	0,88%	2.830 €	0,84%
Tax IT	2.374 €	3,00%	9.022 €	3,00%	9.411 €	3,00%	9.766 €	3,00%	10.133 €	3,00%
Tax IUE	2.009 €	25,00%	27.358 €	25,00%	32.211 €	25,00%	33.055 €	25,00%	36.447 €	25,00%
Insurance	396 €	0,50%	407 €	0,14%	420 €	0,13%	432 €	0,13%	445 €	0,13%

- ✓ *Provision for replacements:* Corresponds to a provision to respond to the progressive wear and tear of the FF & E (furniture, fixtures and equipment). The provision corresponds to a % of the total income. This % for the first year is 1%, the second 2% and from the third year and for the rest of the projection of 3%.

- ✓ *Long-Term Loan (Principal):* Corresponds to the capital payment of the investment loan for refurbish the hostel.

- ✓ *Long-Term Loan (Interest):* Corresponds to the interest payment of the investment loan for refurbish the hostel.

- ✓ *Tax of IT is 3% of the total income.*

- ✓ *Tax IUE*, is 25% of the profit, 0% if there is a loss at the end of the year.

- ✓ *Insurance*: Amount for the insurance that is related to the content of the insured real estate and that is established as a% of 0.5% for the first year.

10.2.7. SUMMARY OF THE PROFIT & LOSS STATEMENT

INCOME STATEMENT										
	Year 1	**Ratio**	**Year 2**	**Ratio**	**Year 3**	**Ratio**	**Year 4**	**Ratio**	**Year 5**	**Ratio**
Occupancy	32,80%		34,10%		34,93%		35,54%		36,15%	
Price Average per Room	16,72 €		26,05 €		26,76 €		27,26 €		27,76 €	
RevPAR	5,49 €		8,88 €		9,35 €		9,69 €		10,04 €	
Price Average per Bed	4,32 €		5,84 €		6,02 €		6,14 €		6,26 €	
RevPAB	1,42 €		2,10 €		2,26 €		2,18 €		2,26 €	
Rooms Income (Euros)	48.052,79 €	61%	94.045,56 €	31,27%	98.951,20 €	31,54%	102.525,78 €	31,50%	106.232,74 €	31,45%
Beds Income (Euros)	5.168,51 €	7%	56.716,95 €	18,86%	59.841,28 €	19,08%	62.088,05 €	19,07%	64.419,92 €	19,07%
Food & Beverage	- €	0%	142.091,77 €	47%	148.282,31 €	47%	153.970,81 €	47%	159.879,10 €	47%
Other Incomes	25.898,32 €	33%	7.884,46 €	3%	6.634,35 €	2%	6.932,96 €	2%	7.245,36 €	2%
Total Income	**53.221,31 €**	67%	**150.762,51 €**	**50%**	**158.792,48 €**	51%	**164.613,83 €**	**51%**	**170.652,66 €**	51%
Total Departments Expenses	41.018,85 €	52%	128.794,99 €	43%	119.391,24 €	38%	124.860,51 €	38%	130.586,90 €	39%
Total non-distributable expenses	30.064,63 €	38%	62.512,33 €	21%	65.472,62 €	21%	68.436,10 €	21%	61.403,28 €	18%
GOP	**8.036 €**	**10%**	**109.431 €**	**36,39%**	**128.845 €**	**41,07%**	**33.055,25 €**	**40,62%**	**36.447 €**	**43,16%**
NET OPERATION PROFIT	**- 16.237,53 €**	**-20,52%**	**43.789,38 €**	**14,56%**	**55.284,04 €**	**17,62%**	**9.765,53 €**	**17,79%**	**10.133,31 €**	**20,19%**

10.3. PRO FORMA CASH FLOW

Cash Flow Forcast					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received		1.977 €	62.269 €	128.971 €	192.323 €
Cash From Operations					
Cash Rooms and Beds	53.221 €	150.763 €	158.792 €	164.614 €	170.653 €
Cash F&B	- €	142.092 €	148.282 €	153.971 €	159.879 €
Cash Other Incomes	25.898 €	7.884 €	6.634 €	6.933 €	7.245 €
Subtotal Cash from Operations	79.120 €	300.739 €	313.709 €	325.518 €	337.777 €
Long-term Liabilities	100.000 €				
Subtotal Cash Received	179.120 €	300.739 €	313.709 €	325.518 €	337.777 €
Expenditures					
Expenditures from Operations					
Cash Spending	41.019 €	128.795 €	119.391 €	124.861 €	130.587 €
Bill Payments					
Subtotal Spent on Operations	**41.019 €**	**128.795 €**	**119.391 €**	**124.861 €**	**130.587 €**
Additional Cash Spent					
Non-operational Expenses	30.065 €	62.512 €	65.473 €	68.436 €	61.403 €
Insurance	396 €	407 €	420 €	432 €	445 €
Sales Tax	4.383 €	36.380 €	41.623 €	42.821 €	46.580 €

Property Taxes	2.946 €	2.916 €	2.887 €	2.858 €	2.830 €
Long-term Liabilities Principal Repayment	6.183 €	6.820 €	7.523 €	8.298 €	9.154 €
Long-term Liabilities Interest	9.576 €	8.939 €	8.236 €	7.460 €	6.605 €
Investment in the refurbishment	90.296 €	- €	- €	- €	- €
Subtotal Cash Spent	**143.843 €**	**117.975 €**	**126.161 €**	**130.306 €**	**127.017 €**
Net Cash Flow	-5.742 €	53.969 €	68.157 €	70.351 €	80.173 €
Cash Balance	-5.742 €	48.227 €	116.384 €	186.735 €	266.909 €

10.4. PRO FORMA BALANCE SHEET

Pro Forma Balance Sheet					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
ASSETS					
Current Assets					
Cash	-5.742 €	48.227 €	116.384 €	186.735 €	266.909 €
Net accounts receivable	- €	- €	- €	- €	- €
Inventory	177 €	4.000 €	5.000 €	6.000 €	6.000 €
Temporary investment	- €	- €	- €	- €	- €
Prepaid expenses	- €	- €	- €	- €	- €
Total Current Assets	**-5.565 €**	**52.227 €**	**121.384 €**	**192.735 €**	**272.909 €**
Fixed Assets					
Long-term investments	90.296 €	- €	- €	- €	- €
Land	- €	- €	- €	- €	- €
Buildings (net of depreciation)	- €	- €	- €	- €	- €
Plant & equipment (net)	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €
Furniture & fixtures (net)	24.000 €	24.000 €	24.000 €	24.000 €	24.000 €
Total Net Fixed Assets	164.296 €	74.000 €	74.000 €	74.000 €	74.000 €
TOTAL ASSETS	**158.731 €**	**126.227 €**	**195.384 €**	**266.735 €**	**346.909 €**
LIABILITIES					
Current Liabilities					
Accounts payable	256 €	320 €	330 €	345 €	360 €
Short-term notes	- €	- €	- €	- €	- €
Current portion of long-term notes	15.759 €	19.924 €	19.221 €	18.445 €	17.590 €
Accruals & other payables	- €	- €	- €	- €	- €
Total Current Liabilities	**16.015 €**	**20.244 €**	**19.551 €**	**18.790 €**	**17.950 €**
Long-term Liabilities					
Mortgage	100.000 €	100.000 €	100.000 €	100.000 €	100.000 €
Other long-term liabilities	- €	- €	- €	- €	- €
Total Long-term Liabilities	**100.000 €**	**100.000 €**	**100.000 €**	**100.000 €**	**100.000 €**
SHAREHOLDERS' EQUITY					
Capital stock	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €
Retained earnings	-7.284 €	-44.017 €	25.833 €	97.945 €	178.959 €
Total Shareholders' Equity	42.716 €	5.983 €	75.833 €	147.945 €	228.959 €

TOTAL LIABILITIES & EQUITY	158.731 €	126.227 €	195.384 €	266.735 €	346.909 €

10.5. PROJECT FINANCING: NEEDS AND SOURCES

To upscale the hostel to poshtel, Ñaupa House need to invest 90.297 € to refurbish the facilities and buy a furniture, as the hostel will perceive les guest during the refurbishment, the total amount of investment will be 100.000 € to cover the hostel's capital of work.

Ñaupa House will ask for a loan to Banco Ganadero of 100.000 €, for the type of inversion the annual interest is 9,85%, during 10 years.

The payment plan is:

	AMOUNT	INTEREST	PRINCIPAL	ACCUMULATIVE
Year 1	15.758,58 €	9.575,82 €	6.182,76 €	6.182,76 €
Year 2	15.758,58 €	8.938,55 €	6.820,03 €	13.002,79 €
Year 3	15.758,58 €	8.235,61 €	7.522,97 €	20.525,76 €
Year 4	15.758,58 €	7.460,21 €	8.298,37 €	28.824,13 €
Year 5	15.758,58 €	6.604,89 €	9.153,69 €	37.977,82 €
Year 6	15.758,58 €	5.661,41 €	10.097,17 €	48.074,99 €
Year 7	15.758,58 €	4.620,69 €	11.137,89 €	59.212,88 €
Year 8	15.758,58 €	3.472,70 €	12.285,88 €	71.498,77 €
Year 9	15.758,58 €	2.206,38 €	13.552,20 €	85.050,96 €
Year 10	15.758,58 €	809,55 €	14.949,04 €	100.000,00 €
Total	**157.585,81 €**	**57.585,81 €**	**100.000,00 €**	

10.6. ANALYSIS AND FINANCIAL FEAIBILITY: BEP, RATIOS...

10.6.1. BREAK EVEN POINT

To achieve the breakeven point the required ARR and ABR are lower than has been use to project the statements, this point can be achieved with 33% of occupancy using de ARR and ABR in the forcast.

INVESTMENT DRIVEN BREAKEVEN ANALYSIS				
	Year 1		Year 2	
Number of Rooms	24		29	
Number of Beds	10		78	
Development Cost/Room	- €		3.113,66 €	
Total Development Cost	- €		90.296,16 €	

Investment	- €		90.296,16 €	
Financing Investment				
Loan Cost Ratio	0%		67%	
Loan Financing	- €		100.000,00 €	
Equity Financing	50.000,00 €		50.000,00 €	
Loan Requires				
Interest Rate	0%		10%	
Interest Payment	- €		9.575,82 €	
Equity Requires				
Required Equity Return	8%		8%	
Required Cash to Owners	4.000,00 €		4.000,00 €	
Operating Expenses				
Fixed Cost	60.168 €		133.459 €	
Interest Expenses	- €		9.576 €	
Equity Requirements	4.000 €		4.000 €	
Variable Cost	43%		43%	
Total Breakeven Revenue	**112.576,26 €**		**257.956,21 €**	
Required Total Revenue	112.576 €		257.956 €	
Assumed Rooms & Beds Revenue	75%		75%	
Required Rooms & Beds Revenue	84.432,19 €		193.467,16 €	
Assumed Rooms Revenue	90%		60%	
Assumed Beds Revenue	10%		40%	
Required Rooms Revenue	75.988,97 €		116.080,30 €	
Required Beds Revenue	8.443,22 €		77.386,86 €	
Required RevPAR	8,67 €		10,97 €	
Required RevPAB	2,31 €		2,72 €	
Range of required performance				
Required Occupancy	45%	60%	40%	50%
Required ARR	19,28 €	14,46 €	27,42 €	21,93 €
RevPAR	8,67 €	8,67 €	10,97 €	10,97 €
Required ABR	5,14 €	3,86 €	6,80 €	5,44 €
RevPAB	2,31 €	2,31 €	2,72 €	2,72 €
GOPPAR GOP per Available Room & GOPPAB GOP per Available Bed				
Provisions for replacements	791,20 €		6.014,77 €	
Long-Term Loan (Capital)	6.182,76 €		10.985,00 €	
Long-Term Loan (Interest)	9.575,82 €		8.938,55 €	
Property Taxes	2.945,68 €		2.916,22 €	
Tax IT	2.373,59 €		9.022,16 €	
Tax IUE	2.009,04 €		26.902,44 €	
Insurance	395,60 €		407,47 €	
Total non-operating expenses	**24.273,68 €**		**65.186,62 €**	
Required GOP	**136.849,94 €**		**323.142,83 €**	
GOPPAR	14,06 €		18,32 €	
GOPAB	3,75 €		4,54 €	

10.6.2. RATIOS

All ratios shows it will be a profitable business.

RATIOS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Ratio	-0,35	2,58	6,21	10,26	15,20
Quit Ratio	-0,36	2,38	5,95	9,94	14,87
Inventory Turnover	0,00	35,52	29,66	25,66	26,65
Short Term Liabilities to Total Liabilities	16,01%	20,24%	19,55%	18,79%	17,95%
Total Debt To Assets	73,09%	95,26%	61,19%	44,53%	34,00%
Return On Sales	48,16%	57,17%	61,94%	61,64%	61,34%
Operating Profit Margin	10,16%	36,39%	41,07%	40,62%	43,16%
Net Profit Margin	-20,52%	14,56%	17,62%	17,79%	20,19%
Return On Equity	-11%	108%	136%	141%	160%
Return On Assets	-3,62%	42,76%	34,88%	26,37%	23,11%
EBITDA	8.036,15 €	109.431 €	128.845 €	132.221 €	145.787 €
Equity	42.716 €	5.983 €	75.833 €	147.945 €	228.959 €

10.6.3. INVESTMENT ANALYSIS

The table below presents estimates of net cash flow or earnings before taxes, depreciation and amortization (of intangible assets) for the first ten years of operations. These estimates do include projected debt service.

A relatively high 12 percent discount rate is used to reflect both Ecuador country risk and project risk. Even at this rate the project has, based on the operating assumptions described earlier, a very positive Net Present Value (NPV).

INVEST ANALYSIS		
	Net Cash Flow	Annual Rate Return
Year 0	- 90.296,16 €	
Year 1	- 5.742,49 €	-20,52%
Year 2	53.969,13 €	14,56%
Year 3	68.157,35 €	17,62%
Year 4	70.351,17 €	17,79%
Year 5	80.173,45 €	20,19%
Year 6	70.930,71 €	17,08%
Year 7	69.118,02 €	16,18%
Year 8	67.125,03 €	15,26%
Year 9	64.940,82 €	22,89%
Year 10	62.553,88 €	21,80%

IRR	**46%**	
Discount Rate	12%	
NPV	**200.166,42 €**	

Total return in 10 years will be 511.280,90 €

10.7. SENSITIVITY ANALYSIS

A Sensitivity Analysis of different occupancy and room & beds rate scenarios and their corresponding impacts on Profitability and Investment Returns is presented on the following tables.

The pessimistic scenario has been done assuming that the hold occupancy could go down in 10% the results show that the company will not be able to pay the entire debt, but the business is still profitable.

The optimistic scenario has been done assuming the hold occupancy could go up in 10% the results show incredible profitable business.

10.7.1. PROFITABILITY REVENUE

PROJECTED ASSUMPTIONS					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Occupancy	32,80%	34,10%	34,93%	35,54%	36,15%
Price Average per Room	16,72	26,05	26,76	27,26	27,76
RevPAR	5,49	8,88	9,35	9,69	10,04
Price Average per Bed	4,32	5,84	6,02	6,14	6,26
RevPAB	1,42	2,10	2,26	2,18	2,26
Rooms Income (Euros)	48.053	94.046	98.951	102.526	106.233
Rooms Income (%)	60,73%	31,27%	31,54%	31,50%	31,45%
Beds Income (Euros)	5.169	56.717	59.841	62.088	64.420
Beds Income (%)	6,53%	18,86%	19,08%	19,07%	19,07%
GOP (Euros)	- 16.237,53 €	43.789,38 €	55.284,04 €	57.899,01 €	68.208,83 €
GOP (%)	-20,52%	14,56%	17,62%	17,79%	20,19%

PESSIMISTIC ASSUMPTIONS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Occupancy	22,80%	23,71%	24,29%	24,70%	25,13%
Price Average per Room	16,72	26,17	26,88	27,38	27,90
RevPAR	3,81	6,20	6,53	6,77	7,01
Price Average per Bed	4,34	5,87	6,05	6,17	6,29
RevPAB	0,99	1,47	1,58	1,52	1,58
Rooms Income (Euros)	33.391	65.670	69.106	71.608	74.202
Rooms Income (%)	53,67%	29,58%	29,85%	29,80%	29,75%
Beds Income (Euros)	3.610	39.615	41.799	43.369	44.998
Beds Income (%)	5,80%	17,85%	18,05%	18,05%	18,04%
GOP (Euros)	- 27.138,22 €	- 2.186,23 €	8.143,51 €	9.009,51 €	15.515,68 €
GOP (%)	-43,62%	-0,98%	3,52%	3,75%	6,22%

OPTIMISTIC ASSUMPTIONS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Occupancy	42,80%	44,50%	45,58%	46,37%	47,16%
Price Average per Room	16,73	25,99	26,69	27,19	27,69
RevPAR	7,16	11,57	12,17	12,61	13,06
Price Average per Bed	4,31	5,83	6,00	6,12	6,24
RevPAB	1,84	2,74	2,94	2,84	2,94
Rooms Income (Euros)	62.715	122.421	128.797	133.444	138.263
Rooms Income (%)	65,31%	32,26%	32,53%	32,49%	32,44%
Beds Income (Euros)	6.727	73.819	77.885	80.808	83.843
Beds Income (%)	7,01%	19,45%	19,67%	19,67%	19,67%
GOP (Euros)	- 5.336,80 €	89.765,42 €	102.425,03 €	106.788,99 €	120.902,50 €
GOP (%)	-5,56%	23,65%	25,87%	26,00%	28,37%

10.7.2. INVESTMEN RETURN

PROJECTED INVEST ANALYSIS		
	Net Cash Flow	Annual Rate Return
Year 0	- 90.296,16 €	
Year 1	- 5.742,49 €	-20,52%
Year 2	53.969,13 €	14,56%
Year 3	68.157,35 €	17,62%
Year 4	70.351,17 €	17,79%
Year 5	80.173,45 €	20,19%
Year 6	70.930,71 €	17,08%
Year 7	69.118,02 €	16,18%

Year 8	67.125,03 €	15,26%
Year 9	64.940,82 €	22,89%
Year 10	62.553,88 €	21,80%
IRR	**46%**	
Discount Rate	12%	
NPV	**200.166,42 €**	

PESSIMISTIC INVEST ANALYSIS		
	Net Cash Flow	**Annual Rate Return**
Year 0	- 90.296,16 €	
Year 1	- 16.812,19 €	-43,62%
Year 2	6.418,38 €	-0,98%
Year 3	18.551,74 €	3,52%
Year 4	18.905,07 €	3,75%
Year 5	24.828,74 €	6,22%
Year 6	16.764,87 €	2,87%
Year 7	14.126,21 €	1,74%
Year 8	11.290,76 €	0,57%
Year 9	8.247,28 €	9,89%
Year 10	4.983,90 €	8,49%
IRR	**3%**	
Discount Rate	12%	
NPV	**- 32.910,81 €**	

OPTIMISTIC INVEST ANALYSIS		
	Net Cash Flow	**Annual Rate Return**
Year 0	- 90.296,16 €	
Year 1	5.327,24 €	-5,56%
Year 2	101.520,33 €	23,65%
Year 3	117.763,43 €	25,87%
Year 4	121.797,76 €	26,00%
Year 5	135.518,71 €	28,37%
Year 6	125.097,07 €	25,41%
Year 7	124.110,35 €	24,67%
Year 8	122.959,82 €	23,91%
Year 9	121.634,89 €	30,56%
Year 10	120.124,38 €	29,67%
IRR	**74%**	
Discount Rate	12%	
NPV	**433.245,81 €**	

10.8. FINANCIAL STATEMENTS FORECAST

The statements change dramatically from year 1 to year 2, this is because the forecast from year 1 is using the number of rooms and beds that the hostel currently has, for the first year 24 rooms and 10 beds and for second year 29 rooms and 78 beds. Also the statements have done in this way to show the difference between the current profits and the forecasting profits that show from the second year and on.

Also in the first year, other incomes are 33% of total income, this income comes mainly from rents. Gross Margin note to the financial statements, 61% comes from rooms' income, and 8% comes from beds' income. There is no F&B income, this that is why the inventory in the Balance is so low in the first year.

The value of the property does not appear in the Balance Sheet because it does not belong to the company, and for this reason there is no depreciation or amortization.

The business prioritizes occupancy improvements over rate improvements to maximize ancillary income. For example, the opportunity to drive F&B spend by internal and external guests and thereby improve the ratio of bed revenue to ancillary revenue from the forecast 0 in year 2 to a target of 47% in year 2.

All statements shows the project is very profitable, and the possibilities of recover the investment and increase the earnings is very high, and they will stabilised at the fourth year.

BALANCE SHEET FORCAST STATEMENT										
	Year 1	Ratios	Year 2	Ratios	Year 3	Ratios	Year 4	Ratios	Year 5	Ratios
Total Current Assets	-5.565 €	-4%	52.227 €	33%	121.384 €	76%	192.735 €	121%	272.909 €	172%
Total Net Fixed Assets	164.296 €	104%	74.000 €	47%	74.000 €	47%	74.000 €	47%	74.000 €	47%
TOTAL ASSETS	**158.730,67 €**	**0,00%**	**126.226,64 €**	**0,00%**	**195.383,98 €**	**0,00%**	**266.735,15 €**	**0,00%**	**346.908,60 €**	**0,00%**
Total Current Liabilities	16.015 €	10%	20.244 €	13%	19.551 €	12%	18.790 €	12%	17.950 €	11%
Total Long-term Liabilities	100.000 €	63%	100.000 €	63%	100.000 €	63%	100.000 €	63%	100.000 €	63%
TOTAL LIABILITIES & EQUITY	**158.730,67 €**	**0,00%**	**126.226,64 €**	**0,00%**	**195.383,98 €**	**0,00%**	**266.735,15 €**	**0,00%**	**346.908,60 €**	**0,00%**
PROFIT AND LOST FORCAST STATEMENT										
Rooms Income (Euros)	48.052,79 €	61%	94.045,56 €	31,27%	98.951,20 €	31,54%	102.525,78 €	31,50%	106.232,74 €	31,45%
Beds Income (Euros)	5.168,51 €	7%	56.716,95 €	18,86%	59.841,28 €	19,08%	62.088,05 €	19,07%	64.419,92 €	19,07%
Food & Beverage	- €	0%	142.091,77 €	47%	148.282,31 €	47%	153.970,81 €	47%	159.879,10 €	47%

Other Incomes	**25.898,32 €**	**33%**	**7.884,46 €**	**3%**	**6.634,35 €**	**2%**	**6.932,96 €**	**2%**	**7.245,36 €**	**2%**
Total Income	**53.221,31 €**	**67%**	**150.762,51 €**	**50%**	**158.792,48 €**	**51%**	**164.613,83 €**	**51%**	**170.652,66 €**	**51%**
Total Departments Expenses	41.018,85 €	52%	128.794,99 €	43%	119.391,24 €	38%	124.860,51 €	38%	130.586,90 €	39%
Total non-distributable expenses	30.064,63 €	38%	62.512,33 €	21%	65.472,62 €	21%	68.436,10 €	21%	61.403,28 €	18%
GOP	8.036 €	10%	109.431 €	36,39%	128.845 €	41,07%	33.055,25 €	40,62%	36.447 €	43,16%
NET OPERATION PROFIT	**-16.237,53 €**	**-20,52%**	**43.789,38 €**	**14,56%**	**55.284,04 €**	**17,62%**	**9.765,53 €**	**17,79%**	**10.133,31 €**	**20,19%**
CASH FLOW FORCAST STATEMENT										
Subtotal Cash From Operations	79.119,63 €	44%	300.738,74 €	100%	313.709,14 €	100%	325.517,60 €	100%	337.777,12 €	100%
Subtotal Cash Received	**179.119,63 €**	**100%**	**300.738,74 €**	**100%**	**313.709,14 €**	**100%**	**325.517,60 €**	**100%**	**337.777,12 €**	**100%**
Subtotal Spent on Operations	41.018,85 €	23%	128.794,99 €	43%	119.391,24 €	38%	124.860,51 €	40%	130.586,90 €	39%
Subtotal Cash Spent	143.843,28 €	80%	117.974,62 €	39%	126.160,55 €	40%	130.305,93 €	42%	127.016,77 €	38%
Net Cash Flow	**-5.742,49 €**	**-3%**	**53.969,13 €**	**18%**	**68.157,35 €**	**22%**	**70.351,17 €**	**22%**	**80.173,45 €**	**24%**
CASH BALANCES	**-5.742,49 €**	**-3,21%**	**48.226,64 €**	**16,04%**	**116.383,98 €**	**37,10%**	**186.735,15 €**	**57,37%**	**266.908,60 €**	**79,02%**

11. LEGAL ASPECTS

11.1. LEGAL FORMAT AND STRUCTURE

There is a gap in Bolivia regulations, there are no standards and requirements for these kinds of accommodations, the closest accommodation category is Hostal the steps for creation new company in Bolivia are:

TYPE OF COMPANY

Ñaupa House is a Limited Liability Company with 2 members, one has 80% and the other member 20% of the company.

LEGAL OBLIGATIONS

They have already this registrations (Casa del Emprendedor, 2017):

- ✓ Registration in the Internal Revenue Service (S.I.N), this register to obtain the tax identification number (NIT) at Servicio de Impuestos Nacionales. The pay is monthly and annually.
- ✓ Registration in FUNDEMPRESA (Fundación para el Desarrollo Empresarial) this procedure is for obtain the Registration of Commerce. The pay is annually.
- ✓ Registration in Unidad de Géstion y Control Ambiental (UGCA) to obtain the environmental license. The payment is annually.
- ✓ Registration in the City Hall to obtain the Operation License. The payment is annually.
- ✓ Registration in Unidad de Turismo of the Autonomous Government of Cochabamba to obtain the accommodation category. No payment is required.
- ✓ Registration in Servicio Departamental de Salud (SEDES) the Autonomous Government of Cochabamba. Payment is annually (Caceres, 2017).
- ✓ Registration at Jefatura Departamental de Trabajo Cocahamba to obtain number of compulsory registration of employers (Registro Único de Empleadores ROE). Payment is quarterly (Caceres, 2017).
- ✓ Registration at Caja Nacional de Salud to affiliate employers for health attention. The payment is monthly (Caceres, 2017).
- ✓ Registration at one of the Administradoras de Fondos de Pensiones AFPs (BBVA PREVISIÓN AFP S.A. or FUTURO DE BOLIVIA S.A. AFP). Institutions responsible for administering

resources of the workers when they reach an advanced age. The payment is monthly (Caceres, 2017).

- ✓ Registration at Camara Hotelera Departamental de Cochabamba to have legal support in the hospitality industry. The payment is monthly.

Ñaupa House S.R.L has all registrations.

11.2. INTELLECTUAL AND INDUSTRIAL PROPERTY

Ñaupa House S.R.L trade mark registrations for all of its key marks and names and also domains names.

12. COMPANY GROWTH AND DEVELOPMENT STRATEGY

After some years working on the new business model Ñaupa House can evaluate how to growth and have a flexible approach to expansion, employing different strategies depending on the prevailing local market conditions and opportunities available.

2020 PLAN	**DESCRIPTION**	**APPLICATION**
Freehold	Acquisition of freehold assets, requiring significant outlay of capital on Day 1. Includes hotel / hostel assets requiring limited works as well as more capital intensive conversion /development schemes.	High demand / low supply cities, provided there are assets available. Particular emphasis on prime locations in gateway cities in Bolivia.
Leasehold	Lease can either be fixed or variable: *Fixed:* pre-agreed rent with periodic reviews. *Variable:* comprising of fixed and turnover/performance based element. Can be capital intensive or capital light: *Capital intensive:* requires capital outlay from tenant for full refurbishment.	In the absence of suitable freehold sites, or where demand is lower / supply is higher.

	Capital light: requires limited capital outlay, mostly for FF&E and deposit. Higher margin and ROE but greater operational gearing.	
Management Contract	Can be capital intensive or capital light: *Capital intensive*: requiring Key Money from Ñaupa House. *Capital light*: risk free strategy, with virtually no liabilities attached to Ñaupa House. Ñaupa House will make use of management contracts in conjunction with leasehold expansion. Even higher margin and ROE, but relatively low EBITDA contribution per asset. Represents a low cost way to expand / deepen brand footprint and recognition, which can benefit freehold asset performance.	Where there is a lack of freeholds, or where the supply-demand dynamics are less favourable. Existing owners are not capable of maximising the operational performance of existing high quality (or potentially high quality) assets.
Franchise	Fee based income with minimal capital investment after setting up franchise guidelines. Enables rapid roll out of proven concept, but reliant on franchisees to keep to brand guidelines.	Too early to employ a franchise model

13. TIMELINE

TASK	**FIRST YEAR**												**SECOND YEAR**						
MONTHS	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Refurbishment																			
Reception																			
Garden																			
Shared Bathrooms																			

Restaurant																			
Hallways																			
19A																			
19B																			
15																			
16																			
7A																			
7B																			
8																			
9A																			
9B																			
9C																			
1																			
2																			
3A																			
3B																			
3D																			
4A																			
4B																			
5																			
6A																			
6B																			
6C																			
12A																			
12B																			
12C																			
13A																			
13B																			
13C																			
14A																			
14B																			
14C																			
17A																			
17B																			
18A																			
18B																			
Management																			
Buy the furniture																			
Manuals																			
Hire staff																			

Training staff																			
Staff evaluation																			
Graphic Design																			
Website																			
F&B																			
Manuals																			
Menú																			
Hire staff																			
Training staff																			

14. CRITICAL RISKS AND CONTINGENCY PLANS

In the case the occupancy will to low a good alternative will rent part of the room to students or other people that need to rent place with furniture. The location is extremely good and is close to universities and institutes.

In this case the other income will increase to achieve the 40% of the total income, rent the restaurant to do not have a high pay roll, it is a good alternative, and if the situation will be extremely bad all rooms can be rented and no pay roll will be needed. The profit in the words case will be approximately 40.000 € per year, enough to pay the long-term loan that Ñaupa House will ask for the investment.

Considering these aspects the risk of this investment is low, change to other alternatives will be no really difficult.

15. CONCLUSIONS/CLOSING STATEMENT

Following this Business Plan Ñaupa House S.R.L. could achieved their short term objectives, and open widely other opportunities in the future. As the research about the market and how the traveller behaviour are changing shows it is growing market, and the way to reach them are also different. This business plan has the keys to attract new target segments to the poshtel and create an opportunity to grow the capacity in terms of number of rooms and beds, with a design and style. With this increment of capacity the profit grows dramatically because due to there will be more travellers in the poshtel the ancillary revenue will take a big portion of the profit structure.

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