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International Business/International Marketing

HU MINGSONG

Entrepreneur and Establishment of a Mini Hotel in XiChang, China

Bachelor's Thesis 2013

ABSTRACT

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Hu mingsong	Entrepreneur and Establishment of a Mini Hotel in XiChang, China
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Mini Hotel, is a new hotel will be opened in China in this year. I and 4 of my friends will be the shareholders of this Mini Hotel. The hotel is planned to be operating from the autumn of 2013. Now, everything in this thesis is on process.

The main objective of this thesis was to draft an effective approach to ensure this is a right plan which is worth to invest. By using benchmarking and SWOT analysis we defined the strength and weakness of this Mini Hotel business plan. This thesis will effectively help with the whole plan.

The thesis will combine the factors to be benchmarked, like size of the hotel in number of rooms, price per room, service, location, ownership or belonging to a chain, marketing activities, selling room through online firms, website. The thesis looks into the performance Shangsong Inn, which is a similar hotel in Xichang city, as a benchmarking target.

After all these marketing analyses, a business plan was written in the thesis. Mini Hotel put more attention through online firm selling and tries to attract foreign travelers. This will help Mini Hotel better than other competitors to be successful.

TABLE OF CONTENTS

1	INTRODUCTION	7
1.1	Why I choose this topic	7
1.2	The objective of the thesis	8
1.3	Brief company introduction and XiChang city	9
2	BRIEF DESCRIPTION OF ENTREPRENEURSHIP	14
2.1	Worldwide entrepreneurship activity	14
2.2	Entrepreneurship activity in China	18
3	BENCHMARKING	22
3.1	Benchmarking theory	22
3.2	Benchmarking for Mini Hotel in XiChang	26
4	MINI HOTEL ENTREPRENEURSHIP PLAN	31
4.1	Summary of the business and business plan	31
4.2	SWOT analysis of Mini Hotel	32
4.2.1	Strengths	32
4.2.2	Weaknesses	35
4.2.3	Opportunities	35
4.2.4	Threats	37
4.2.5	The way to solve the problems	37
4.2.6	Conclusions	38
4.3	Plan of Mini Hotel business	38
4.3.1	Location and building selection	39
4.3.2	Housing renovation and decoration	40
4.3.3	Employment	41
4.3.4	Budget and financial plan	41
4.4	Management and target customers	42
4.5	Equipment and services	43
4.6	Estimates of turnover	44
4.6.1	Turnover of rooms	44

4.6.2 Other turnover	44
4.7 Timetable	45
5 CONCLUSIONS AND DEVELOPMENT SUGGESTIONS	47
REFERENCES	48

LIST OF FIGURES

Figure 1.	Location of XiChang (Wikipedia, 2007)	10
Figure 2.	Left foot dance of Yi people in XiChang city (Hu mingsong, 2012)	12
Figure 3.	Furniture in Yi people's home (Hu mingsong, 2012).....	13
Figure 4.	Average of Total Entrepreneurial Activity in different countries.....	16
Figure 5.	TEA by Age of Geographic Regions (Data from Global entrepreneurship Monitor 2012 Global Report)	17
Figure 6.	TEA by Gender for Geographic Regions(Data from Global entrepreneurship Monitor 2012 Global Report)	18
Figure 7.	Change of Total entrepreneurial Activity from 2002 to 2010 (Data from website of International Entrepreneurship).....	21
Figure 8.	The 12 stage methodology of benchmarking Benchmarking	23
Figure 9.	Research result of hotel in Xichang, (Ctrip, 2013)	26
Figure 10.	Picture is Shangsong Inn, (Ctrip, 2013).....	28
Figure 11.	The green arrow is the place we chosen, (Google map, 2013)	40
Figure 12.	The place we have found (ShaTaoji, 2013)	46

LIST OF TABLE

Table 1.	Table 1 Factors to be benchmarked.....	29
Table 2.	Timetable of business process	45

1 INTRODUCTION

1.1 Why I choose this topic

Last year I went back to China and doing my Specialization Training for a publishing company. By doing long time writing work I went to a small city in southwest of China, which is named XiChang. It is in the middle of two big cities, named Kunming and Chengdu.

It is famous for its beautiful scenery and nice climate. I stayed there for half a year and I was deeply attracted by this place. During the time I stayed here, I found there is one problem: even though this place is so beautiful but there are not so much visitors come. My publish specialization training job was related to tourism, I started to figure out how this happened. I searched information about how many tourists have been come to this city in the last 3 years and where they come from. I found that people from other provinces who come here were as many as people from the local province. However, usually (?), the number of people who stay closer to the travel destination should be more than the people who stay farther.

This situation changed last May. A new highway was opened to traffic to XiChang. This highway named G5, from Chinese capital city Beijing to Yunnan provincial capital city Kunming. (Official website of China highway, 2012) It goes across Sichuan provincial capital city Chengdu as well. Before this highway was build, from Chengdu to XiChang takes almost 10 hours by train or drive a car. However, it only takes 4 or 5 hours, which makes 5 hours shorter

than before. After this highway opened, I found that the traffic became terrible in XiChang. (Official website of Sichuan province Ministry of Transport, 2012) Every road was full of cars from other cities of Sichuan province during every weekend and holiday. So many tourists came that almost every hotel is full of people. The qualities of hotels are different. Some hotels have a good living environment but far away from the beautiful scenery. Some are near beautiful scenery but cannot provide good service. Some that can provide good service and are near beautiful scenery but have no local characteristic. After I talked with some of my friends in November 2012, we came to the conclusion that there is a space in XiChang hotel business. Then we decided to establish a Mini Hotel with local characteristic, which would provide good services, and in a location not far from beautiful scenery in XiChang.

Hotel business is a service sector. It is not only providing a bed at the moment, but also makes your customers happy and comfortable (IngeborgK, Chris& Maniac, 2011). I am an international marketing student and I feel it is a good chance to understand the market of hotel business in XiChang. That is also one reason why I choose this to write my thesis.

1.2 The objective of the thesis

The objective of the study is to offer a detailed suggestion for whoever would like to start a hotel business in the southwest of China. This thesis mainly focuses on how to establish a hotel in XiChang, including preparation phase, implementation phase and

the expectation of operation phase. An advance market research has been started. The business information also has been collected, including the hotel business information, information about competitors, target area's advantages, growth highlights, products/services advantages, and financial information.

This whole process is worth studying, because it is a good way to know how to start business in China. Culture (background) in XiChang is quite different from eastern part of China, and the marketing situation is very much complicated. (China Briefing & Chris Devonshire-Ellis, 2011) Because this hotel is not the only one I want to open. I have money for this one which has been on processing. However, I cannot afford money for other hotels. I write this thesis also to prove this business is worth to invest and try to get investments.

Everyone knows that starting a business could never be easy. The aim to this thesis is to look for the practical solutions to prepare similar hotel business in XiChang. This study could also offer a simpler instruction for those who would like to be an entrepreneur in southwest of China by using our business as a case. I hope our experiences would show the way to people that are in wrong paths so they could avoid mistakes.

1.3 Brief company introduction and XiChang city

Company and Mini Hotel

The company I would like to establish this Mini Hotel will be a privately held limited company. There would be a few shareholders

and each of them is limited to the amount individually invested. We choose this type of company because this is the most common form for a business to open a company at the moment. The Mini Hotel is going to be located in XiChang city, Sichuan province. The city has a big lake near it. The name of the lake is Qionghai Lake. The hotel will be opened not far from the lake. When people are on the roof of the building, the lake could be seen directly. There would be a small garden for people to sit and rest, also some space for parking cars.

XiChang city

Location: XiChang is located in the south of Sichuan province, People's Republic of China. It has a 2,651 km² area and 650,700 inhabitants. (Official website of Xichang government, 2013)

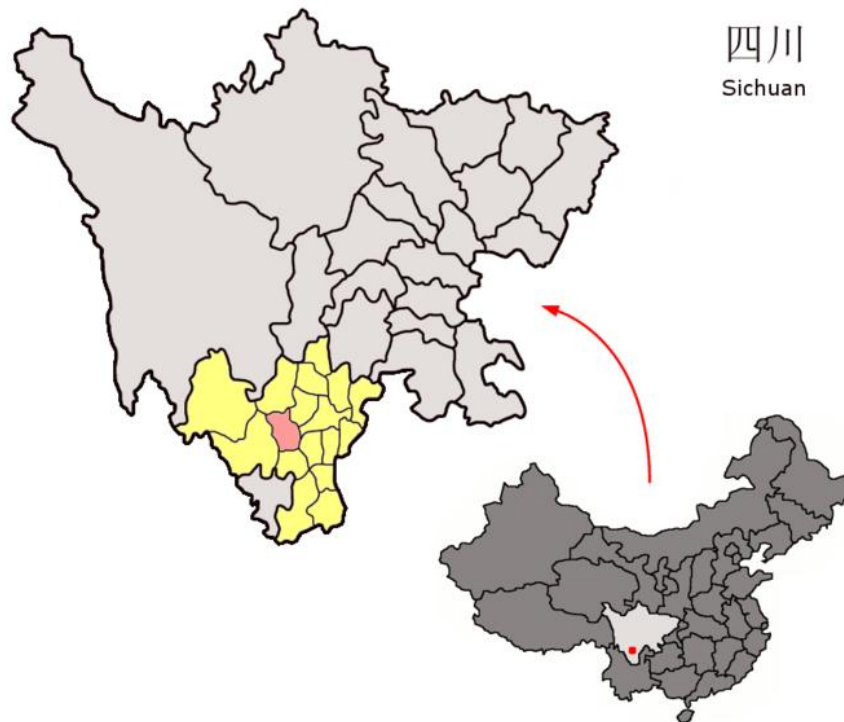


Figure 1. Location of XiChang (Wikipedia, 2007)

Figure 1 show the location of Xichang in Sichuan Province South west of China. This place is quite far away from Sea and surrounded by mountains.

Weather: XiChang is a city which in the mountain area with a high elevation and low latitude. The climate of XiChang is mild. During the winter, the days are mild and nights are cool. During the summer, the weather is warm but not hot, humid but sunny all in almost every daytime. In January, the average daily temperature is 9.6 °C (49.3 °F). In July, the average daily temperature is 22.3 °C (72.1 °F). (China Meteorological Administration, 2013)

It is different from other provinces in China, because it lies in a high elevation basin and has quite a lot of sunshine, and the humidity levels are very low in winter time. It is almost have no rain in the winter time. In summer time it rains a lot, most of raining is at night. Thus the climate is quite similar to any other part of the province. (China Meteorological Administration, 2013)

People: XiChang is the capital city of LiangShan Yi Autonomous Prefecture. Most people who lived here are “Yi”. They are the seventh largest of the 55 ethnic minority groups officially recognized by People’s Republic of China. The official languages here are Mandarin and Loloish languages, all official information or document must be written in both languages. Some people who study “Yi” culture believe that the Yi are descended from the ancient Qiang people, which lived in the western part of China. Now they move from south eastern Tibet into Yunnan province. When they move through Sichuan, some of them stay and settle down. (Matuszak, 2011)



Figure 2. Left foot dance of Yi people in XiChang city (Hu mingsong, 2012)

Figure 2 is the traditional dance when Yi people celebrate festival or welcome important customers.

Culture: The Yi people have own culture which is quite different from a lot of Chinese. The Yi people have some special traditional musical instruments; include large plucked and bowed string instruments. They have two typical wind instruments called bawu and mabu, which is very important in Yi people's daily life. (Matuszak, 2011) They have their own typical building style, while the colour and inside decoration are quite different from other part of China. The colour they used mostly is red and black. Yi dances are very popular and most commonly recognized form of musical performance. They could be performed anytime to express typical emotion or publicly sponsored holidays and festival events. (Chen, 2011)



Figure 3. Furniture in Yi people's home (Hu mingsong, 2012)

Figure 3 show the traditional furniture in Yi people's family. The main colours are yellow and red.

Religion: The Yi people have a very traditional religion which is quite different from the most of modern religions. They are animists and they believe the Shamans or medicine men can communicate with everything. During their life, the births, funerals or wedding, the Shamans or medicine have to come and officiated. They believe in fire, cloud, rocks, trees and some other natural staff. (Matuszak, 2011)

2 BRIEF DESCRIPTION OF ENTREPRENEURSHIP

As we know, entrepreneurship is very active in all over the world. No matter in Finland or China, people started to set up their own business instead of work for other people. They may not earn more money than they work, but they enjoy the spirit of do something that they really like it and they feel like they are doing something for their dream.

In this chapter the worldwide entrepreneurship activity will be discussed. In section 1, there will be a short description both in China and the world. In section 2, the advantage and disadvantages of entrepreneurship in China will be described. Section 3 describes how we can be succeeding by creativity and innovation in entrepreneurship when there already a lot of similar business in market will be discussed.

2.1 Worldwide entrepreneurship activity

There was a study made by Global entrepreneurship Monitor (GEM), which show the rate of new business has been found in different nations of the world. This figure is measured by total entrepreneurial activity (TEA). This shows that in different countries the entrepreneurship activities have different rate. According to Thomas, Norman and Doug (2008) collected; the number of people who realized they could make their dream come true and operate their own business is become more and more. The GEM make a report every year by studying different countries, religions , genders , ages makes different on entrepreneurship activity by the figures they

make research and analysis. In the report of 2012, there are 69 economies took part in the survey, in these economies; more than 198,000 adult express theirs' opinion. (GEM 2012 Global Report 2012, p. 6)

The attitude is very much important in the entrepreneurship activity. If the person is afraid of failure, it will be very hard for he or she start own business. Individual capabilities is also very important, if the person could catch the opportunities and not afraid of lose money and failure. This might be help the person to do better in own business. In the report from GEM in 2012, only 24% of people who take part in the survey says that the fear of failure will make they stop to set up their own business. Malawi has the lowest figure which is 12%. But the countries like Greece and Italy, the percentage of people who will no set up their own business because of fear of failure have reached 61% and 58%. Mostly the reason was the bad economic situation and the life style of local people. (GEM 2012 Global Report 2012, p. 7-8)

The Total Entrepreneurial Activity (TEA) is one of the most important figures. It shows the adults (aged 18-64) in one economic would be a new entrepreneur, and the number of these people in percentage of the economic. In different areas the figures are different. While in Asian countries, Thailand and China are in the first and second place, the rates of two countries are 19% and 13%. According to the figures from the whole world, the highest rates are Zambia (41%) and Ecuador (27%). (GEM 2012 Global Report 2012, p. 23-24)

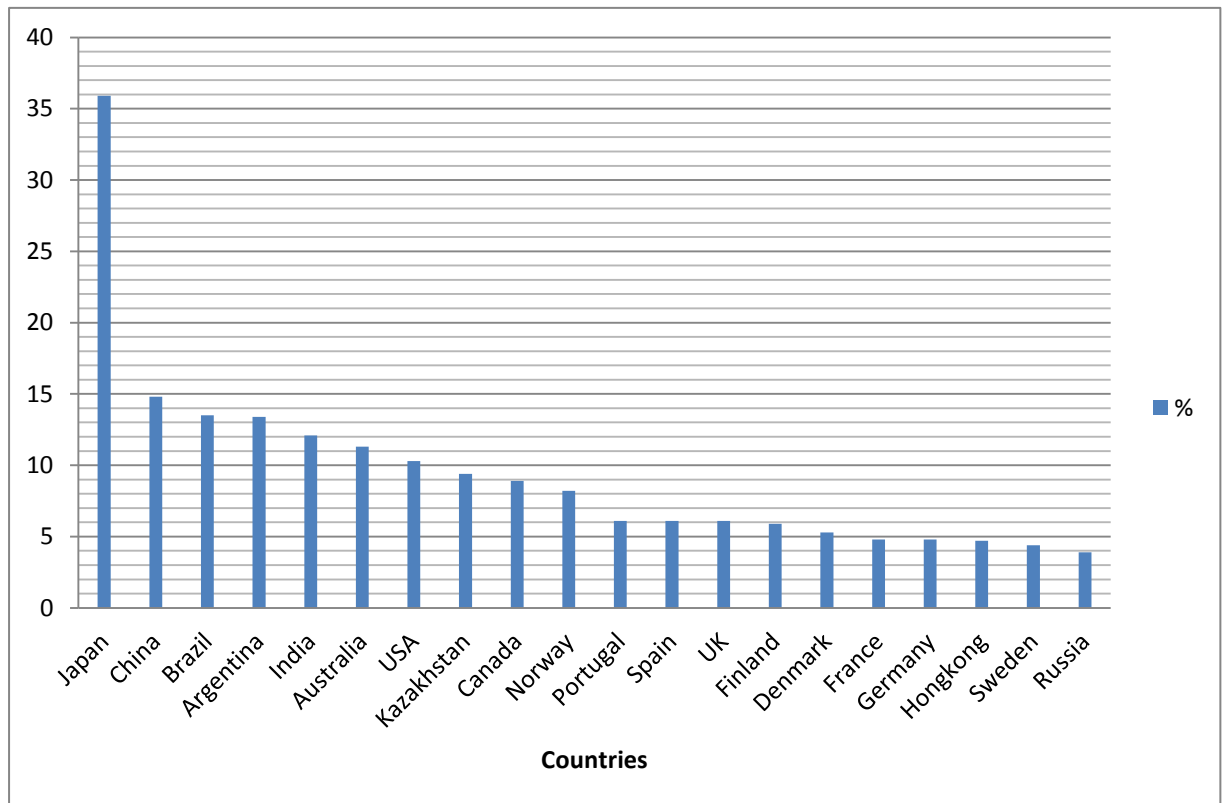


Figure 4. Average of Total Entrepreneurial Activity in different countries.

Figure 4 show the Average of total entrepreneurial activity, in this figure, Japan has the highest percentage, and China's is 14.8%. It is the second highest in Asian countries.

For the adults (aged 18-64), different ages have influences on entrepreneurial ship. Most of the people start their business at the age of 25-34. Additional with the age among 35-44, almost half percentage of entrepreneurs has been included. In the countries of China, Singapore, USA, Republic of Korea and UK, people in the age of 35- 44 start their own business the most. Young entrepreneurs (18-34) are more than older age groups (45-64) in almost every country. (GEM 2012 Global Report 2012, p. 28-29)

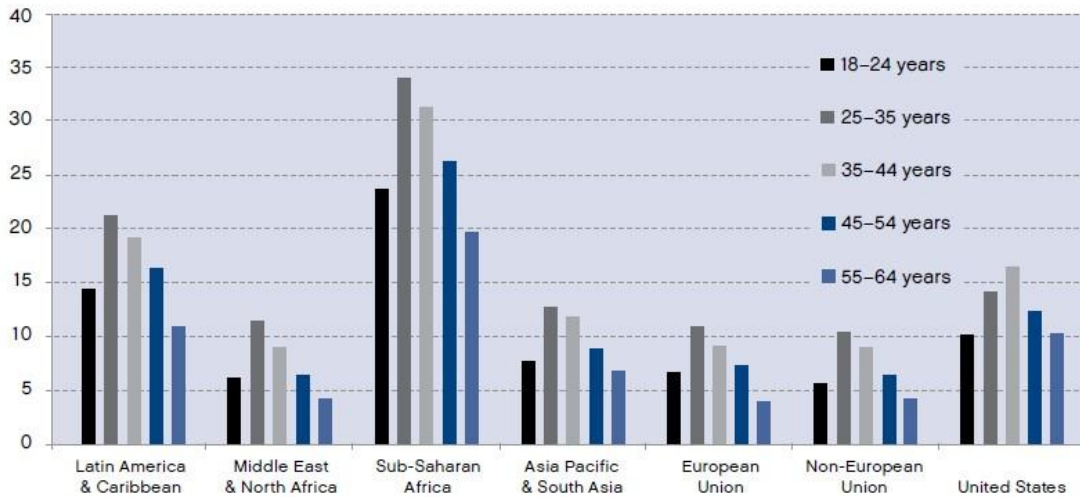


Figure 5. TEA by Age of Geographic Regions (Data from Global entrepreneurship Monitor 2012 Global Report)

According to figure 5, Sub-Saharan has the highest number in all the ages. Non-European Union has the lowest number in all the ages.

Gender differences mean research about entrepreneurship among men and women. The result shows it is usually that men could become entrepreneurs easier than women in most of economies. In some of the countries which has religion of Islam, men were 2.8 times wanted to start own business than women. Also, in some countries with the traditional thinking that women should stay at home and take care of family also have a lower rate of women entrepreneurs than men.

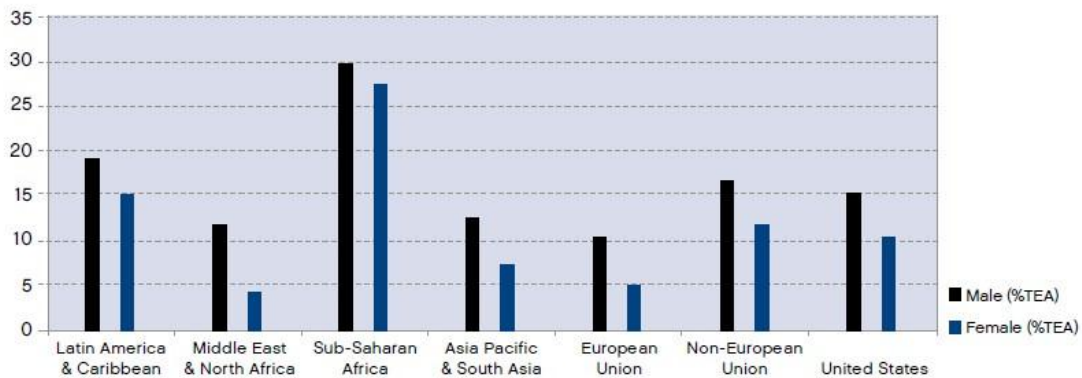


Figure 6. TEA by Gender for Geographic Regions(Data from Global entrepreneurship Monitor 2012 Global Report)

In figure 6, Sub- Saharan area has the highest number in all the ages. Middle East and North Africa has the lowest number in female; European Union has the lowest number in male.

2.2 Entrepreneurship activity in China

This thesis pays special attention on the market of China, the entrepreneurship activities in China will be described in this chapter.

During these years, China is a very powerful country on growth of GDP and GNP. The education levels have become increasingly higher. An increasing number people go abroad and see the world. More and more people are not satisfied with the life of working or others. They may not only force on make money, but also doing business for fun and life. (Kirby and Fan 1995)

China has become one of the most entrepreneurial countries in the world during last decade. The number of Chinese entrepreneurs is growing fast every year. The small and medium-sized enterprises (SMEs) are one of the most important types of entrepreneurial ship in China. According to the report from International Entrepreneurship website, 60% of China's industrial output and 75% of the employee in China are created by SMEs. (Entrepreneurship in China, 2013)

China is a communist country. The economic growth still needs to be plan every five years. But the policy had a big change in 1978, which allowed private business could be set up. As the time turns page, the business law system and the investment environment become better. The government noticed that they need the economic growth fast; they have to pay attention to entrepreneurs because entrepreneurs are making more value.

Some of the companies which were established 20 years before have become very high technical and internationalization companies. For example, a manufacturing company called Geely has been acquired the Sweden Company Volvo in 2010. (Chen, 2010)

There is one more reason make the entrepreneurship growth very fast. Unemployment Rate in China remained unchanged at 4.1 per cent in the fourth quarter of 2012 from 4.1per cent in the third quarter of 2012. China Unemployment Rate averaged 4.15 per cent reaching an all-time high of 4.3Per cent in December of 2003 and a record low of 3.90 Per cent in September of 2002. (Xinhua, 2012) In China, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force. This page includes a chart with historical data for China Unemployment Rate. China has a different way to calculate Unemployment Rate. China has largest population in the World--1.4 billion. However, the figure of 4.30% is not for 1.4 billion. Because China has a special "Hukou system", which separates people into two different kinds: people lived in cities and country side. The number of people who lived in country side is more than 1 billion. But the government

makes every one of them have a job of famer. (Tom, 2011) The 4.30% of unemployment rate is just for the rate of 0.4 billion people who is living in cities. For this reason, a lot of people who do not have work or do not want to work have to set up their own business.

The smallest business could be just selling drinks or take away food like fleet market in the street. This is also one kind of entrepreneurship in China.

According to the "Global Entrepreneurship Monitor Report on China 2010", which was published by National Entrepreneurship Research Centre of Tsinghua University in December 2012, China is at the position of 15th among 59 countries in the research. The most important motivate of Chinese entrepreneurship is from necessity-based entrepreneurship to opportunity- based entrepreneurship. This shows that the economic situation now provides more opportunities in the real life. Necessity- based entrepreneurship means people start business for living. Opportunity- based entrepreneurship means people already have money on living, he start business because own interest or opportunity.

Established Business Rate is the figure that shows the businesses that has been running for more than 3 and half years in all the entrepreneurship. China is in the 7th place in 59 countries of GEM. This shows the survival rate of Chinese established business is quite good in the world.(Global Entrepreneurship Monitor Report on China 2010, 2011)

The innovation of Chinese entrepreneurship is quite good in report but the internationalization is not so good. Most of the companies keep an eye on domestic market than international market. Cultural difference might be a big problem but purchase power of Chinese people is very good could be another reason. (Global Entrepreneurship Monitor Report on China 2010, 2011)

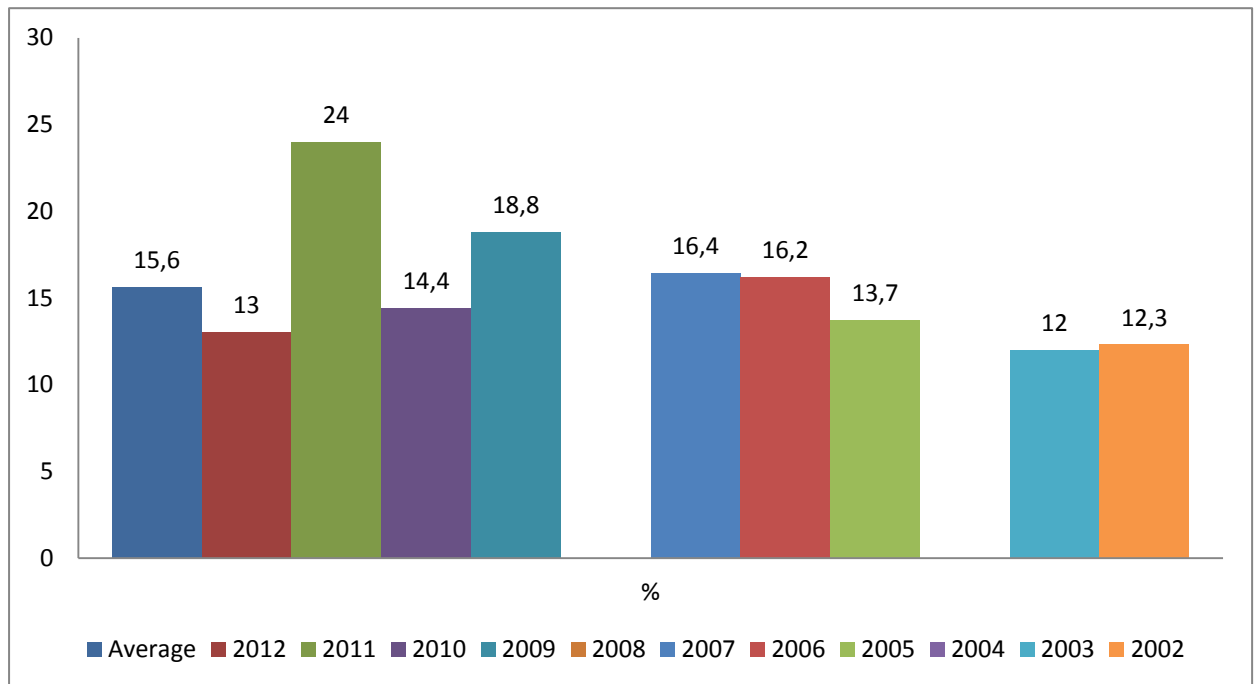


Figure 7. Change of Total entrepreneurial Activity from 2002 to 2010(Data from website of International Entrepreneurship)

Figure 7 shows the entrepreneurial activity in China from 2002 to 2010, the figure of 2004 and 2008 was missing. In 2009, the activity has the highest number. The figure in 2009 to 2010 is higher than 2002 to 2003

3 BENCHMARKING

In this chapter, the benchmarking will be described and use of benchmarking in business will be discussed. In section 1, a brief introduction of benchmarking and working of this theory in business will be mentioned. In section 2, the way how benchmark will help us to be success in this hotel business establishment will be also described.

3.1 Benchmarking theory

Benchmarking is a process that compares the company's own business with the company who have done the best job in the same area, by this process to find out the disadvantages and weakness of our self and then find a way to improve ourselves and make better business (Anand, 2008).

Benchmarking is the process to see both the internal situation and external situation for one's own company. It is a way to study own business and know how the similar business has been evaluated and how could they make it. It is a way to provide a business some reference value to show difference. It is a way of management and learning. It is more important on the analysis of process.

Before investment, investors must know the risk of getting profit back to decide if the if it worth to invest. Benchmark is one of the best evaluators. If people choose the wrong investing performance,

benchmarking will give wrong information to people and makes people make wrong decisions. People have to define/understand who is the best in similar business, and then get true and exactly information.

As soon as get information, people can calculate the return and think about how to measure the cash flow. Studying best practice companies to improve the company's performance.

In Chinese old saying: "Know the enemy and know yourself, and you can fight a hundred Battles without defeat."

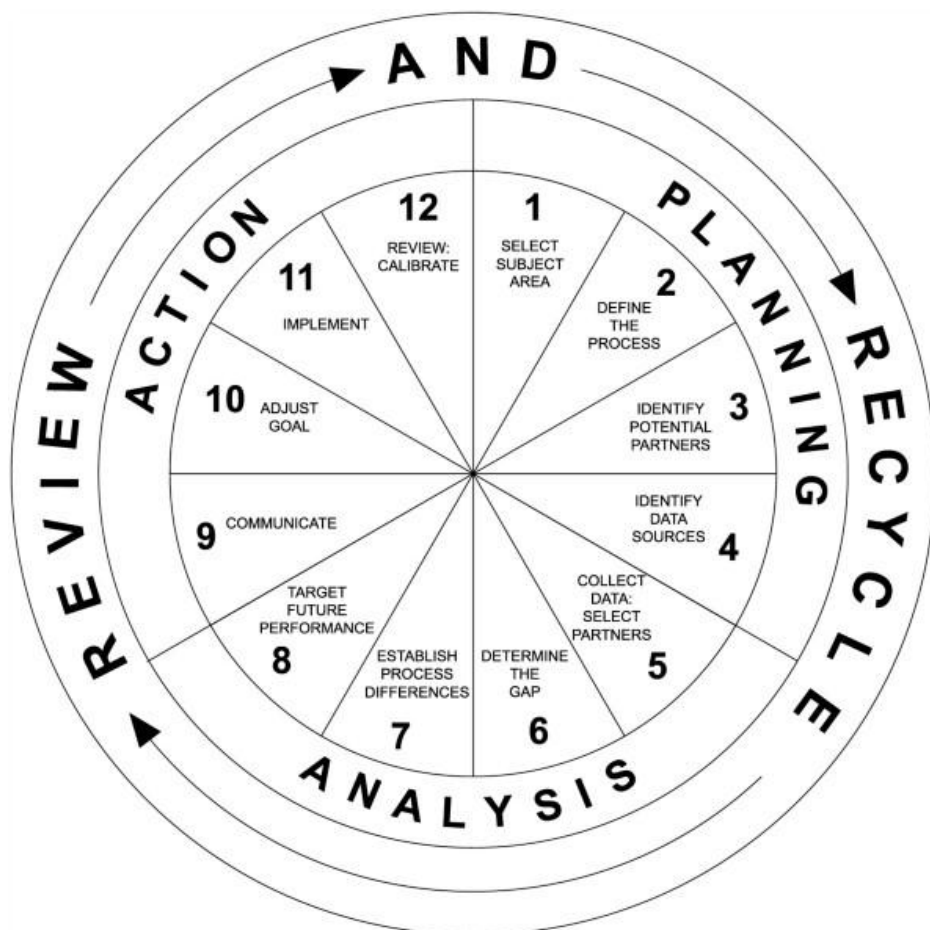


Figure 8. The 12 stage methodology of benchmarking

Figure 8 is the detail of how Benchmarking process works. In general, benchmarking can be processed in 5 steps.

1. Identify problem areas. Different kinds of business have different business areas. International business need to see the whole world market, but for some small business, the target market and potential customers are not worldwide. Choose the right areas is very important for your business. Too large an area makes people make wrong market expectations and non-value comparison.
2. Identify the subject. Competitors usually come first, but the in-formation which is not your competitors also very important. But pay attention on the subject you identified. A wrong identified subject will have no positive effect on making one's own business better.
3. Collect and analyse data. Include the information both your own business and your competitors'. Collect as much as possible information but you have to make sure you understand your own business very well and target company. The data we collected is not only the way of how they management and activities. The operation result also needs to be known.
4. Identify the way of improvement. By analysis the data has been collect; people will find the disadvantages and weakness of own. Find a way to make it better will be the coming process.
5. Execute the plan of improvement and tracking the results. To improve the way of management and execution or some others will

help company make the business better. Before benchmarking a target should be set up. If the target could not be reached, some changes must be made to reach the target. (Maire, 1996)

As we know the process of use benchmarking, the time that we need to use it also very important. Choosing the right time to use benchmarking will lead the business to a bright way and get out of native situation. In thesis, we are going to establish a hotel in XiChang, which means have not been set up and open yet. We use benchmarking to analysis the business information is a good way to know the target market situation. It is better and easier for us to position the business and know more on the potential customers.

Everything has two sides, benchmarking also have some disadvantages if it does not work well. Some points must be avoided during the process.

1. Make sure you have enough time to do the prepare step and data collecting. This make you can think over almost everything of the process and all the detail you need to consider.
2. Get away from useless information. The process and information collected need to be clear. During the analysis, the qualitative and quantitative need to be both considered. Do not touch the information that does not needed in the comparison, that would waste your time and misleading you to a wrong way.

3. Believe any kind of business has its disadvantages and it could be improved or fixed by benchmarking. Also, any kind of business has its own advantages that others do not have. Try to make your advantage better and fixed your disadvantages will make your business better and better

3.2 Benchmarking for Mini Hotel in XiChang

We use the website “Ctrip” to search for the hotels in XiChang, Ctrip is the biggest online hotel and flight booking website in China. We can find 31 hotels in English vision. But in Chinese vision we can find 89 hotels. The hotel which does not show in English vision is because the level of the hotel could not be called a hotel, but a guest house.

The screenshot shows the Ctrip website interface for searching hotels in Xichang. The search criteria are: Staying in Xichang, Check in 05-02-2013, and Check out 05-03-2013. The search results show 34 hotels for the dates May-02-2013 to May-03-2013, 1 night(s) in 1 room. Two hotels are visible:

Hotel Name	Rating	Reviews	Price (CNY)
Minshan Hotel	★★★★☆	4.5 Superb - 260 reviews	from 468
Xichang Tianhao Hotel	★★★★☆	4.0 Great - 194 reviews	from 259

Figure 9. Research result of hotel in Xichang, (Ctrip, 2013)

Figure 9 shows the result of hotel search on Ctrip. It has the pictures of hotel and the price per room. Also, pieces and location are mentioned in the website.

In 34 hotels, there are 2 international five-star hotels. The names of them are Qionghai Lake Bay Paxton Vacances Hotel and Qionghai Lake Hotel. Qionghai Lake Bay Paxton Vacance Hotel was opened in 2012 and has 204 rooms. It is just on the bay of Qionghai Lake and has a great view of scenery. It is a new hotel that the price is quite high at the moment, the lowest price to stay for one night is over 150 euro. This price is too high for most of Chinese people. Qionghai Lake Hotel is an old hotel, was built in 1958 and has been redecorated in 2008. It has 246 room and some of rooms are in a private villa near Qionghai Lake. This is very convenient for families come to spend holiday here. The lowest price for a room in this hotel is 80 euro. This price is nearly half price of Qionghai Lake Bay Paxton Vacance Hotel. This makes it has more competitive strength when people pay attention on pricing.

There are 9 hotels with 4 stars; most of them are in XiChang city. This makes them at least 5 km from the Qionghai Lake. If people who lived in those hotels want to see sunrise or sunset, they have to get up early one more hour to get to the Qionghai Lake. The average price for a room in 4 stars hotel are 55 euro, this price is fine but still higher is consider the average income of Chinese people.

There are 10 hotels with 3 stars and the rest of 10 hotels are economy hotels. There is an IBIS hotel in XiChang City, it is by the

side of Wal-Mart and has 134 rooms. The price for a room is around 50 euro; this price is higher than most of 3 star hotels in XiChang and some other Chinese local economy hotels. The average price of one night for Chinese local economy hotels are usually 20 euro. Sometimes people can get benefit if they join the Loyalty member-ship system. The location of this kind of hotel is also in the XiChang city, usually near supermarket or shopping mall.

The Mini Hotel we want to open is not possible get any stars and it is not an economy hotel, either. It is a hotel with typical Yi culture. The decoration in the hotel will be made in minority style but the equipment and services will be modern, fashion and high quality. We have been chosen one hotel as potential competitors and compare with us.



Figure 10. Picture is Shangsong Inn, (Ctrip, 2013)

The name of the competitors is called “Shangsong Inn”. This hotel was opened in 2013 and has 29 rooms. It is also a Mini Hotel which does not have much rooms and big lobby. The location of Shangsong Inn is in the old town of XiChang City. It is an old building since Qing Dynasty. It used to be one of famous people in XiChang City’s houses. The decoration of the hotel is the traditional way of China. The equipment of the Hotel is new and good. (Ctrip, 2012)

Table 1. Table 1 Factors to be benchmarked

	Shangsong Inn	Mini Hotel
Number of rooms	29 in total: 15 double rooms, 14 twin rooms	20 in total: 10 double rooms, 10 twin rooms
Price per room	Off season: 25euro for double room, 20 euro for twin room Boom season: 50euro for double room, 40 euro for twin room.	Off season: 25euro for double room, 20 euro for twin room Boom season: 50euro for double room, 40 euro for twin room.
Service	Ordinary customers: Free breakfast, Air condition, free domestic telephone, free parking, free luggage deposit, Wake-up Call Service, 24-hour hot water	Ordinary customers: Free breakfast, Air condition, free domestic telephone, free parking, free luggage deposit, Wake-up Call Service, 24-hour hot water, free map, Paid bike/boat rent Extra service for Membership/ Online booked customers: Free bedtime milk

Location	In the middle of Qionghai Lake and Xichang city From airport: 16 km From train station: 7 km From highway: 5 km From city centre square:2 km From Qionghai Lake: 5 km	In the middle of Qionghai Lake and Xichang city From airport: 18 km From train station: 9 km From highway: 7 km From city centre square:4 km From Qionghai Lake: 1 km
Ownership	Private	Joint-stock
Marketing activities	5% discount for online booking customers	5% discount for people who is our fan on Weibo or online booking customers 10% discount for membership customers Free bedtime milk for membership customers 1 euro for a room of 1 night each month
Selling rooms through online	Ctrip.com Elong.com	Ctrip.com Elong.com Qunaer.com Booking.com HRS.com Weibo.com Douban.com
website	No	Coming soon

Table 1 show the difference of Shangsong Inn and Mini Hotel. In this table, Shangsong Inn has more rooms than Mini Hotel. The location is near the city centre. Mini hotel is near the Qionghai Lake. There are no differences on price per room of both hotels. Mini hotel

has a membership system to give more discounts to the customers joined membership. Mini hotel put more attention on the online booking website and more online selling& promotion than Shangsong in.

4 MINI HOTEL ENTREPRENEURSHIP PLAN

4.1 Summary of the business and business plan

The name of the hotel will be “Mini Hotel”. This name shows it is not a big hotel. The hotel will have 20 rooms, a small garden and a parking area enough for 20 cars to park. We need to ensure at least 18 car parking spaces and 2 extra places for an ambulance or other emergency. The location of the Hotel will be not far from the Qionghai Lake. Also, we want it not have long distance from the XiChang City. We provide room service like most of hotels. We also provide tour guide, train/flights ticket selling for the customers. We can also provide simple food, like breakfast for the people who live in the hotel.

The whole investment will be less than 100,000 euro, which includes the rent fee of the place for the first year, the decoration fee for the hotel, the staff salaries, and the depreciation charge of the first year, the electricity and water fee of the first year and the low value consumption goods charge.

It is not easy to write a business plan. In different line of business there are different business plans. A process of making business plan is an opportunity for entrepreneur to exam the omitted point,

avoid potential risk. Entrepreneurs may feel difficult while making the business plan but keep in mind that every little effort at the moment may lead to big success in the future. (Pinson, 2005)

4.2 SWOT analysis of Mini Hotel

Hotel business strongly rely on marketing environment outside, but the way of marketing itself is also affect the result of the business. By analysis the hotel business situation by SWOT, there is not so much advantage for the existing hotel in XiChang. The disadvantages of those hotels give us a chance to get into this business and build a hotel without disadvantages. Hotel business will be quite profitable in the future in XiChang. By this chance, our Mini Hotel should take both internal and external advantages, avoid the threat of the market, improve the quality of service, and emphasis on brand building.

SWOT is a process to analyse the Strengths, Weakness, Opportunity and Threat of XiChang hotel business. The strengths and weakness is the internal conditions, and the opportunity and threat is the external conditions of the hotel.

4.2.1 Strengths

Visible conditions

The decoration of the Hotel will be nice and have typical Yi culture effect. We invest nearly three quarters of the whole investment in decoration to make the hotel nice looking and well-equipped.. We use the furniture used in the 4 stars hotels. For example, we choose the bed size of 2000mm*1800mm, which is bigger than most of the hotels in XiChang. This would improve the quality of sleep of our

customers. The bath room will have both bathtub and showerhead; this will make any kinds of customers satisfied. The location of the hotel will be just beside the Qionghai Lake. And it is in the middle of Qionghai Lake and XiChang City. The transportation from airport is convenient and the scenery of nearby is nice. Also, it is not far from G5 highway. By walking for 10 minutes, people can find some local sea food restaurant. This makes our hotel will have more potential customers.

Invisible condition

XiChang City is famous for the Torch Festival; it is a traditional Yi people festival. This festival only appears in southwest of China. This festival was holding every year in Xichang. And the international Torch Festival is holding every five years. In Yi calendar, the 24th or 25th of the sixth month is Torch Festival. It is usually in the August of the Gregorian calendar. During the festival time, a lot of people come to XiChang City to travel. During last Torch Festival in 2012, there are 2.5 million people come to travel. This number increased 14% from 2011. There are 71,625 cars from other cities come to XiChang City. The average occupation rate of the hotel in XiChang has raise up to 92%. The total tourism income during the festival in 2012 is 4.7465 million euro, increased 37.45% of 2011. 80% of the traveller is from SiChuan province. 2% of traveller is from foreign countries. (Official Liang shan government website, 2012)

Labour and human resource advantages

The labour in the southwest of China is cheaper than the east of China. The annual per capita disposal income of XiChang city is only 2300 euro in 2011. (Ma L.Y., 2012)It is lower than the average

of SiChuan province, which is 2900 euro in 2011. (Ma L.Y., 2012)

This means we can save money on hire people for work.

In order to control the quality of the employee, one of the share-holders who has been worked in hotel business for 15 years will give them a 4 weeks training to teach them everything. We also build relationship with some other hotel in XiChang. This is a good way to build membership system and learn from other hotels. Also, employees will have more training during the work time.

XiChang is a city that has a lot of people with experience in hotel business. Most of them are local people; they want to stay here in-stead of going out, even if the salary is not as good as other cities.

As the potential customers are from Chengdu, the annual per capita disposal income of Chengdu is 3000 euro. And there is a big growth on purchase of house equipment and outdoor activities, there is 12.81% of rise on spend money of travelling. (Ma L.Y., 2012)

Competitiveness advantages

Our hotel has built relationship with a lot of travel agencies in SiChuan province. We also will build a website for the MINI HOTEL both in Chinese and English. This will helped people know more information before they come to our hotel. We also want to build relationship with online hotel booking websites. By the high quality of service and living environment, we believe we will have a good feedback on this website and attract more people. Our entrepreneurial team is young but full of experiences. We have 5 share-holders, 1 of us had already established hotels in other cities, 1 shareholder has been work in hotel business for 15 years. 1 shareholder has variety relationship in SiChuan province,

relationship is quite important in Chinese business. 1 shareholder is an accountant, which makes good finance management and budget calculation. 1 shareholder is typical Yi people and she is an interior designer, she would response for the design the decoration of the hotel. The strengths and weakness is the internal conditions, and the opportunity and threat is the external conditions of the hotel.

4.2.2 Weaknesses

Potential customers

Most travellers who come to XiChang are from other cities in Si-Chuang province. Most of them come during weekend or some other national holidays. Because there is almost no local customer at all, this makes the time during Monday to Friday has less potential customers than other cities. The traveller come from other provinces are looking for the typical local cultural experiences. We have to attract this amount of limited potential customers to keep our occupation rate not bad.

The rooms of the hotel are not enough

The Mini Hotel will have 20 rooms in maximum. The group of people could not over 40 is a big weakness for us in business. So we change our attention on the single or family travellers. We are expecting more people who travelling by own car come to our hotel. The location is good for the people who have a car and not for take a bus. Also, for the customers who come by air, we provide bike rent service for them to use in the city.

4.2.3 Opportunities

The national sanitary city

In December of 2006, XiChang City was successively awarded "The national sanitary city" award and become one of the famous travel destinations in China. As the time come to 2012, the government of XiChang City has built a lot of infrastructure. There is a wet-land park has been built by one side of Qionghai Lake and it makes traveller get to the lake earlier than before. Some polluted factories have been shut down to protect the environment. (Official Website of China National Tourism Administration, 2013)

G5 highway opened to traffic

As I mention in introduction, a new highway was opened to traffic to XiChang. This makes the traffic hours shorten the 5 hours from two big cities (Chengdu and Kunming) to XiChang city. This makes people from these cities have a better motive to come to XiChang. People could start journey on Friday afternoon and arrive in the evening. They can spend two days in XiChang City and be backing home in Sunday afternoon.

The annual per capita disposal income increased in China and more holidays.

As the Chinese economic situation is good at the moment, the GDP and GNP are growth a lot every year. The annual per capita disposal income increased every year. People have more money to go out and travel in these years. When people travel, hotel is necessary for every traveller.

The Chinese labour law has gradually improved during last decade, more and more people could enjoy legal holiday. People have more free time to go outside to see the world and XiChang will be a good destination for everyone.

Co-operation with YunNan province

YunNan province is famous for the tourism. People from YunNan also want to come out to see different scenery. XiChang is the city only half day on the way to travel because the G5 highway. All of this will help XiChang's hotel business improves its quality of service and the equipment of the hotel.

4.2.4 Threats

Competitors

As the information we got from the Official website of XiChang government, there are 29 hotels are being built at the moment and applying for the license. The hotel business will be more competitive in the future. How to keep growth is very hard for every hotel.

Off season marketing

During the time of Monday to Friday, there will be not so much traveller come to travel. The way to keep occupancy rate of hotel is very hard and this request us find more way to selling rooms. We decided to use more resource of online booking websites. The name of websites will be mentioned in table 1.

4.2.5 The way to solve the problems

Try to understand what the demand of the market is

By asking for the customers' feedback and more marketing re-search, understand what is customers need is very important of the business.

Better service gives better impression to customers

Try to get more loyal customers by give high quality service for customers. Some marketing tools could be used during business. Membership card could be given by us. If customers could have

extra benefit than others when they have membership card, they could be loyalty.

Build more relationships

Relationship is so important in China that we could never forget about to keep the existing relationships and build new relationships. It is not only the relationship with other firms in hotel business. The relationship with the government is also very important for hotel business.

Figure out new potential customers and provide variety of service

During the off season we can provide some different services for the customers. There is a satellite launch base near XiChang City, a lot of student from all over the countries in any time of year come to visit. We could also accept the camp of students less than 40 people and also help them buy the tickets of the satellite launch base.

4.2.6 Conclusions

It is not so easy for our Mini Hotel survival in XiChang hotel business competition. We have to highlight the characteristics of our hotel with local cultural and provide high quality of service. We need to use internet to improve the reputation of our hotel and try to keep more loyalty customers. By this way, we could survival in XiChang hotel business and success.

4.3 Plan of Mini Hotel business

The information of Shangsong Inn is important for us to make our hotel better and more competitive. We find its advantages to learn it and try to do better job on its disadvantages.

4.3.1 Location and building selection

The location of Shangsong Inn is in the old town of XiChang City and the traffic to the Qionghai Lake is far away. This makes bad feedbacks on online booking website. There are three comments of Shangsong Inn on Ctrip webpage, they all says it is very hard to find the hotel and far away from the Qionghai Lake.

The building of the Shangsong Inn was old and they spend a lot of money on overhaul and decoration. But the feeling of the hotel is quite good and the type of the decoration is quite traditionally Chinese.

We decide to choose the location which is in the most important development area of XiChang City. The building is not far from the main road. We will avoid choosing the building by the side of the road; this will help customers enjoy better sleep at night. The place is 30 minutes from airport and 15 minutes from train station by car. After cars get out from the exit of highway, there is only 10 minutes to drive to Mini Hotel. The wetland park of XiChang is in walking distance from our hotel. 10 minutes will be the best time for walk.

We decided to choose a new building instead of old one, we don't have so much money on budget and this will help as save money on renovation. We can put more money on buy equipment in the hotel.

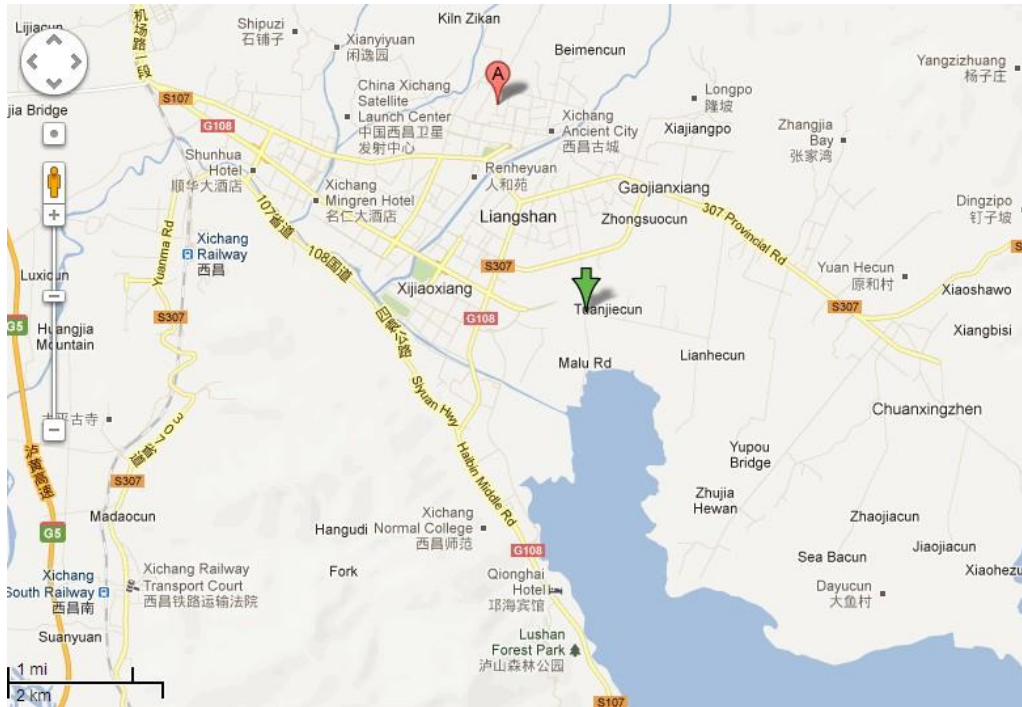


Figure 11. The green arrow is the place we chosen, (Google map, 2013)

4.3.2 Housing renovation and decoration

The hotel is a 3-storey building. There will be a lobby and a small cafeteria in first floor. The front desk and some sofas will be put in the lobby. There will be a small book shelf for people to read. The cafeteria will only provide breakfast in the morning. Tourist map will be providing in front desk. Some local arts and crafts could be order in hotel. Beach equipment could also be found in the front desk.

On the second and third floors, 20 rooms will be set up. Every room has a private bathroom, showerhead and bathtub. The door of each room will be locked by electronic lock. We will provide air condition, TV, and free internet access for each room.

The outer wall will be painted in bright colour; mostly possibility is white and blue. But some of the decoration will be red and black, which is the typical Yi traditional outlook of the building.

Inside the building, the decoration will use more YI furniture and wall hand-paint. The budget for renovation and decoration is 40,000 euro. The decoration and equipment could be used for 5 years. Depreciation charge for each year is 8,000 euro.

4.3.3 Employment

There will be four people as managers in Hotel: One Financial officer who will response for financial management. One Marketing Manager who will response for development of business strategy and market communicates. One Room Manager who will response for room service management.

There will be there worker as staff in the Hotel: Two Counter Staff, response for checks in and check out. One cleaner will be response for clean rooms and laundry service.

4.3.4 Budget and financial plan

There will be several different places need to spend money on it. The expenses are going to list below:

Operating expenses:

Rant fee of the building is 10,000 euro for one year.

Depreciation charge of the first year is 8,000 euro.

Low-value consumption goods (tooth brush and shower gel) spend for one year would be less than 3,000 euro in one year.

There will be 4,000 prepare for emergency or unexpected situations.

Tax payable: The expecting tax for the first year is 3,000 euro. 6% of turnover will be the tax that we have to pay.

Total budget for operating expenses in the first year of Mini Hotel is 28,000 euro.

Employments expend:

The Financial officer: 4,000 euro for one year

Marketing Manager: 4,000 euro + 1,000 euro bonus for one year

Room Manager: 4,000 euro+ 1,000 euro bonus for one year

Counter Staffs: 2,000 euro for each and two will be 4,000 for one year

Cleaner: 2,000 euro for one year.

Total budget for Employments expend in the first year of Mini Hotel is 20,000 euro.

Total budget of spend for the first year is 48,000 euro

4.4 Management and target customers

The target customers are in three types. First, the people drive their own car for travelling. Second, backpacking travellers and foreigners is also very important for us. Third, students come for camps.

Shangsong Inn have the same target customers, while this make us have to provide more services as customers 'need to attract customers.

We use internet to make everyone in the world can see us if they search for Hotel in XiChang City. We provide English service to

attract foreigners. The typical decoration of local cultural will attract customer who is interested in Yi culture.

We will build our own website. Also we will co-operate with a big online hotel booking website. For example, Ctrip, Elong and Qunar are the three largest online booking website in China. We will put our rooms on these three website. For international customers, we will co-operate with the website of "booking.com" and "global hostel".

During the first month of the hotel open, we would provide some promotion activities to attract more people come and try. More positive quality comments will help our hotel go to the top of the webpage search result.

Reducing the cost on electricity and water could help a lot on profit increase.

4.5 Equipment and services

Free services

Parking service, lobby sofa, books and magazine, 24 hours hot water, TV service, air condition, luggage deposit are all the free services. Travel Information also free provide to every customers. Shangsong Inn does not have parking service. They also do not provide books and magazines in lobby.

Paid services

Drinks, breakfast, laundry, international telephone, fax are paid service. Tickets booking and equipment rent are also payable.

4.6 Estimates of turnover

4.6.1 Turnover of rooms

The hotel have 20 rooms, average price of the rooms will be 20 and 25 euro. The Price of Shangsong Inn has been set the price around 20 and 25 euro, we are the kind of similar hotel. That is the reason we also make the price in average price of 22.5 Euros.

During the boom season, the occupancy rate of hotel could be 90%. There are 92 days of boom season, consider the price of the room rise 100%.

The off season will have 273 days; the price of the room does not change. The occupancy rate of hotel could be 30%.

The turnover during boom season will be:

$$22.5 \text{ euro} * 200\% * 20 \text{ rooms} * 90\% * 92 \text{ days} = 74,520 \text{ euro}$$

The turnover during off season will be:

$$22.5 \text{ euro} * 20 \text{ rooms} * 30\% * 273 \text{ days} = 36,855 \text{ euro}$$

The total turnover will be 111,375 euro in the first year.

4.6.2 Other turnover

As the thesis mentioned before, there will be other way to make profit. There will be a cafeteria and tickets office in the hotel. We are not going to run the cafeteria by ourselves. It will be rent by other people and they will pay as rant fee.

Cafeteria could make turnover about 3,000 Euros for each year.

Tickets service and other turnover will be 2,000 euro for each year.

The total expecting turnover of first year will be:

$111,375+3,000+2,000= 116,375$ euro

The total budget of the first year is: 48,000euro

The profit of the first year will be $116,375- 48,000= 68,375$ euro

4.7 Timetable

The action process will be during April to September of 2013. The hotel will be opened around the date of torch Festival in 2013.

Table 2. Timetable of business process

Time	Action
April of 2013	Determine the location and select the building
April to August of 2013	Renovation and decoration
April to September of 2013	Equipment purchase
July of 2013	Publicity and online marketing
June of 2013	Apply for license
August of 2013	Project final acceptance
September	Open ceremony



Figure 12. The place we have found (ShaTaoji, 2013)

5 CONCLUSIONS AND DEVELOPMENT SUGGESTIONS

This chapter will summaries main conclusion of the thesis. With the entrepreneur situation in China and using benchmarking to compare with competitors, I made the business plan and it show the result.

The thesis was begun from explaining the theory of entrepreneur-ship. Entrepreneurship' is the act and art of being an entrepreneur or one who undertakes innovations or introducing new things, finance and business acumen in an effort to transform innovations into economic goods. The thesis describes the situation of entrepreneurship and the result show it is a good time to set up new business in China.

After that, the thesis explained the theory of benchmarking and the way to use it in real business life. Benchmarking provide a method to compare with the competitors in the potential market. It will help people find the advantages and disadvantages of own business. Also, could help the business which does not set up yet to see it the new business worth to start.

Then the business plan of the Mini Hotel comes after that. The SWOT analysis and benchmarking shows how could this business set up and growth in the future. The business plan shows include location, building, employment, service, budget and financial plan of the hotel. The plan shows the Mini Hotel in XiChang City is a profitable business and worth to investment. Compared with Shangsong Inn, Mini Hotel has to provide better service and find some more potential customer. The opportunities and threat are both exist. But it is worth to establish this business.

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