

TRACKING AND INTERPRETING FINANCIAL INDICATORS

Optimizing your Inn Business:
Using Metrics and the PAll
Industry Study to Increase Profits.

WHAT ARE METRICS?

- Metrics are a system of parameters or ways to quantitative and periodic assessments of a process that is to be measured.
- “YOU CAN’T CONTROL WHAT YOU CAN’T MEASURE.” Wikipedia.

WHAT DO WE NEED TO MEASURE? (i.e. METRICS)

- The simple answer is everything!
- Knowledge about the past results is the only guide to future improvement.
- So, we start off with what happened in the past in order to help us predict what will happen next.
- Once we know where we came from, we can measure that against a standard.

METRICS (cont.)

- What we need to measure:
 - Income and expenses for financial metrics;
 - Everything that we can about our guests;
 - What is happening in our locations;
 - The weather;
 - What people are choosing in our dining rooms.
 - Anything and everything else about the business of Innkeeping.

SOURCES OF INCOME

- Income by Source.
- Income by Location (State, City, Zip).
- Income by Room.
- Occupancy by Month/Weekend/Day.
- Repeats and referrals.
- Income by Function or "interests."
- Income by Profit Center.

INCOME BY SOURCE

- Not just the Internet. Drill down if you can and find the Source.
- Internet Tracking is essential.
- If you had the resources, technically you can track the source back to the very computer that was used. (privacy issues?).
- Make sure you change to Repeat when they come back.

ADVANCED DEPOSITS

- Tracking where you are on Advanced Deposits is critical to pricing decisions and “Yield Management.”
- You need to track how many rooms you have booked each month in advance and compare to where you were in past years.
- You need to know what was happening in the past to gauge what will happen in the future (ex. Weddings in June).
- You need to track the weather to compare.

TRACKING EXPENSES

- Here is where the PAII Study can be a big help.
- Start with your expenses on a historic basis by looking at the last three years side by side.
- Then compare to the PAII Study results for year 2006 based on the Ratio to Revenue Column i.e. what percentage of revenue should you expect each expense to be.
- Finally, prepare a budget for the next year. This is the key to success!!

2007-2008 PAll Industry Study Demographics.

- B&B Participation Increases from 2004.
 - 340 vs. 255 B&B Inns.
 - 28% 1-4 rooms and 44% 5-8 rooms stays the same from 2004 (overall 1-8 rooms = 72% of the Study).
 - 9+ rooms equal to 28% is on par with 2004.
 - Average Size of participants remains about 7.6 rooms.

Country Inn Participation?

- Only 34 Inns in 2006 Study vs. 30 in 2004, and 372 in 2002.
- Only 3 Inns with 1-8 rooms reported.
- There were 9 participants with 9-20 rooms and 15 with 13-20 rooms.
- The result is that for Country Inns, the PAll Study numbers are statistically insufficient to produce Industry results for this category.

PAII STUDY OCCUPANCY RATES.

- Overall Occupancy Rate for Bed and Breakfast Inns was 42% in 2006, up 2 percentage points or 5% from 2004.
- Still below the 2002 Study rate of 45%.
- Occupancy by number of rooms remains consistent.

OCCUPANCY RATES BY SIZE

<u>Rooms</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1-4	36%	32%	32%
5-8	40%	38%	39%
9-12	<u>48%</u>	46%	41%
13-20	43%	43%	48%

AVERAGE DAILY RATES

<u>Rooms</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1-4	\$138	\$132	\$125
5-8	\$153	\$145	\$138
9-12	<u>\$185</u>	\$178	\$167
13-20	\$180	\$172	\$152

ADR BY REGION

<u>Region</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Midwest	\$147	\$141	\$133
N East	<u>\$181</u>	\$177	\$151
S East	\$153	\$146	\$130
West	\$169	\$163	\$162

Size and Viability

- Definition of Business Viability:

- Net Income sufficient to pay all living expenses of Innkeepers plus all mortgage payments and taxes.
- Majority of Inns with 8 rooms or fewer will require supplemental income to be viable economically.
- The PAII Study for 2007-8 shows that 83% of owners of 1-4 room B&Bs and 61% with 5-8 rooms rely on outside Income.
- Supplemental income is usually derived from outside salary of one partner, retirement funds, or other income of Innkeepers.

Economic Viability

- Overall PAII Study Net Income is \$50,974 prior to any mortgage payments or return to the innkeepers.
- B&B Net Income:
 - 1-4 rooms = -\$145;
 - 5-8 rooms = \$ 29,478;
 - 9-12 rooms = \$159,752;
 - 13-20 rooms = \$134,944.

Average Annual Mortgage Payments

- Based on Overall Value of Inn (20 year 7% fixed rate with 20% down):

• \$500,000	=	\$ 37,214;
• \$750,000	=	\$ 55,822;
• \$1,000,000	=	\$ 74,429;
• \$1,500,000	=	\$111,643;
• \$2,000,000	=	\$148,857.

Comparing the Results

- The overall value of the PAII Study is to compare the results based on the various criteria set up in the study.
- Thus, the results can be shown using criteria such as number of rooms, region, or type of location of the Inn.
- Then by comparing results on an account basis you can improve the bottom line.

PAII EXPENSE DATA

Selected PAII Financial Statements:

- Overall Inn Income and Expenses.
- Income by Size.
- Income by Region.

OPTIMIZING RESULTS

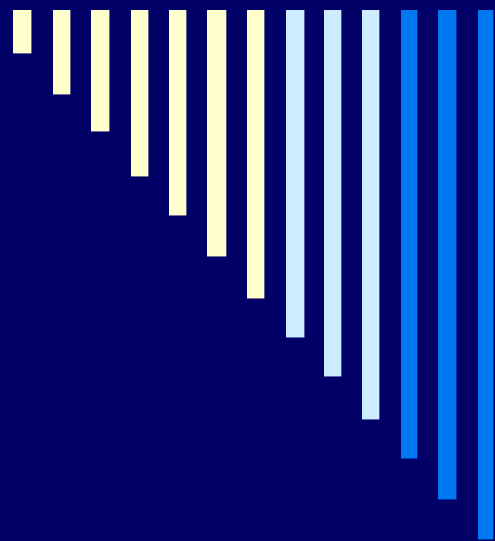
- The key is to compare income and expenses to the criteria which best apply to your Inn.
- Review of your Income and Expenses side-by-side with your historical results and with the PAll Industry Study will show areas that can be improved.

TRACKING FOR COUNTRY INNS

- Restaurants need separate tracking.
- Daily Covers must be kept, along with Center of the Plate records (what protein is being ordered) and average ticket.
- All sorts of ratios need to be tracked:
 - Gross Margin
 - Food Cost Ratio
 - Beverage Cost Ratio
 - Labor Costs Ratio
 - Beverage/Food Cost Ratio

SUMMARY

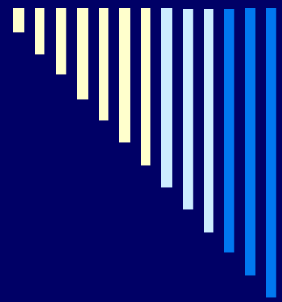
- Tracking Financial and Source Data gives Innkeepers a base to create a budget i.e. a future projection to manage the Inn.
- This is basically taking control of your Inn business rather than just reacting to what happens.
- It allows you to set and achieve financial goals and to OPTIMIZE YOUR INN BUSINESS.



EFFECTIVELY MARKETING YOUR INN THROUGH YOUR FOOD:

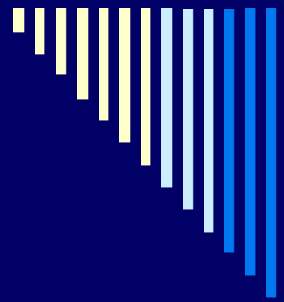
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- ❑ Don't forget that "Breakfast" is a key part of a Bed and Breakfast.
- ❑ Food should be a key reason why they come back to the Inn.
- ❑ Repeats and Referrals are the key to success as an Innkeeper.
- ❑ Make sure they are given something for breakfast that they can't get at home.



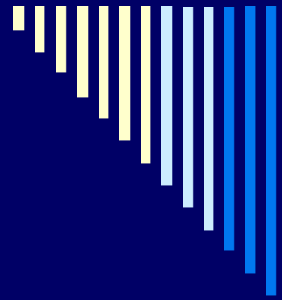
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- ❑ Unnecessarily complicates your lives!
- ❑ You get it for free when you buy the Inn.
- ❑ The “Bucks are in the Beds.”
- ❑ Very low marginal return.
- ❑ The Internet favors Destination locations, not Country Inns with restaurants.
- ❑ Is Fine Dining Dead?



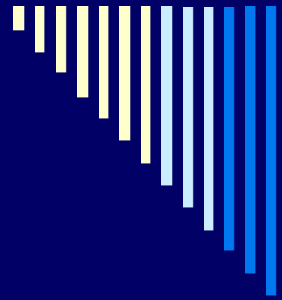
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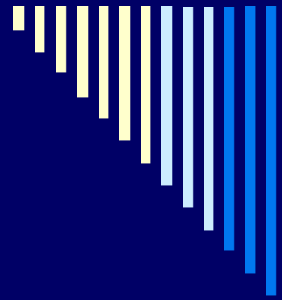
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- ❑ The Principle of Thirds ($1/3$, $1/3$, $1/3$).
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- ❑ Allocations of overhead will result in negative net income from restaurant operations of Inns.



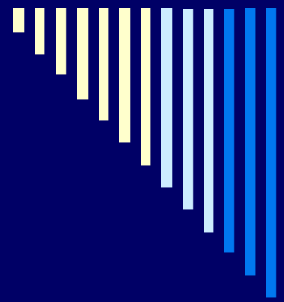
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- ❑ Lack of Hospitality;
- ❑ Inadequate working capital;
- ❑ Operational deficiencies (not clean or safe, poor financial controls, etc.)
- ❑ Inadequate or poorly trained staff;



Why Restaurants Fail (cont.)

- Mission Drift: Keep trying new changes until no clear concept any more;
- Organizational Life Cycle: “Tired of dealing with the public.”



What is happening Today with Inn Restaurants?

- ❑ Basically, the margins are tightening.
- ❑ The cost of food due to higher oil costs, and use of corn products for other purposes has sky rocketed.
- ❑ People do not have a lot of discretionary funds for fine dining.
- ❑ Special Occasion Dining is still a possibility, but insufficient volume.



Ten Proven Ways to Restaurant Profitability

- 1. Develop a clear Mission Statement that says what you are and who you seek to serve.
 - 2. Develop a defined Style of Food that sets you apart and is consistent with your mission.
 - 3. Create a Menu and Format that clearly speaks your Mission and Style.
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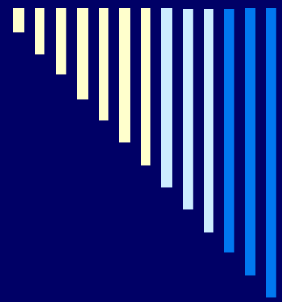
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 - 5. Provide adequate Kitchen Staff, but keep it lean.
 - 6. Hire the most hospitable Front Staff that you can find, and train them to continually provide excellent service.
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Ten Proven Ways to Restaurant Profitability (cont.)

- 7. Create a Sequence of Service for Front Staff that fits with your Mission and Style.
 - 8. Continually train the Front Staff to market and up-sell.
 - 9. Manage the Restaurant like a business (Track everything!).
 - 10. Turn the Volume Down. The Bucks are in the Beds!!!!
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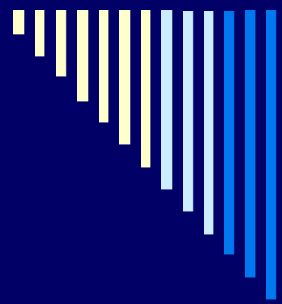
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- ❑ Timing is key. There are only 13 weekends in the Summer for weddings, but what happens to the tourists?
- ❑ Are functions just Niche Business for the Shoulder Seasons?
- ❑ Carefully manage food costs, staff costs, and deposit/cancellation policies.
- ❑ The whole Inn or nothing?
- ❑ Can you do both functions and restaurant?



MARKETING BASICS FOR RESTAURANTS

- Let's think about who the guest is (i.e. get back to the Mission Statement).
 - If it is the guests at the Inn, the Restaurant should be an additional draw for the Inn.
 - If it is local business, especially off season, you may need to market separately from the Inn.
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MARKETING BASICS (cont.)

- ❑ Do you need to create a separate identity for the Restaurant?
- ❑ Wine Clubs, Wine Tastings, Wine Specials are terrific marketing. They increase both food and wine sales.
- ❑ The virtues of Special Occasion Dining.
- ❑ Email Marketing for Restaurants will work to generate business.



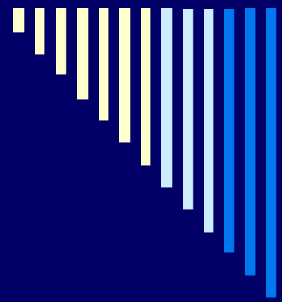
ELECTRONIC FOOD MARKETING FOR YOUR INN

- What we are talking about is specific food information on your Inn's website and your Blog along with specific restaurant email marketing to your restaurant's guest list.
 - The advantage of using your Blog.
 - Yes, you need a Restaurant Guest List with email addresses. Use a comment card with the check to generate this!
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What you need to say electronically about your food.

- Your marketing goal is to convey the image that the food at the Inn is something special; something to remember and to talk about.
 - You are really trying to convey an image of great food to both attract new guests and particularly to prompt existing guests to return and to refer the Inn to others.
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WHAT YOU NEED TO TALK ABOUT!

- Who is the Chef and why is he or she special? (there is some risk in naming your chef).
- What kind of food does the Inn serve? What is the overall mission of the Restaurant?
- “Farm Fresh” or “Local Fresh Produce” is not a mission statement, it is a given in today’s restaurant culture.



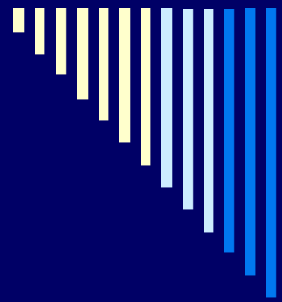
WHAT TO SAY (Cont.)

- ❑ Menus alone don't convey an image of what the food really is. Describe the meal, and better yet provide a picture of the final plate.
 - ❑ Pictures and Graphics Rule!
 - ❑ Let's talk about special dinners, wine pairings, and packages. Whatever it takes to get the guest to book a trip to enjoy the food and the ambiance of the Inn.
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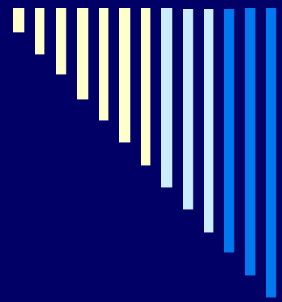
MARKETING YOUR FOOD ON THE INN'S BLOG

- ❑ An Inn blog is one of the best ways to improve your website's standing on the Search Engines because it constantly provides current and fresh information (assuming you are keeping it up).
 - ❑ Food is clearly one of the top ten topics to write about on your Inn Blog.
 - ❑ It is an easy way to fill your Blog with current information about the Inn.
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HOW ABOUT THESE FOOD TOPICS FOR YOUR BLOG?

- Create an electronic Cookbook.
 - Special Menus.
 - Wine Dinners and Pairings.
 - Picnic Hampers for Excursions.
 - Chef's Notes and Recipes.
 - Guest Chef Series.
 - Spa Dining Menus.
 - Cooking Videos and Podcasts.
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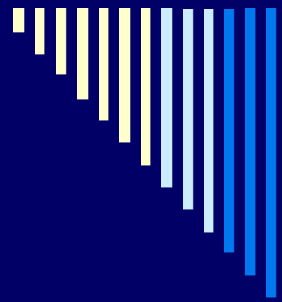
LET'S LOOK AT SOME WEBSITES FOR INN FOOD.

- [The White Barn Inn](#), Kennebunkport, ME
- [The Inn at Little Washington](#), Washington, VA (When you're the best, may be you don't have to market?)
- [Carter House Inn](#) and Restaurant 301, Eureka, CA
- [Villa Royale](#) and Europa Restaurant, Palm Springs, CA
- [Maine Stay Inn](#), Kennebunkport, ME



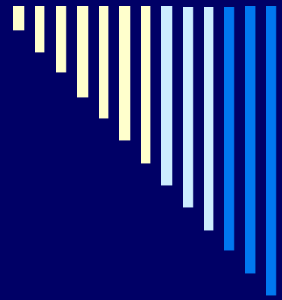
BLOGS FOR FOODIES

- [Bickell's Blog](#). The Restaurant Report. If you really want to know what is going on in the restaurant business.
 - [Top Restaurants.Com](#). Directories for the best restaurants.
 - [Trip Advisor](#) Restaurant Reviews.
 - [The Accidental Hedonist](#). Everything you want to know about food and foodies, including a list of great blogs about food.
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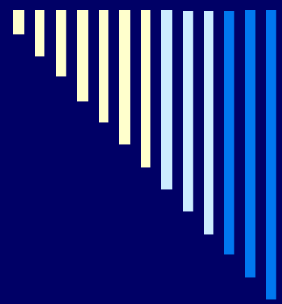
LETS NOT FORGET THE SOCIAL NETWORKS!

- ❑ You need to start looking at Social Networks like My Space, Facebook, Technorati, Twitter, Fark, etc.
- ❑ Let's talk about YouTube and Food Videos. See the [White Barn Inn](#) restaurant page.
- ❑ Also look at [Chefs Kitchen TV](#) Podcasts.



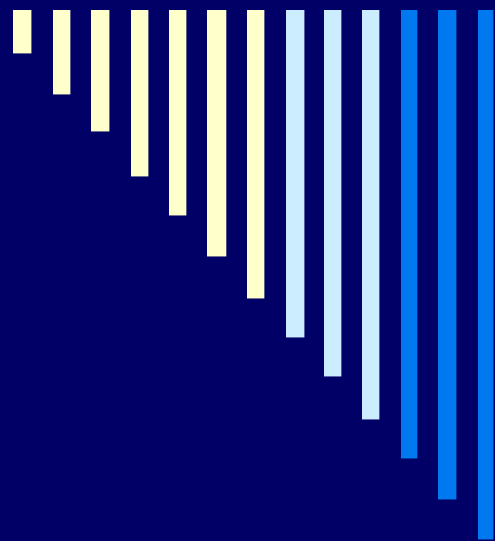
BLOGS (Cont.)

- Start a restaurant blog. See AllfoodBusiness.com
- [Restaurant Marketing Blog](#). What is going on in chain or family restaurants.



IN SUMMARY:

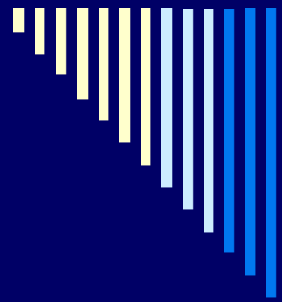
- ❑ Treat your food and your restaurant as a separate business.
- ❑ The overall goal is to drive heads to beds.
- ❑ Food can be fun and profitable.
- ❑ Marketing is essential for success!



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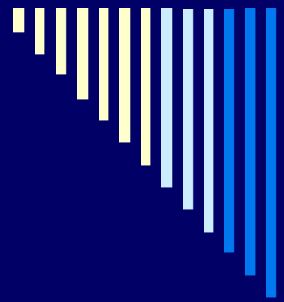
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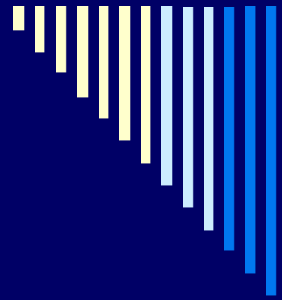
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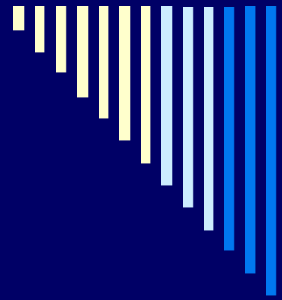
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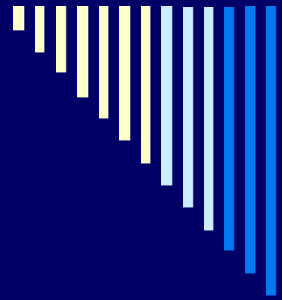
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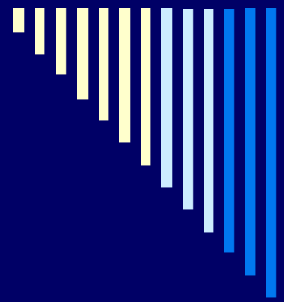
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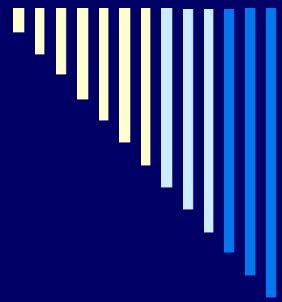
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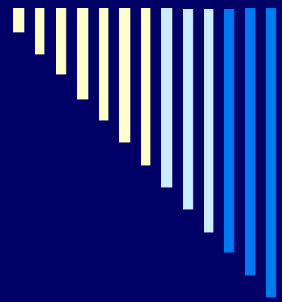
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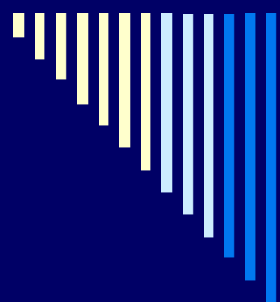
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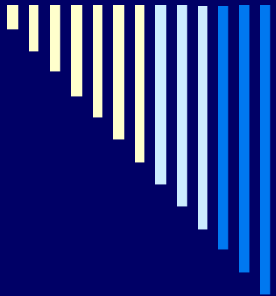
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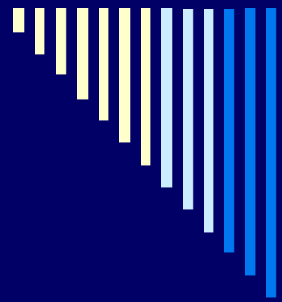
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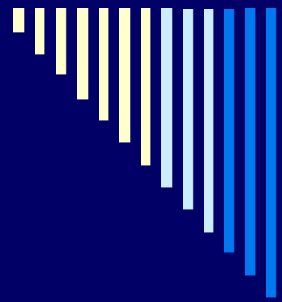
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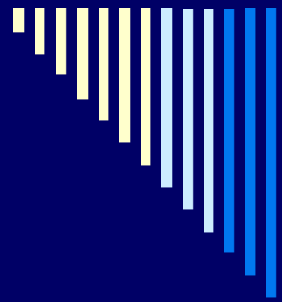
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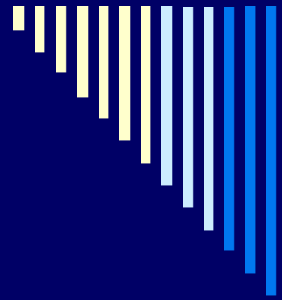
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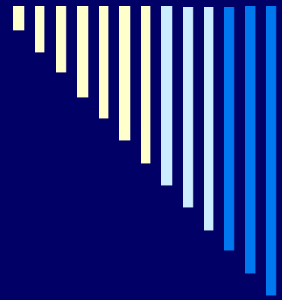
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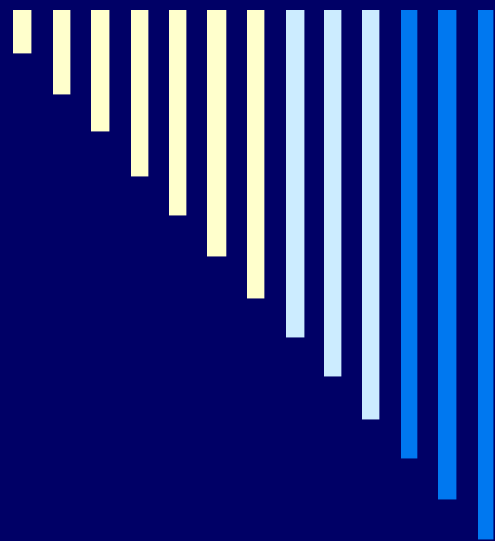
BLOGS (Cont.)

- Start a restaurant blog. See AllfoodBusiness.com
- [Restaurant Marketing Blog](#). What is going on in chain or family restaurants.



IN SUMMARY:

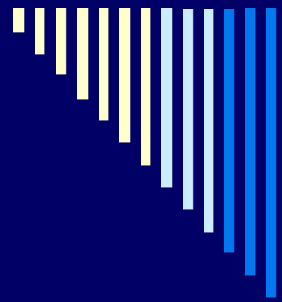
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- ❑ The overall goal is to drive heads to beds.
- ❑ Food can be fun and profitable.
- ❑ Marketing is essential for success!



EFFECTIVELY MARKETING YOUR INN THROUGH YOUR FOOD:

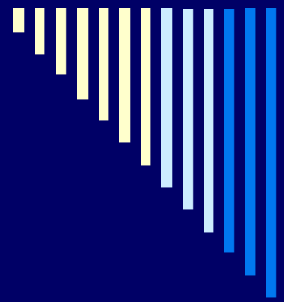
**Learn how to brand your Inn as a Food
Haven!**

©Howard J. Levitan, Quantum Hospitality Group, Inc., 2008



This is not just about Inns with Restaurants!

- ❑ Don't forget that "Breakfast" is a key part of a Bed and Breakfast.
- ❑ Food should be a key reason why they come back to the Inn.
- ❑ Repeats and Referrals are the key to success as an Innkeeper.
- ❑ Make sure they are given something for breakfast that they can't get at home.



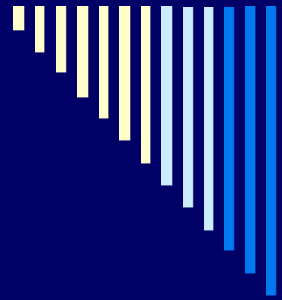
For those Country Inns, why do you need a Restaurant?

- ❑ Unnecessarily complicates your lives!
- ❑ You get it for free when you buy the Inn.
- ❑ The “Bucks are in the Beds.”
- ❑ Very low marginal return.
- ❑ The Internet favors Destination locations, not Country Inns with restaurants.
- ❑ Is Fine Dining Dead?



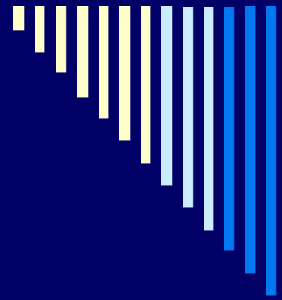
Underlying Purpose of Inn Restaurants

- ❑ Need comparable dining experience.
 - ❑ Food is an essential component of the experience.
 - ❑ Normal progression is to expand from MAP to Public Dining, especially “special occasion” dining.
 - ❑ Full public dining causes overheating.
-



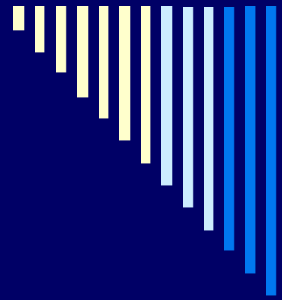
Can an Inn Restaurant Stand Alone?

- ❑ Profit Margin too low to stand alone.
- ❑ The Principle of Thirds ($1/3$, $1/3$, $1/3$).
- ❑ Overall gross margins from restaurants is about 5%.
- ❑ Allocations of overhead will result in negative net income from restaurant operations of Inns.



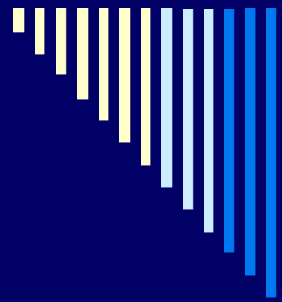
WHY RESTAURANTS FAIL?

- ❑ 50% of new restaurants fail in the first three years; 90% in first five years.
- ❑ Lack of Hospitality;
- ❑ Inadequate working capital;
- ❑ Operational deficiencies (not clean or safe, poor financial controls, etc.)
- ❑ Inadequate or poorly trained staff;



Why Restaurants Fail (cont.)

- Mission Drift: Keep trying new changes until no clear concept any more;
- Organizational Life Cycle: “Tired of dealing with the public.”



What is happening Today with Inn Restaurants?

- ❑ Basically, the margins are tightening.
- ❑ The cost of food due to higher oil costs, and use of corn products for other purposes has sky rocketed.
- ❑ People do not have a lot of discretionary funds for fine dining.
- ❑ Special Occasion Dining is still a possibility, but insufficient volume.



Ten Proven Ways to Restaurant Profitability

- 1. Develop a clear Mission Statement that says what you are and who you seek to serve.
 - 2. Develop a defined Style of Food that sets you apart and is consistent with your mission.
 - 3. Create a Menu and Format that clearly speaks your Mission and Style.
-



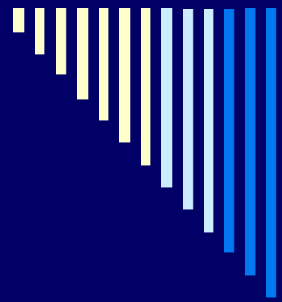
Ten Proven Ways to Restaurant Profitability (cont.)

- 4. Find a Chef who shares your Mission and enthusiastically cooks your Style of food, then manage, manage, manage.
 - 5. Provide adequate Kitchen Staff, but keep it lean.
 - 6. Hire the most hospitable Front Staff that you can find, and train them to continually provide excellent service.
-



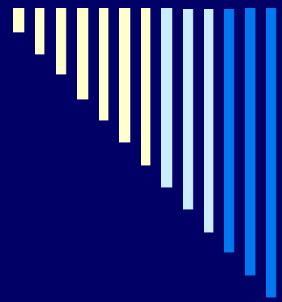
Ten Proven Ways to Restaurant Profitability (cont.)

- 7. Create a Sequence of Service for Front Staff that fits with your Mission and Style.
 - 8. Continually train the Front Staff to market and up-sell.
 - 9. Manage the Restaurant like a business (Track everything!).
 - 10. Turn the Volume Down. The Bucks are in the Beds!!!!
-



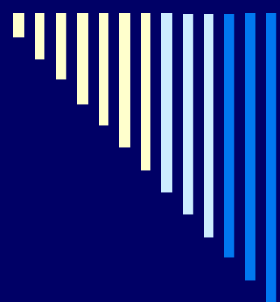
FUNCTIONS: Let's Put Heads in Beds!

- ❑ Timing is key. There are only 13 weekends in the Summer for weddings, but what happens to the tourists?
- ❑ Are functions just Niche Business for the Shoulder Seasons?
- ❑ Carefully manage food costs, staff costs, and deposit/cancellation policies.
- ❑ The whole Inn or nothing?
- ❑ Can you do both functions and restaurant?



MARKETING BASICS FOR RESTAURANTS

- Let's think about who the guest is (i.e. get back to the Mission Statement).
- If it is the guests at the Inn, the Restaurant should be an additional draw for the Inn.
- If it is local business, especially off season, you may need to market separately from the Inn.



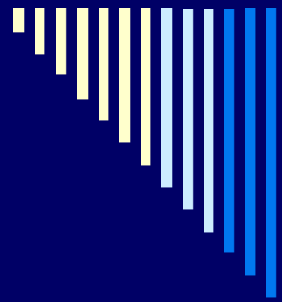
MARKETING BASICS (cont.)

- ❑ Do you need to create a separate identity for the Restaurant?
- ❑ Wine Clubs, Wine Tastings, Wine Specials are terrific marketing. They increase both food and wine sales.
- ❑ The virtues of Special Occasion Dining.
- ❑ Email Marketing for Restaurants will work to generate business.



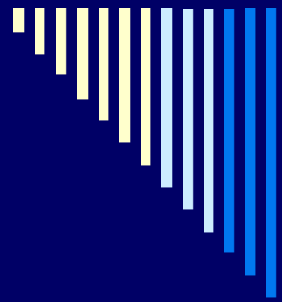
ELECTRONIC FOOD MARKETING FOR YOUR INN

- What we are talking about is specific food information on your Inn's website and your Blog along with specific restaurant email marketing to your restaurant's guest list.
 - The advantage of using your Blog.
 - Yes, you need a Restaurant Guest List with email addresses. Use a comment card with the check to generate this!
-



What you need to say electronically about your food.

- Your marketing goal is to convey the image that the food at the Inn is something special; something to remember and to talk about.
- You are really trying to convey an image of great food to both attract new guests and particularly to prompt existing guests to return and to refer the Inn to others.



WHAT YOU NEED TO TALK ABOUT!

- Who is the Chef and why is he or she special? (there is some risk in naming your chef).
- What kind of food does the Inn serve? What is the overall mission of the Restaurant?
- “Farm Fresh” or “Local Fresh Produce” is not a mission statement, it is a given in today’s restaurant culture.



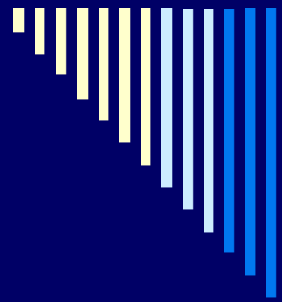
WHAT TO SAY (Cont.)

- ❑ Menus alone don't convey an image of what the food really is. Describe the meal, and better yet provide a picture of the final plate.
 - ❑ Pictures and Graphics Rule!
 - ❑ Let's talk about special dinners, wine pairings, and packages. Whatever it takes to get the guest to book a trip to enjoy the food and the ambiance of the Inn.
-



MARKETING YOUR FOOD ON THE INN'S BLOG

- ❑ An Inn blog is one of the best ways to improve your website's standing on the Search Engines because it constantly provides current and fresh information (assuming you are keeping it up).
 - ❑ Food is clearly one of the top ten topics to write about on your Inn Blog.
 - ❑ It is an easy way to fill your Blog with current information about the Inn.
-



HOW ABOUT THESE FOOD TOPICS FOR YOUR BLOG?

- Create an electronic Cookbook.
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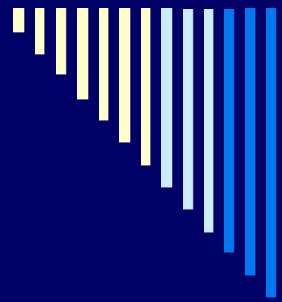
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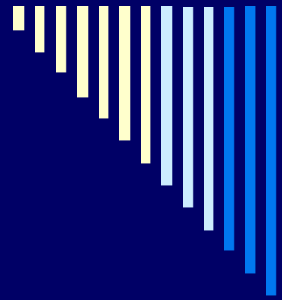
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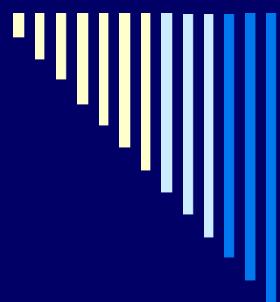
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TRACKING AND INTERPRETING FINANCIAL INDICATORS

Optimizing your Inn Business:
Using Metrics and the PAll
Industry Study to Increase Profits.

WHAT ARE METRICS?

- Metrics are a system of parameters or ways to quantitative and periodic assessments of a process that is to be measured.
- “YOU CAN’T CONTROL WHAT YOU CAN’T MEASURE.” Wikipedia.

WHAT DO WE NEED TO MEASURE? (i.e. METRICS)

- The simple answer is everything!
- Knowledge about the past results is the only guide to future improvement.
- So, we start off with what happened in the past in order to help us predict what will happen next.
- Once we know where we came from, we can measure that against a standard.

METRICS (cont.)

- What we need to measure:
 - Income and expenses for financial metrics;
 - Everything that we can about our guests;
 - What is happening in our locations;
 - The weather;
 - What people are choosing in our dining rooms.
 - Anything and everything else about the business of Innkeeping.

SOURCES OF INCOME

- Income by Source.
- Income by Location (State, City, Zip).
- Income by Room.
- Occupancy by Month/Weekend/Day.
- Repeats and referrals.
- Income by Function or "interests."
- Income by Profit Center.

INCOME BY SOURCE

- Not just the Internet. Drill down if you can and find the Source.
- Internet Tracking is essential.
- If you had the resources, technically you can track the source back to the very computer that was used. (privacy issues?).
- Make sure you change to Repeat when they come back.

ADVANCED DEPOSITS

- Tracking where you are on Advanced Deposits is critical to pricing decisions and “Yield Management.”
- You need to track how many rooms you have booked each month in advance and compare to where you were in past years.
- You need to know what was happening in the past to gauge what will happen in the future (ex. Weddings in June).
- You need to track the weather to compare.

TRACKING EXPENSES

- Here is where the PAII Study can be a big help.
- Start with your expenses on a historic basis by looking at the last three years side by side.
- Then compare to the PAII Study results for year 2006 based on the Ratio to Revenue Column i.e. what percentage of revenue should you expect each expense to be.
- Finally, prepare a budget for the next year. This is the key to success!!

2007-2008 PAll Industry Study Demographics.

- B&B Participation Increases from 2004.
 - 340 vs. 255 B&B Inns.
 - 28% 1-4 rooms and 44% 5-8 rooms stays the same from 2004 (overall 1-8 rooms = 72% of the Study).
 - 9+ rooms equal to 28% is on par with 2004.
 - Average Size of participants remains about 7.6 rooms.

Country Inn Participation?

- Only 34 Inns in 2006 Study vs. 30 in 2004, and 372 in 2002.
- Only 3 Inns with 1-8 rooms reported.
- There were 9 participants with 9-20 rooms and 15 with 13-20 rooms.
- The result is that for Country Inns, the PAll Study numbers are statistically insufficient to produce Industry results for this category.

PAII STUDY OCCUPANCY RATES.

- Overall Occupancy Rate for Bed and Breakfast Inns was 42% in 2006, up 2 percentage points or 5% from 2004.
- Still below the 2002 Study rate of 45%.
- Occupancy by number of rooms remains consistent.

OCCUPANCY RATES BY SIZE

<u>Rooms</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1-4	36%	32%	32%
5-8	40%	38%	39%
9-12	<u>48%</u>	46%	41%
13-20	43%	43%	48%

AVERAGE DAILY RATES

<u>Rooms</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1-4	\$138	\$132	\$125
5-8	\$153	\$145	\$138
9-12	<u>\$185</u>	\$178	\$167
13-20	\$180	\$172	\$152

ADR BY REGION

<u>Region</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Midwest	\$147	\$141	\$133
N East	<u>\$181</u>	\$177	\$151
S East	\$153	\$146	\$130
West	\$169	\$163	\$162

Size and Viability

- Definition of Business Viability:

- Net Income sufficient to pay all living expenses of Innkeepers plus all mortgage payments and taxes.
- Majority of Inns with 8 rooms or fewer will require supplemental income to be viable economically.
- The PAII Study for 2007-8 shows that 83% of owners of 1-4 room B&Bs and 61% with 5-8 rooms rely on outside Income.
- Supplemental income is usually derived from outside salary of one partner, retirement funds, or other income of Innkeepers.

Economic Viability

- Overall PAII Study Net Income is \$50,974 prior to any mortgage payments or return to the innkeepers.
- B&B Net Income:
 - 1-4 rooms = -\$145;
 - 5-8 rooms = \$ 29,478;
 - 9-12 rooms = \$159,752;
 - 13-20 rooms = \$134,944.

Average Annual Mortgage Payments

- Based on Overall Value of Inn (20 year 7% fixed rate with 20% down):

• \$500,000	=	\$ 37,214;
• \$750,000	=	\$ 55,822;
• \$1,000,000	=	\$ 74,429;
• \$1,500,000	=	\$111,643;
• \$2,000,000	=	\$148,857.

Comparing the Results

- The overall value of the PAII Study is to compare the results based on the various criteria set up in the study.
- Thus, the results can be shown using criteria such as number of rooms, region, or type of location of the Inn.
- Then by comparing results on an account basis you can improve the bottom line.

PAII EXPENSE DATA

Selected PAII Financial Statements:

- Overall Inn Income and Expenses.
- Income by Size.
- Income by Region.

OPTIMIZING RESULTS

- The key is to compare income and expenses to the criteria which best apply to your Inn.
- Review of your Income and Expenses side-by-side with your historical results and with the PAll Industry Study will show areas that can be improved.

TRACKING FOR COUNTRY INNS

- Restaurants need separate tracking.
- Daily Covers must be kept, along with Center of the Plate records (what protein is being ordered) and average ticket.
- All sorts of ratios need to be tracked:
 - Gross Margin
 - Food Cost Ratio
 - Beverage Cost Ratio
 - Labor Costs Ratio
 - Beverage/Food Cost Ratio

SUMMARY

- Tracking Financial and Source Data gives Innkeepers a base to create a budget i.e. a future projection to manage the Inn.
- This is basically taking control of your Inn business rather than just reacting to what happens.
- It allows you to set and achieve financial goals and to OPTIMIZE YOUR INN BUSINESS.