

Profiting from a small hotel



*A practical in-the-know
guide to the purchase
and running of a
small hotel or
guest house*

CLIFF AND

ROSEMARY PUGH

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a small hotel***

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WHEN people learned we ran a small hotel their comments fell into two groups. One was “isn’t it jolly hard work”, the other “we have always thought of doing that”. Clearly this is an occupation that has an attraction for many people but is it based on a rosy tinted but uninformed guess?

In our case it was no such dream but the need to find a new career after two experiences of being made redundant. We felt that a change from an industrial environment to some form of self employment was the road ahead. But what were an industrial scientist and a housewife fed up with industry after two such experiences to do?

We spent some time looking at general stores and post offices without a lot of enthusiasm. It was a discussion with a far seeing broker that helped us decide that a small hotel or guest house might be the answer. After all a housewife has many of the basic skills and an industrialist some idea of management.

Our experience of the industry, as with most people, was confined to being hotel guests on holidays and business trips. We did find when we debated the idea that we had many ideas on what we disliked about establishments where we had stayed. We also had some views on what we had liked. Perhaps this could be a good basis for exploring the idea.

We found that most books on hotel keeping are based on the larger establishments, more complex than we had in mind. We felt with our lack of relevant experience that we should aim at hotels with less than 15 bedrooms and meals for residents only; not for hotels with a public restaurant. Most books on ‘starting your own business’ are unrelated to the special needs of the prospective guest house owner.

So we set off very much on our own to seek our fortune. We learned the hard way, admittedly often the best. We ended up with a very happy and prosperous eleven bed hotel and had eight years running it before deciding it was time to retire.

Running a guest house or small hotel is a different life style from most other occupations. You get up pretty early in the morning since the business is not big enough for resident staff. Whilst there is free time during the day you will find there is a need for someone to be there at all times to receive guests, deal with enquiries or cope with the occasional emergency. If a husband and wife team want to be

away together, even for an evening, then someone has to be hired to look after reception and the bar if there is one. Nevertheless we found it an exciting and rewarding occupation as do so many others. Unlike working for someone else you are masters of your own destiny. You can chose how you will run things.

We would stress the need for adaptability. Whilst there are many sources of advice in the end you have to be your own expert on handling customers, repairs, cash control, advertising and marketing. In this book we try to help you along these roads.

Based on our own problems we feel there is a need for a simple, readable, easily followed guide to how to set about such a quest. This book is based on our time in the industry, our mistakes and our successes. We try to point out the snags and suggest ideas to ease the path. We have tried to provide an informal but comprehensive guide, illustrated where appropriate by things we experienced. The book is aimed at those seeking the smaller establishment. There are other books for the bigger ones.

The book has been set out in two parts:

PART ONE deals with the initial problems of deciding what one wants and sets out stepwise our way of achieving it.

PART TWO gives a more detailed look for the uninitiated of how to set about running the business once you are in. This section is also meant to be read after your offer has been accepted and you are reviewing your plans while you are awaiting completion. There may be things you would prefer to be done differently or equipment to be replaced as soon as possible. This waiting period is a time when much useful work can be done to reduce the feeling of panic when you are actually in charge of your own establishment for the first day – and it really is an entirely new business for you!

Finally we have included an index. There are few things more frustrating than remembering there was a paragraph about some particular detail and not being able to locate it again. We hope we have solved that problem for you.

We would thank most sincerely our friends Barry Williams and Cameron Mathieson for their help and advice in the preparation of this book.

***Finding
and
purchasing
a small
hotel***

FIRST STEPS



THIS book is specifically aimed at people who are seeking to enter the hotel or guest house industry for the first time. So it is possible that you are planning a change from some other industry, or may have been made redundant. It is most unlikely that you will have had any formal training in hotel management or you would be seeking experience in a larger establishment.

In this situation we recommend you to sit down and ask yourself a number of questions. You probably won't know all the answers but it will give you a guide when looking at prospective businesses.

1. *WHY DO YOU WANT TO DO THIS?*
2. *DO YOU KNOW WHAT YOU ARE SEEKING?*
3. *WHERE SHOULD IT BE?*
4. *HOW MANY BEDROOMS?*
5. *WHAT SERVICES WOULD YOU BE READY TO OFFER?*
6. *HOW MUCH CAN YOU AFFORD?*
7. *HOW DO YOU GO ABOUT IT?*

You should know the answer to the first question, but possibly not the second. Now is the time to seek answers to some of the other questions which will help solve that problem. Let us take them one at a time.

Where should it be?

This is one of the most important questions, and one which cannot be divorced from considering what type of business you are to run. Is it to be tourist orientated or aimed at business clients? Or is it to be 'a combination'? Tourism is no longer mainly a seaside affair. Mountains and lakes offer profitable tourist sites and even

many unexpected towns are now paying increasing attention to offering tourist features. Wigan Pier is now a tourist centre! Conversely many seaside towns now have industrial estates to provide winter employment.

In broad terms tourist guests tend to seek fairly modest price range accommodation. Business clients, being paid for by their companies, are less price conscious but expect a high level of service and accommodation.

Seaside holidays are less popular than they used to be but coastal hotels are still worth considering. They need plenty of family accommodation. They need not necessarily be actually on the shore, but if further inland access to beach must be easy. Parking is important and preferably adjacent. Access to a good shopping area is equally important, shopping is a major holiday pastime so a good shopping centre is as vital as the shore. As not everyone has a car easy transit to and from train and bus station is essential. If access is difficult provision of a courtesy car helps but can be a nuisance and expensive. There will need to be good drying facilities for guests with children.

Seaside resorts are essentially seasonal. With a successful business this allows plenty of time for a winter shut down for refurbishment and personal holidays. But the summer season has to be profitable enough to cover the overheads during the closed period and provide a reasonable income!

An offshoot of the growth of continental holidays is the tendency for the U.K. resorts to be busier at the start and end of the summer season. People take breaks of several days more frequently than holidays of one or two weeks, which may well have been spent abroad. These provide a welcome way of extending the season into the winter months.

These shorter breaks are also often found in inland tourist resorts. There is a tendency to stay a day or two and move on again.

Some resort and country hotels concentrate mainly on the coach trade, though reserving several peak weeks for individual customer bookings in the height of summer. Coach parties are usually booked a year ahead so this, in a successful hotel, can provide a very stable income. Be warned however that booking agents often delay payment for up to nine months after the party has left. With high interest rates this can upset your cash flow.

Business orientated hotels are much less seasonal, though there may be a

slackening in the summer due to absence on family holidays. While this provides a more uniform income throughout the year it may make it difficult to close for personal holidays. The size of establishment we are studying rarely has standby managers to take over while the proprietors are away, yet to close for an annual holiday risks losing regular business clients. Business clients can also mean a long working day, early breakfasts and late drinking sessions if you have a bar

Business hotels should be within easy reach of commercial or industrial centres yet in a quiet environment. They can be either inland or on the coast. Smaller ones without an a-la-carte restaurant should be within easy reach of a good range of restaurants. Adequate parking and good local public transport are essential. They should have a high proportion of en-suite bedrooms.

On site or adjacent parking is very necessary for this type of hotel. Again good access from train and bus station is desirable, though many business clients will use taxis anyway.

These are some of the things to consider at this stage together with any personal attraction to one part of the country.

How many bedrooms?

When it is a couple or a single person seeking to enter this industry it is widely accepted that the number of rooms is best kept below twenty. For a couple fifteen can provide a good living without strain, we ourselves did very well with only eleven. As with all choices at this stage judgement has to be qualified by a number of things.

If the husband will be working elsewhere and the wife will be running the business then eight or less rooms can be adequate.

One most vital decision, influenced by the number of bedrooms, will be how many staff to employ. The more staff the easier the work load, the less the more profit! In most small businesses part time staff are usually adequate, and their use helps to avoid having to do too much paper work for the tax man.

What services would you be ready to offer?

The basic choice is between 'Bed and Breakfast', 'Half Board' and 'Full Board'. For those entering the industry full board can be rather ambitious. Half board, which

most times in a small hotel means ‘Dinner, Bed and Breakfast’ is a much safer choice. Nowadays in the U.K. it is essential to offer a ‘Full English Breakfast’ in your menu and advertising, though more and more people are tending towards the continental style of breakfast.

The big decision will be whether to offer dinner or not. Here your personal expertise plays a large part in the choice. Are you good cooks, or will the establishment be capable of supporting a chef in addition to the owners? If not perhaps seeking a primarily Bed and Breakfast place is best. Are there good restaurants at a range of prices in the neighbourhood? This can affect your decision.

What about drinks? Do you want a restaurant licence, a residential and restaurant licence or a full licence? It is usually an advantage to be able to serve drinks to guests but can be a heavy chore to open to the public at large. Whilst the latter can be profitable, the work load has to be considered seriously – will the location make it worthwhile and do you want the staffing problems? There is a section on licences in Part Two on page 39.

Having a large room for functions can be very useful. It allows letting for parties, dances and can make all the difference when a local firm wants to hold a residential or perhaps non-residential conference. All of these can be good business.

How much can you afford?

The purchase will normally be financed from several sources. There will be the cash available from the sale of your present house after expenses, there will be any personal savings, there will be money borrowed on mortgage.

The cheapest source of borrowed money will usually be your bank, though we will qualify this by saying that a friend recently got a better rate for hotel purchase from his building society. Perhaps one should always shop around. The lenders will want evidence of the suitability and viability of the purchase before committing themselves, but at this stage will be able indicate how much they may be prepared to lend you.

In any case we suggest you spend some time with your bank manager who will help by assessing the amount he is likely to lend you in the light of your personal circumstances. As a general guide you are unlikely to be able to borrow more than

70% of the total value of the property you will be seeking unless you have unusually good security to offer. It will do no harm to talk to a mortgage broker on similar lines as he too will have a shrewd idea of what is possible.

Until you have a definite prospect the exact amount cannot be determined as it will depend on their assessment of the business's commercial viability. However you should be able to get adequate advice from these professionals to enable you to judge your limitation reasonably closely. Bear in mind you will need to provide from your own resources some 30% of the purchase price, money for the dealing costs and cash for the first year running costs.

How do you go about it?

The next move is to check what is available on the market at the moment. Get copies of Daltons Weekly, the most fruitful source for finding Guest Houses and Hotels. Look in the daily papers. Write to business transfer agents (find them in the Yellow Pages) for leaflets on likely properties and to individual properties in the press.

You will get a lot of leaflets which is just what you want for the next stage. It is easier to make up your mind on what to seek by studying what is available to see how it fits your own conceptions.

So now you have give thought:

TO WHAT YOU ARE LOOKING FOR,

TO HOW BIG IT SHOULD BE,

TO WHERE IT SHOULD BE,

TO WHETHER IT WILL BE TOURIST, BUSINESS OR BOTH,

*TO WHAT PRICE RANGE IT IS WORTH STUDYING, AND
YOU HAVE COLLECTED A LOAD OF LEAFLETS ON DIFFERENT
TYPES OF PROPERTY.*

EXPLORING THE FIELD



FROM amongst the information you have acquired pick out one or two towns and several properties in the rough price range and areas you have in mind. Then make appointments to visit them. The purpose is to get a feel of the industry before you come to your final and critical choice.

The agents will make all the arrangements for you. If it is to be a weekend tour of an area they will probably be able to book you into one of the prospective hotels. While we were searching the Torbay area Bettsworths organised a tour for us and Mrs Bettsworth took us round several diverse properties. We ended up purchasing elsewhere but we were very grateful for her help. If you show interest in the establishment where you stay it is quite possible the owners may offer you a free stay – we would advise against accepting this, even if it feels like a good prospect.

Make no attempt to take any decisions at this stage. But do make notes of your impressions. It is very dangerous to make snap decisions, particularly on this first round. When you have completed this series of visits it is time to look again at those questions:

1. *IS IT TO BE A HOTEL SERVING TOURISTS, BUSINESS CLIENTS OR A COMBINATION?*
2. *WHAT LOCATION DO YOU FAVOUR?*
3. *HOW MANY BEDROOMS ARE YOU NOW CONSIDERING?
HOW MANY SHOULD HAVE EN-SUITE FACILITIES?*
4. *WHAT SERVICES WILL YOU BE OFFERING?*
5. *IS IT TO BE LICENSED AND WHICH TYPE OF LICENCE?*

You should be able to answer these questions quite well by now. Consider whether among the properties you have visited there were any that particularly matched your requirements? And are there any others on the market you might now decide it is worth considering?

Take a look at the up-to-date offers in the journals and from business transfer agents.

Now you should have a fairly clear picture of the type of business that you are looking for.

MAKING THE CHOICE



SO out of the properties you have visited were there any that still seem attractive? And now you have more experience are there others on the market that you now feel you should visit? Remember your future depends on making the right choice. Time spent at this stage can save a lot of anguish later.

So as well as reviewing the properties you have visited go back to all the original sources and have another look. There will be many new properties on the market while you have been carrying out the earlier exercise and with what you have learned you will be much better placed to judge their value to you.

The time has come to make up a list of likely properties. It should be a relatively short list that matches the decisions you have made.

Bear in mind that you are unlikely to find a property that meets all your expectations, if you do it may well be at a high price. It may be better to look for a property that is a little run down but has the space and capacity to be developed into the ideal business you would eventually like. The reason it is on the market could be that it needs new development and the owners do not want the bother. So have an open mind and look for development potential. If it has not got a feature you want see if it could be added economically.

In particular bear two things in mind. The growing emphasis on en-suite bathrooms, even in modest establishments, and the mobility of guests, be sure to be easy to reach and find from main travel routes or bus and train stations.

Make appointments to view the short list. *This time make very detailed notes* of all the features on which the final judgement will be made. Use this chapter as a guide to what to look for.

Accounts

In particular pay special attention to the accounts. Are they properly audited, and for how many years?

We were sometimes shown accounts in a small cash book, or on rough paper, accounts where the wife's hairdressing bills were included as repairs! Such accounts are unlikely to impress the bank manager or the broker you hope will lend you money. Nor are they necessarily going to tell you how the place was run.

You should also be wary if the owners have only been there a short time. Why is this? Is it because the business is uneconomic? Is it because they are unsuited to the trade? Is it because of genuine illness? The answers are vitally important to your decisions.

Study the accounts critically. Has the turnover kept pace at least with inflation? Have there been any major changes in expenditure? How has the net profit performed and is it adequate, has it kept up with inflation? Your personal living expenses will be merged into the hotel costs, however the tax inspector will assess a figure for your benefit in kind and tax you on it. In practice the figure is very modest.

At this stage the most important figures to note are the profit shown and some of the expenses.

You will have to assume that most of your expenses will be the same as for the vendors but with an allowance for inflation added – but the prices you charge will also have to allow for this. The accounts will probably show a figure for old style rates. You will have to pay the Uniform Business Rate so ask what the valuation is and the local multiplier. You will also have to pay the 'Council Tax'. These could add substantially to your overheads. Look also for any items that might be personal to the vendors – remember our comment about the wife's hairdressing! Finally

adjust the net profit shown for these items. Does it look enough to cover your projected loan payments and leave enough over? A fuller analysis of the accounts will be needed if you eventually decide this is the place for you.

If you are seriously interested, obtain copies of the last three year's accounts to discuss with your bank manager or mortgage broker.

Structure

It is important to have a good look at the condition of the building. While you will certainly need a survey before committing yourself to a purchase you do not want to waste money on one that has obvious defects. Bear in mind the first impression a guest has on arrival is the sight of the building itself. Is it attractive, does it impress, is it in reasonably good condition? Is the reception area cheerful and does it have a happy feel? It is amazing how the atmosphere of a hotel can impose itself as you walk in.

Bedrooms

It is important that each room be fully equipped and comfortable. Well used comfortable furniture is more acceptable than smart, modern but uncomfortable stuff.

Are there rooms with private facilities, and how many? These will command a higher tariff and encourage the more affluent guest to come. Indeed the provision of private facilities is becoming more and more essential. Is there space for adding these facilities to rooms without them? This is becoming true for Guest Houses as well as Hotels.

A bedroom is a working piece of hotel or guest house equipment. It must be treated as such. It must be kept sparkling clean and in good repair. Fittings must be functional, and repaired quickly if found out of order. Are many improvements needed?

There are minimum requirements. Single beds should preferably be 3ft and doubles 4ft 6ins and at least 6ft 6ins long. There must be a wash basin with hot and cold water, glasses and soap. A towel rail and a hand and a bath towel for each guest. A drinking water tap is an added refinement if practicable. (*The latter must come straight from the mains without any header tank*). There should be a bedside table

each side of a double bed and a reading light on each, one for a single of course. There must be a sensible wardrobe and dressing table and a full length mirror either on the wardrobe door or the wall. There must be a notice indicating the fire escapes and fire drill. Are they present?

Desirably there should be a luggage stand, tea and coffee making facilities and shoe cleaning equipment in the form of paper strips. These days a television, preferably colour, is becoming almost a standard bedroom feature.

The guest should be given a key to the door, preferably linked to a key to the main entrance door. This saves trouble when out late. Having a tag with the address on for keys taken away on leaving is not recommended. Guests can lose them in the town leading to a risk of burglary.

Bathrooms

In the ideal world all bedrooms have a private bathroom attached. Whether you find this desirable feature or not, all bathrooms should have been kept impeccably clean. The bath should have a shower fitting, preferably a thermostated one. The walls, certainly in the shower area and above bath and basin should be covered with ceramic tiles. The rest of the walls with suitable water resistant paper. There should be a stool, a rubber anti-slip mat for the bath and a slip mat for the guest to stand on when getting out of the bath. There should be a light over the basin mirror and a twin voltage shaver point. Is the storage capacity for hot water adequate?

Often en-suite bathrooms are added long after the hotel was built. Check it was done efficiently. Are there enough for the type of clientele? If not is there room to introduce more? You will need water services and access to a soil pipe as well as space.

Lounges

If there is a licence there will probably be two lounges, one where drinks are not served. Sometimes there is a bar in the dining room and none in the only lounge.

The furniture should be comfortable and in good condition. All should be clean. Preferably there should be a television and a writing table.

Is there adequate seating for the number of guests?

Dining room

If it is a bed and breakfast only place then the dining room may be relatively small. If half board then there should be ample space for all guests when fully booked – people spend longer over main meals. Tables should not be crowded and there should be a sideboard. Are the tables suitable for combining together for large parties? If there is a bar in the room it should be away from the meal serving route to avoid confusion during service.

Check the condition of the tablecloths and, glassware and cutlery. All can make a big difference to the appearance of the room. See also pages 55 and 56.

Bar

If there is a bar check whether stocks in use can be secured when the bar is not occupied and that there are correct measures and glasses. A wine cooler is desirable but not essential. In a small hotel a larder refrigerator in the kitchen area is adequate. But check white wines are not being overcooled in the main refrigerator!

Kitchen area

The kitchen is a key area of any guest house or hotel whether a bed and breakfast or a full board establishment. It has to be impeccably clean and well equipped for efficient function. You should look for the following equipment:

- Large electric cooker.
- If gas is available large gas cooker also. If no gas main Calor gas may be being used.
- Extra grill unless cooker provides enough capacity, 6 capacity toaster.
- Deep fryer with thermostatic control.
- Microwave oven.
- Hot cupboard, thermostatically controlled.
- Large larder type refrigerator.
- Deep freeze cabinet. *We prefer upright for easy access.*

- Food processor.
- Slicing machine.
- Coffee machine.
- Water boiler.
- Twin basin sink with hot, cold and drinking water.
- A potato peeler is desirable.

Storage cupboards for pots and pans, cutlery, china and glassware should be conveniently located to avoid excessive walking between sink, workbenches, and access to dining room. Are they?

A dishwasher is essential in all but the very smallest place. A *good quality* domestic one will be adequate for up to say, a 12 bed hotel, a commercial one will be better for the larger establishment but is much more expensive. We found it best to employ two young girls as dishwashers, taking alternate days each. This helps cover holidays and illness. Our two were found to be planning Christmas cover one September! They are still in touch with us and invited us to dinner with them and their husbands recently. And a splendid dinner they cooked – experience of our catering perhaps?

Is the ventilation adequate? Extractor fans should be located as near above the cooking area as practicable.

Food storage

Food should be stored in a separate room, also with good ventilation. Dry goods can be on open shelves, with separate racks for vegetables. Meats and cheeses in refrigerators. These should be set at approx. 45° to 50°C. All meats and cheeses should be individually wrapped in cling film or otherwise protected from the environment. If one makes ice in trays or plastic pockets in a freezer then the use of ‘larder refrigerators’ which do not need defrosting or water removal has considerable advantages. They can also be used for wine cooling if a special wine cooler is not used.

Cleaning materials should be kept in a separate cupboard or storage area.

Reception

It is unusual for small hotels and guest houses to have a formal reception desk. A bell in the hall to summon staff is more common. Here should be the hotel register, a pay telephone (essential), a notice board with local information, a display of hotel prices and a current menu. A selection of brochures of current local attractions is evidence of good customer relations.

Toilets

In small establishments separate male and female toilets are not required. There should be a hand washbasin in each toilet, a hand towel, mirror and toilet brush in container.

There should be a separate staff toilet though this may not be insisted on if there is a ground floor toilet accessible and it is a small establishment.

Other facilities

If there is a games room or large functions room check for condition and facilities. Are games in good order?

Decorations

Check the state of decorations throughout your tour. If they are good but not to your taste then consider the likely client's taste. You may decide that redecoration of some areas will be needed – this is an expense to be added to the cost or deducted from the purchase price.

Is the lighting adequate, especially in the work areas? Are the fittings in good condition?

Maintenance contracts

One final but important check is to ask if there are any items on hire purchase or lease; T.V. systems and fire precaution equipment are often leased. Ask also if there are any maintenance contracts on equipment such as dishwashers etc. You have to decide whether to continue these items.

Certificates

Check the hotel has a fire certificate and no further work is required for this by talking to the local fire prevention officer.

If music is played in any of the rooms it must have a Copyright music Licence from the Performing Rights Society, 29 Berners St. London, W1P 4AA. If records or tapes are used for background music a Phonographic Performance Licence from Phonographic Performance Ltd. of 14 Ganton St., London, W1V 1LB will also be needed.

Personal accommodation

In many small hotels or guest houses the area isolated for personal accommodation is quite inadequate. In some seasonal hotels or guest houses in the West Country we visited we found proprietors moving out of their rooms to tents or caravans to increase the number of rooms to let.

This approach we strongly deprecate. A proprietor in the busy season is under considerable pressure. Privacy and good sleep are vital. We cannot stress too strongly the vital necessity of adequate and private owner's accommodation.

Take a critical look at what the vendors use for themselves. If it is inadequate you would have to assess what saleable area you could sacrifice if you wished to improve it. You should at a minimum have a private bedroom, if possible bathroom, and a lounge. All should be inaccessible to the guests. They should meet you in reception or the public rooms.

Local Plans

Talk to the local planning department to check on any developments planned for the neighbourhood – new roads, hotels, residential homes, factories, refuges for the disadvantaged etc. You need to know? Some things can have a devastating effect on your business.

Local Services

Is there a good shopping area and a range of restaurants within easy reach? What about entertainments – cinemas, concert halls, bowls, ice rink etc.?

Access

Is the approach attractive. Is the property easy to find? Is it within reach from the motorway network – this can be helpful in attracting long distance tourists or commercial travellers. How good is access to the local shopping or beach? How effective is local public transport. Try and assess this during a tour around the neighbourhood.

Parking

Is there adequate car parking, either on or adjacent to the property?

Inventory

If there is an inventory try to obtain a copy – photocopy it locally perhaps. It may however not be available until nearer the transfer date.

Sum up

After this round of visits it is time to sit down and critically review your notes on each hotel. Is it possible to reduce the list to one choice property? If not a further search of available properties may be needed.

Bear in mind our earlier suggestion that it may be better to pick one suitable for development into your ideal target than to seek exactly what you want.

However for the time being let us assume you have the choice down to one. What do you do now?

Now it is a good idea to spend a little time in the area. Explore the neighbourhood. Talk to local shopkeepers. Visit the local Tourist Information Office if there is one and have a chat with them. In all of this be discreet. Businesses do not like the word getting around that they are about to change hands. It can be bad for trade and credit. However a lot can be learned with a few innocent questions.

If you are now happy this is the property for you the next move is to take another look at the accounts. Consider if you can raise enough cash to make any alterations and cover costs for the first year and if all seems well make another visit with a view to making an offer if you are still sure. Always do this through the agents and not directly with the vendors.

Nobody expects to get their asking price and by now you should have a good

idea of what prices are being asked so don't be afraid to indulge in a little haggling.

If it proves impossible to reach an acceptable price then you must start again! However we hope that a successful price was agreed and accepted.

MAKING THE PURCHASE



ONCE your offer has been accepted the next move is to talk to your bank. This is usually the cheapest source of the money you need to complete the purchase. The bank manager can also get an appraisal from the branch of his bank near the property of the suitability of the business. While this will merely be general advice on its likely success, if he says be cautious do take good note of it, you can still change your mind at this stage.

Business plan

Now you will need to prepare a business plan. Many banks will provide help and guidance with this exercise. This plan should be accompanied by copies of the vendor's last three year accounts. Either you or they can ask for these if you do not already have them. The plan should show how you propose to raise the money, i.e. what resources you are providing yourself and how much you propose to borrow and over what period. It should show how the money will be spent and how you see the business developing during the first two years. It will be advisable to adopt the same approach and the same balance of revenue to overheads as the vendors unless you intend drastic changes in the way the business will be run. You will need to indicate the cost of any changes you do intend to make in the facilities or services and when they will be made. Do not forget to allow for working capital on top of the cost of purchase.

If it is a seasonal business a lot will depend on the timing of takeover. If at the end of season there will be little or no revenue for some months. As this will be a recurring feature allow for it in the overdraft facility you arrange.

If an all year business there may be an initial fall off when regulars discover there is new management but you will have a more regular revenue situation.

Below we tabulate a purely imaginary review. You will see that our fictitious hotel is proposing to make a 34% profit on turnover which is pretty acceptable. Providing it is based on realistic use of the previous accounts there should be no difficulty in raising a loan provided always that the expected repayments are not too large a proportion of this profit.

Projected Profit and Loss Account

Revenue	£	£
Accommodation	29,200	
Meals	8,400	
Drinks	4,700	
		42,300
<i>Less:</i>		
Cost of food	3,780	
Cost of drinks	2,350	
		6,130
Gross profit		36,170
<i>Less:</i>		
Wages	4,500	
Overheads (rates, services, etc.)	17,250	
		21,750
NET PROFIT		14,420

Survey

If your financial assessment appears favourable then you must have a survey carried out. Indeed if any major defects are revealed negotiations on the price can be restarted unless, of course, they are bad enough to call off the whole deal.

The survey should be a full one including inspection of both electrical and drainage systems.

Solicitor

You will need a solicitor now. If you already have a good one then use him. If not advice from the local bank, who will be holding your account once you arrive, will be useful, or from a local friend if you have one. The advantage of a local solicitor is greatest when the vendors also have a local one as the completion is simplified. All too often there is a delay in letting you in while the vendors solicitors check the money has actually been transferred. Regrettably this can still happen even with electronic transfer of funds today.

Your solicitor will draw up a contract and agree it with the vendor's solicitor. He will carry out all the necessary searches and agree a completion date.

Until the contracts have been exchanged and signed you are still free to withdraw if for some reason you change your mind. From the exchange of contracts this is no longer possible. You will be legally bound to complete with horrific penalties if you fail to do so. From exchange it is therefore essential to insure the business, as if there was fire or other disaster, you would still have to find the purchase price. At the exchange you will have to pay a deposit, usually of 10% of the purchase price so keep your solicitor informed of the progress of your financial arrangements. Do not exchange until the full amount of the money needed is assured.

PROVIDED ALL IS NOW GOING AHEAD MOVE TO THE NEXT STAGE.

PLANNING

AHEAD



As it takes anything from two to six months for the process of purchase to reach completion, depending on the presence of chains in the system, you will now have time for a little planning.

When you move in life will be very hectic for a very long time. You will be running this type of business for the first time and will have a lot to learn as you go along. The more time you can spend now learning what you will have to do, how

you will want to do it, and seeking out the things the present owners do which you will want to change, the easier it will be when you take over.

So read this chapter and also *PART TWO* during these weeks, make your advance plans, and you will never regret it!

V.A.T

If the hotel or guest house is registered for V.A.T. you will need to get in touch with the local V.A.T. office. Look in the local telephone directory under 'Customs and Excise'. They will provide you with all the necessary leaflets and the form for applying to transfer the registration on completion. There is a fuller section on V.A.T. on page 38.

Licence

If the property is licensed your solicitor will arrange for the transfer of this to you on completion. There are two stages. Initially you and the vendor will need to attend the local court to apply for a 'protection order' which will cover the time between taking over and the next session of the Brewsters Sessions when a new licence can be granted. In both cases the suitability of the applicant is taken into account. The requirements attached to a licence are outlined more fully in on page 39.

If the property is not licensed you may wish to apply for one. It may be prudent to wait until you have run the business for a while first. It is best to make application through your solicitor. If a full licence is not sought then there should be little problem in obtaining either a residential or restaurant and residential licence.

Accounting

If you do not already have an accountant then this may be a good time to approach one. The local bank manager can offer suggestions. We would recommend a well established man but not a branch of a large organisation. One of the latter managed to lose the whole of one year's documents of ours with disastrous results.

You can discuss terms and also the method you intend to use for keeping your accounts.

We would strongly recommend that all moneys received should be banked in full and separate cash taken out for purchases and payments from petty cash.

Meals

As you are new to the business it will be worth sitting down and working out the sort of menus you will be providing. Different hotels and guest houses have different ideas on this.

Some with essentially a weekly clientele, and these are becoming rarer now, favour a standard weekly menu, or sometimes a two weekly repeat pattern. The rationale is that as each week or fortnight arrives so does a new set of guests so the repetition does not matter. This can be a little soul destroying for any long staying guest, and a little dull for the cook, but does make life easy!

It is more common for the menu to vary according to the season and availability of ingredients.

It is essential to offer a “full English breakfast” nowadays. This is as a result of much campaigning by the English Tourist Board. A full English breakfast should include as the cooked item – bacon, fried egg, sausage, tomato, possibly mushroom, and fried bread. Be prepared for individual guests to request omission of parts or even just one item. Others will want boiled eggs and often will specify how long they should be boiled. We recommend the practice of offering a wide range of cereals, which must include muesli and a high fibre product on the sideboard, also orange juice (*fresh*) and possibly grapefruit juice or grapefruit halves or segments. All of these should be on a help yourself basis, table service being confined to tea or coffee, cooked items and toast.

If you really want to be up market, and if there is a good baker nearby, croissants are worth considering. With a freezer and a microwave, haddock and kippers are easily provided. Whatever your policy breakfast menu is desirable, guests hate being asked cold what they would like.

Having said all this we must point out that whilst it is necessary to offer a full breakfast guests are now increasingly taking a continental style of meal instead. It may be best to charge on this basis and offer the full breakfast as an extra.

If as a new hotelier you are offering dinners we would strongly recommend a set menu approach. Although many pre-prepared meals suitable for a-la-carte service are readily available from suppliers they do introduce an element of complexity you can well do without.

With a set menu it is advisable to offer some choice. Soup or pate to start is

simple. A salad choice in case the main course is not liked is desirable. An alternative to a fish main course is wise. And be prepared for the occasional vegetarian, hopefully they will tell you on arrival! After the sweet course offering a selection of cheeses and fruit on the sideboard for self service has a strong attraction. Admittedly some will take advantage and gorge themselves but they will be well balanced by others who take nothing. And it is certainly good customer relations!

It is useful to decide these points in advance of taking over – but be prepared to be flexible and adjust to any differences in demand you find among your clients!

Equipment

Let us now consider the equipment you will be working with. Did the property have a microwave, and was it adequate? What about freezer and refrigerators. Are they in good condition? Was there a wine cooler – this runs at 50°C, a higher temperature than the refrigerator (*and this means that if you use a standard refrigerator as a wine cooler it will not make ice and will need draining very frequently so use a larder fridge*).

This is the time to sum up what new equipment you will need for the kitchen and dining room. Was the tableware satisfactory? Was there enough for a full house and were the tablecloths in good condition. Did the property have both gas and electricity available? If so, did it have both types of cookers – in times of power cuts this can be a life saver! If not, should you consider a Calor gas cooker as a standby?

For fuller guidance on the amount of equipment needed see pages 16, 30 and 52.

Almost certainly you will not remember all of this so make up a list ready for another visit. Never be afraid to repeat visits, always out of busy hours, as it is your future prosperity you are buying.

Equipment replacements

Time now to budget for any further replacement costs. And to think how soon the outside or some of the rooms will need to be redecorated. This will be a major cost item to be planned well ahead. If you are good at home improvements your skills will come well into play during your time running a hotel.

Domestic affairs

However there are other things besides meals to plan for. Beds have to be made. Do you know how to make a good hotel bed? We didn't and had to get the girls we inherited to teach us when we arrived. They enjoyed it no end but we would have done better to learn in advance! Are the supplies of linen and towels adequate. We found we had fewer bath towels than rooms when we finally checked! So do ask for details. Is the storage place satisfactory? Find out if the linen is owned or hired and how it is laundered. Done in house or by the laundry. You may want to change the system some time after taking over. See page 48. How were the vacuum cleaners and was there one or each floor?

Staff

This brings up the question of staff. A little thought on how the sellers ran the business will pay off here. It is often said that you have the choice between having little staff and a big profit but die early or, having a lot of staff hence low profit but live too long to survive financially on it! This is a personal choice but thought ahead is worth while. Will you take over their staff – this has attraction as they know the business but may also have irritating habits that don't fit in with your ideas. We would recommend taking them over to start with unless there are good reasons why not. You can then rationalise the situation when you are more settled. This requires discussion. What are their holiday entitlements? Do they have any special arrangements? You should see their contracts of employment.

Planning operations

It is also worth thinking about how you will spend your time. Some things are fixed like meal schedules. Cleaning routines and stocking up can be varied. It is best to clear both up in the morning, leaving the afternoons free for relaxation and personal time. It is important that each of you has some clear free time, preferably a whole day each week away from the business. If all the proprietors are competent to do all things, cook, control staff, deal with reception and accounts, etc. then it is easy to schedule free days.

Think too about holidays. It is unlikely you are considering a place big enough to pay for a resident manager and however good the daily staff are it is unlikely

they can run the place for, say a fortnight, without your supervision. The situation depends on whether it is a seasonal opening hotel or an all the year round one. If the latter can it be closed in a dull month, perhaps November or February, without disaster. Our hotel was an all year one with an extensive winter business clientele. After two abortive attempts to train a girl to run the business in our absence we decided to close for the whole of November. Would our business clients desert us? We did not know. We wrote to all the firms using us about our plans, took off in November and opened again in December hopefully. All was well, bookings were as normal, and we continued thereafter closing every November.

Animals

Whether or not the business currently accepts dogs or other pets you will need to decide your own policy. Most who accept animals make specific rules. They are excluded from the dining room and allowed in the lounges only if not objectionable to other guests. Most insist the guest feeds the animal and kerbs it for toilet needs. Many bring their own bedding, some leave the animal in their car overnight. Charges vary from nil to a set figure, or a charge only if extra cleaning is needed. We had many delightful dogs to stay and never any problems.

Prices

You will probably take over the vendor's price structure to start with, perhaps with an adjustment for inflation if it is a new season. Once in control you will eventually make changes in services or meals. There are some guide lines to help with pricing. It is common practice to add 50% or 100% to the cost price of drinks, 150% to the material cost of meals or snacks. However it is prudent to check the prices in similar or nearby establishments to ensure you are not too far different without good reason. But also remember prospective guests sometimes equate lower prices with inferior service and go for the more costly place!

Credit Cards

Accepting these is becoming increasingly necessary even in small guest houses. The snag is the 5% or so charged by the card company. If you do accept them try to get cheques with a cheque card instead as often as possible!

Collaboration

Another thing to think about is the possibility of exchanging bookings with other hotels when you are full. We gained about 5% of our business this way. All you can do at this stage is to take a good look at the other hotels in the town with this in mind. You should have done some of this in summing up competition already. You can check their facilities and price range in the Town brochure, you may be very busy when you first take over. Once in, the Tourist office will help with this too.

Time spent on all these facets of management will be well repaid when you finally take over and move in.

COMPLETION AND MOVING IN



OUR solicitor will have fixed the date for completion and arranged for the transfer of the money to the vendors solicitor. The one thing we would again stress if you are taking over a running business is the need for caution over the timing. All too often the vendor's solicitor will say no moving in until he confirms he has the cash. Even with modern electronic transfer of funds he can be refusing to acknowledge receipt some time after your solicitor confirms the transfer. This can be very annoying. When we took over, our van was kept waiting from 9 a.m. to 3 p.m. although the transfer had been made at 10 a.m. In the end we said this is ridiculous and just moved in. Forewarned is forearmed!

As with any move it pays to have your items marked to show where they should go. If you are moving from a house to a more restricted flat or set of private rooms there is likely to be a storage problem. Some of your effects may be planned to go into the hotel area. This is not necessarily a bad thing, when you are eventually ready to sell again you can plan to replace them in advance so taking better ones with you. This may well apply to some of your kitchen equipment too.

In taking over a running business, time is always short so the pre-planning we recommended in ***‘Planning Ahead’*** will now prove its worth. If the hotel is not running, e.g. a seasonal one, life is very much simpler and time will be on your side.

The vendors will have an inventory ready for you to check while the move is going on and it will also be necessary to go through the stock of food and other consumable goods which will have to be paid for on the spot. Hopefully most packs will have their prices still on but inevitably a lot of personal judgement has to be used at this stage. Do not be afraid to reject any goods in bad condition, but you cannot reject good material because you do not feel you will want to sell that particular item. Unless stocks are particularly large it is satisfactory to agree a joint stock valuation. Alternatively this can be done by an independent professional at a cost.

Once these formalities are over it will be all yours. It will pay to have arranged in advance with the vendors to ensure plenty of food is in stock to cover the next few days as you will be very busy and not want to spend too much time at the local cash and carry or stores immediately.

If the hotel is running you must endeavour to make the change as smooth as possible so the guests are not inconvenienced. They may be a little worried at the situation so try to keep them well looked after.

You will need to register with the local cash and carry stores as soon as possible, also arrange credit accounts with any delivering tradesmen. They will make a point of calling on you as soon as possible, some may ask you for references but not many will.

Make sure the vendors demonstrate the use of any complicated equipment, especially the fire alarm system, the hot water and central heating equipment, and the location of all stopcocks, especially the main cocks for water and gas and the electricity fuse box.

*Running
a small
hotel*

INTRODUCTION



SINCE this book is specifically aimed at the inexperienced entrant to the guest house and hotel world we did not feel it adequate to stop at the point of moving in. There are many things with which you will be unfamiliar. In this part we try to foresee what they may be and provide guidance on dealing with them or to other sources of information.

We stress the desirability of integration with the local business community. Seek out the local Tourist Information Centre and introduce yourselves. Join the local Hotel Association and go to their meetings, this is an excellent way of meeting and assessing the other hoteliers in the town, even the smallest guest house will be welcomed to join. Seek out the local Chamber of Commerce also, while this may be dominated by shopkeepers it will also include local manufacturers. Both can be a source of business putting up visitors and representatives. There may be management conferences to accommodate also.

It will pay to make contact with suitable tradesmen on arrival. Once in residence make contact with at least a plumber and jobbing builder so quick help can be got in emergencies. Make a point of paying their bills quickly and they will be eager to help when you are in trouble. Pick those offering a 24-hour service if possible.

A notice of your arrival in the local press is useful so let them know you have come and what you were doing before. It might merit a paragraph.

Finally you will find an index at the end of the book which will simplify seeking the answer to the odd points that worry you from time to time.

RECORDS

Register

Apart from accounts which we deal with separately the main record you need to keep is the hotel register.

You will probably take over the one already in use but it is worth spending a little thought on what you can gain from this document. The minimum requirement is the guest's name and nationality. If the person is a foreigner the passport number should be recorded, and on leaving, the next destination. You will want the address, though this is rarely given in full. Many hotels leave a space for comments and this can be worthwhile – as long as your treatment brings out good comments!

As advertising is an expensive part of your running costs it is worth considering entering where the guest heard about you or found your advertisement. We did this and each month checked how much we had taken from each advertising source. Any advertisements that failed to bring in enough cash were then dropped at the renewal time.

Booking diary

Some suppliers hand out booking diaries towards the end of each year. Nestle offers a very good one, obtainable free from their representatives, or sometimes from Cash and Carry stores. But you may need to get your own when the current one runs out. You will need a double page opened out for each week. The lines down should be numbered with the room numbers.

When you get a booking enter the name, whether received by telephone, caller, or letter and whether firm or provisional in the proposed room space in the diary. If provisional the date by which you asked for it to be confirmed. For a confirmed booking it is a good idea to note the amount of any deposit taken. This helps to remind you at the billing stage. Guests are not happy if you forget their deposit!

Deposits

Whether or not you ask for deposits is a matter of choice. For local commercial

bookings it would be unusual, good relations depend on keeping faith with telephone reservations.

For bookings from unknown sources a deposit is advisable, especially in high season or at times when some local event is bringing in plenty of trade. A £10 figure per person is normally adequate. Whether or not a deposit is taken bookings by letter should always be acknowledged promptly. Keep copies of all such letters filed by date of intended arrival as this allows for quick reference if the client telephones later.

Deposits are not necessarily returnable if the room cannot be relet after a cancellation. Here commonsense and goodwill are the features to consider. In case of illness it is common practice to return it, also with regular customers. If the cancellation is long in advance return it, if say only the day before keep it. See the notes on V.A.T. on page 38.

Cancellations

When a booking is made it is a contract between the two parties, this applies even if it is a telephone booking. If a reservation e.g. for dinner, bed and breakfast for a week is made and subsequently cancelled with very short notice, then if the room cannot be relet for that period the hotelier is entitled to demand compensation. The cost of food not supplied cannot be claimed and the general practice is to deduct $\frac{1}{3}$ from the total bill for this. Many hotels include a note to this effect in their brochures and so do many tourist boards and guides such as the Michelin etc. As with deposits what you actually do must be judged on the circumstances. Goodwill is a valuable commodity and circumstances may make it worth more than the $\frac{2}{3}$ compensation!

Valuable property

It is desirable for the hotel to have some form of safe keeping, ideally a wall safe or similar. The hotel will always be responsible for safety of any valuables specifically left with the staff for safe keeping. Most hotels display a notice disclaiming responsibility for goods left otherwise. If the hotel has a safe and the guest did not take advantage of it would be difficult for the guest to claim damages for a loss.

Display of Prices

Prices of accommodation and menus must include V.A.T. where this is applicable. They must be displayed either outside the premises or in the entrance lobby.

If a service charge is applied it must be shown on the price list. Increasingly these charges are not used in small hotels. Many indeed display a notice to the effect that “service is what they provide and is not charged extra – any exceptional service can be recognised entirely at the guest’s discretion”.

ACCOUNTS



WHEN you take over you may need to introduce your own accounting system if you are not happy with that in use by the vendors. The Simplex system used by so many small businesses, usually retail, is not suitable for hotel or guest house management.

It may pay you to find an accountant if you have not already contacted one. You certainly will need one before submitting your first tax returns. He will look at your proposed account system and advise on any changes which will make his job easier, and hence your bills smaller.

Essentially you will need systems for handling incoming money and outgoing money and ensuring control at all times of your cash situation. We would strongly recommend putting all incoming money directly into the bank and taking out petty cash separately, using a petty cash book to account for it.

Whilst you may start with a duplicate invoice book you should as soon as possible have proper bill heads prepared by a local printer. He will arrange for these to be in duplicate, either for use with carbon paper, or if you want to be more up to date, with NCR paper to avoid the carbon paper nuisance. If you are subject to V.A.T. you must have all invoices numbered consecutively so if you start with a duplicate book then have your own bill heads the latter must take over the numbering system from the duplicate book.

Major purchases are best made by cheque.

We recommend keeping the main accounts in a hard back analysis book. These can be obtained from any good stationer with any number of columns to suit your requirements. It is best to agree what headings to use with your accountant as this makes it cheaper for his final auditing.

It is important to keep receipts for all purchases. If V.A.T. applies ensure they are V.A.T. receipts. Minor purchases can be recorded on petty cash chits (obtainable from any stationer) and recorded in the petty cash book. It is best also to keep a separate stamp book, noting all postages with date, who to and cost, noting bulk purchases of stamps in it too.

Typical headings for expenditure could be:

Date

Item

Reference No.

Cheque No.

To: Provisions, Laundry, Cleaning, Repairs to Equipment,
Bank Charges, Repairs to Structure, Miscellaneous purchases,
Business Rate, Water Rate, Wages, Motoring Costs,
Telephone, Stationery, Printing, Heat and light, Drawings,
Petty Cash, V.A.T.

These are just suggestions, so use your own ideas.

Typical headings for receipts could be:

Date

Cash

Reference No.

Miscellaneous items

Source

Notes

Cheques

V.A.T.

Again these are just suggestions, use your own ideas.



WHEN you take over a guest house or hotel you will already know whether it is registered for V.A.T. If it is, your solicitor may have arranged for you to transfer the registration. If he has not, you will have taken our advice on page 24 and arranged this yourself. However there are some peculiarities of hotel application it is as well for you to be conversant with.

If the business is not registered then you are unlikely to need registration immediately. However when you do become liable you must register within 30 days or suffer financial penalties. We recommend you obtain the V.A.T. leaflet 700/1/89 "Should I be registered for V.A.T.?" straight away so you can assess when the day may come. Registration becomes mandatory as soon as your turnover exceeds a sum which is raised each year, or when the turnover in any quarter exceeds another sum which is actually much more than one fourth of the whole year amount! Do not rely on your accountant to tell you. He may not be sufficiently up-to-date with your turnover to warn you in time.

Special requirements

It is essential for you to obtain V.A.T. leaflet 709/3/86. This note summarises it, but it is far too complex to explain in full how to operate it here.

Some hotels and guest houses have **long staying guests**. People staying for some months while they look for a house after changing jobs, or elderly people who prefer a hotel to life in a retirement home (these are often referred to as 'perms').

These guests pay V.A.T. only for the first four weeks of their stay. From day 29 the rules change. They do not pay V.A.T. for their accommodation, but they do for meals and services. You have to assess the proportion of their account due to food. Take 20% of the balance, add it to the meals as a charge for services, and calculate the V.A.T. on the total. This is then added to the original total for the final amount due.

It is more complicated if your charges are, as usually, V.A.T. inclusive but examples of the calculation both ways are given.

In long-term lets absence for a weekend or for a holiday does not break the reduced rate feature. However if a booking is for three weeks, then repeated after a week for another three weeks it does not qualify.

Conferences are not subject to V.A.T. even if food is supplied during the conference. However the food is subject to V.A.T. so a separate bill is needed. With residential conferences the conference rooms are exempt but accommodation for sleeping and meals are subject to V.A.T.

Rooms used for catering are subject so private parties or wedding receptions are subject to V.A.T.

Should you let out kiosks or rooms as shops they are not subject as long as they are not used for catering purposes.

Holiday Accommodation is subject to V.A.T. However in a seasonal district holiday accommodation offered at lower rates during the off season can be treated as residential, including the first four weeks.

Staff meals are not subject to V.A.T. if provided free. However if charged for or paid by deduction from wages then V.A.T. does apply.

Deposits are subject to V.A.T. but this can be reclaimed if the deposit is refunded. On the other hand cancellation charges are not subject to V.A.T.

L I C E N C E S



In a guest house or small private hotel you will be concerned with one of two types of licence:

Residential Licence

To qualify for a residential licence the premises must be used habitually for providing bed and breakfast for payment and also at least one main meal for payment. A bed and breakfast only establishment does not qualify.

Conditions which apply are that intoxicating liquor can only be sold to residents, and to their friends if paid for by the resident, for use on the premises or with a packed meal supplied for use away from the premises. Other non-alcoholic beverages must also be supplied if requested. Normally it is required that there is a sitting room for the use of residents, children and guests where meals and alcoholic liquors are not supplied. Both premises and licencees must be judged suitable for the purpose.

Restaurant and Residential Licence

This licence applies to private hotels offering both residential accommodation and also a restaurant open to the public. It permits the sale of alcoholic drinks to non residents so long as it is associated with a main meal. Service of aperitifs or liqueurs with coffee afterwards in a room different from the restaurant is covered. If there are 'permitted hours' applicable these will apply to the non residents but not residents to whom the conditions of the residential licence apply. As before other non alcoholic drinks must also be supplied.

Applying for a Licence

Application is best made by your solicitor. If the vendors had a licence you will have arranged transfer before completion. If there is no licence and you feel it is desirable to have one then you have to provide written notice at least 21 days before the next licensing sessions are due. This is made to the Justices' Clerk, to the local authority in which the premises are situated, and to the Chief of Police and the Fire Brigade.

Not more than 28 days before the licensing sessions you must display a notice where it can be read by the public on or near the premises.

You must place a notice in a paper circulating locally between 28 and 14 days before the next licensing sessions. You will need to deposit plans of the premises with the clerk to the licensing justices. These will be similar in standard to those required for a planning application.

If you apply for a residential or for a restaurant and residential licence there should be no difficulty so long as the premises are suitable and you have a good reputation. Application for a full licence is much more difficult and is nearly always resisted by the local Licenced Victuallers Association.

STAFF



UNLESS you are starting from scratch you will probably have the option of retaining the existing hotel staff. We would recommend this unless there is some good reason why you do not feel able to get on with one or more of them. They will have the advantage of knowing the property and be used to running it. If you plan changes there is a lot to be said for introducing them gradually once you are more familiar with the business.

In deciding what level of staff you ultimately need you have to decide how many, if any should be full time and how many part time. The next decision is whether any part timers should be employed long enough to become liable to national insurance, i.e. are paid above the lower limit. The next qualifying point is payment above the weekly limit for P.A.Y.E. Many small hotels schedule most of their staff to fall below both limits, and the staff also tend to prefer this. Whatever the situation any new staff must complete a form P46 unless they have a P45 to bring from previous employment.

Whether you have to operate P.A.Y.E or not we recommend you get a copy of the “Employer’s Guide to Pay As You Earn” from the local tax office. It will probably convince you of the desirability of avoiding getting involved when you study it.

If your premises are licensed then they will be the subject of a Wages Council which sets out the minimum wages and holidays your staff are entitled to. You will automatically receive copies of their decisions as they are published. Part time staff working longer than a minimum time are due to receive wages in proportion to the full weekly sums. As long as you observe these rules you have a free hand. What you actually pay will depend on local rates, competition for staff and your own view on whether some members deserve rewarding higher for extra skills or diligence.

When we started we inherited one girl on P.A.Y.E. but once she retired we ensured all new staff fell below the limit in the interest of minimising office frustration.

Part time staff do not qualify for statutory sick pay and again what you do is your choice. The same applies to extra payments for working on bank holidays.

Even though your hotel may not benefit from extra business at such times giving double pay on bank holidays can be a goodwill exercise. They should receive their normal pay during their holidays.

A small hotel is usually a family business. The staff are a vital part of the image it presents to the guests. We have always treated our staff as being virtually part of the family. This makes for a happy working relationship which in many cases has continued after we retired. It does involve one in extra care. We used to help our oldest maid by going with her to the tax office when she had an incomprehensible problem. We also had to bail her out with her electricity bill, paying it and deducting it from her pay for the next few weeks! We also had to give friendly advice to our very young washing up girls or maids when they had problems with boy friends or sometimes parents!

As we have mentioned elsewhere training the staff to your standard of competence is essential. This is quite compatible with a friendly approach, the main thing is to be both firm and fair with them. They will then treat you fairly. If a new one is unsatisfactory tell them within the first month and let them go. It is more difficult later.

ADVERTISING & MARKETING



ADVERTISING can be very expensive and not all of it is productive. One of the biggest problems is to decide where best to spend money.

Perhaps the first thing to do is to decide where the present clientele come from, and the second to think where else you would like it to come from.

Ask yourself some questions:

WHO ARE YOUR CLIENTS?

HOW DID THEY FIND OUT ABOUT YOU?

WHAT IS THE BALANCE BETWEEN HOLIDAYS, FAMILY VISITS AND BUSINESS TRIPS?

WHICH SPEND THE MOST MONEY ON YOUR PREMISES?

WHERE DO YOU CURRENTLY ADVERTISE?

WHAT TYPE OF GUESTS DO YOUR MAIN COMPETITORS HAVE?

Advertising Analysis

You will recall that earlier we recommended including a column in the Hotel register in which guests record where they found out about you. This information will be invaluable in answering some of these questions.

We suggest adding up how much cash you took as a result of each advertisement currently running. What percentage of those takings did the advertisement cost? If it proves to be, say, 50% it had better be dropped or drastically altered. If it was, say, 5% you would regard it as a reasonable cost for getting the business. One must be a little cautious here. An annual publication may only produce results in the summer if it is holiday orientated, it would be no use only looking at results from it in the winter! So now you will have some idea of the effectiveness of different outlets. But do not just look at the percentage cost. Look also at the total revenue from each. It is little use if a cheap advertisement costing only 5% of revenue only produces perhaps 1% of your total takings!

One thing we discovered from our column was that a surprising proportion of our business was casual. As a result we spent a running battle with the local planning authority to get permission for advertising boards on the adjacent main roads showing our location, a feature that, unlike the West of England, they were reluctant to accept.

Now make a list of the cheapest ways of getting good revenue returns. Are there other magazines or booklets that are in the same field that also might be worth considering? As the success of individual sources varies you will need to spread advertising around some of the less promising places from time to time in case they suddenly pick up. You can never be right all the time in this field!

Are you advertising in the Regional Tourist Board and local Town Tourist publications? After all they are experts in bringing people into the area. Indeed are you registered with the Regional Tourist Board? if not we recommend you do.

Their 'crown classification' scheme is a good way of publicising your facilities in advertisements and to casual callers.

Look again at the less effective advertisements. Are they written in sympathy with the people who are likely to read that copy? Have you put copy suited to motorists in a ramblers magazine perhaps? Before entirely discarding them see if there is any hope of getting better results.

One word of warning. Be very wary of advertising salesmen whether they telephone or call in person. They will have fantastic stories of the success of their publication – check who locally has used them and check their results before signing anything. Be even more cautious of anything resembling a 'proof' of a directory entry arriving through the post. Nearly all such directories are useless and if you sign the 'proof' you may find you are committed to two years entries with no way of escape!

Personal recommendation is the cheapest and best advertising so always leave your brochure and business cards in reception for happy guests to pick up.

Much of the above applies most to tourists but you may have a business clientele. Advertising for them will be in more specialised journals, perhaps those read by commercial travellers.

Marketing to Businesses

If you have a business park in the town then direct marketing is more effective than advertising. Why not advertise your taking over by writing to all the local firms likely to put up visitors and invite their personnel directors to a buffet lunch and inspection of your premises? We did this in November after taking over in July and saw an immediate increase in the number of firms using us. On that occasion our new slicing machine arrived literally the day before allowing us to offer paper thin slices of rare beef to the delight of many!

Another technique we recommend is to write to all likely local businesses at least twice a year telling them about some new development in the business. It need not necessarily be a major item. The purpose is to remind the secretaries, who change frequently, that you exist and are there for business.

Are you getting the type of clients you want? We were not. Our business clientele was mainly young recruits at low rates. Our target was set at middle and

top management. We achieved this over the years by improving the service and facilities, installing private facilities as often as revenue permitted and by judicious half yearly letters! We ended up with more top managers and managing directors and higher prices to match.

Publicity

Your most effective publicity will be your brochure. Money spent on getting this absolutely right will be well worth while. Do use good quality glossy paper. Do include photographs or drawings. Do decide who are the clients you really want to encourage, decide what their priorities are, and make a deliberate play to attract them. Then get a good printer after checking a few quotes. It is surprising how big the differences can be for essentially the same job.

If there is a local Hotel Association we strongly recommend joining it. Many publish their own brochures with details of members facilities. They are also a fruitful source of local information.

Unless you have a restaurant open to the public, local papers are unlikely to give you much joy with advertising. However free editorial publicity is always good for business. If you are holding any special event try to get it mentioned, photographs should be sent in especially if the local mayor or other dignitary is involved.

If there is a local industrial fair it is worth checking the cost of a small stand or even just a display on one of the walls, – stands are usually too costly. The local Chamber of Commerce is another source of publicity for business orientated hotels. It is again worth joining to get the business contacts.

Being Recommended

Appearing in guides such as the Good Hotel Guide, the Good Food Guide or Michelin cannot be arranged. You have to be recommended by users or selected by the guide themselves. If you always treat your guests well and keep the premises in good order then an anonymous inspection should cause you no problems. Often the inspector will wait till he has paid his bill and then disclose his interest and ask you a series of questions. There is little doubt that appearing in such guides is good for business.

The AA and RAC guide are different. One can apply for listing when again there will be an annual inspection, though not an anonymous one. There is also a charge which is now becoming quite high. Most small hotels are listed rather than having stars – they rarely have the facilities for a star rating. We were listed by both AA and RAC, did very well out of the former and little out of the latter. This we attributed to the different type of publication they provide.

Prices

Clearly your prices are a major feature in marketing your establishment. If you are more expensive than competitors in the vicinity then you will have to provide services or accommodation to justify it. Do not assume that price reduction will benefit you. Often people will assume that they will get what they pay for and a higher price will be an advantage. Beware however of overdoing this. As with other aspects one must decide what quality of guest you seek, provide what they want, and ask a fair price in relation to the area competition.

Nevertheless it is common practice to reduce prices at very quiet seasons, particularly for senior citizens at the start and end of a main season. Unless you are a very busy business hotel this is well worth while, but try not to cut prices below your own cost level!

Unique Selling Product

Marketing people call this an U.S.P. Basically it comes down to selling something none of your competitors sell. It also has to be something your prospective clients want!

Take a good look around the area. Take a good look at your own capabilities. Is there something you can use as a U. S. P.?

We carried out this exercise and realised that, whilst we had a liking for the much underrated English wines, they were hardly known in the industry, let alone in the town. So we explored the local wine industry. This flourishes in the southern half of the country. There is an English Wine Festival at Alfriston on the first weekend in every September and we went to that. We were given a warm welcome to visit all the local vineyards. We had a lot of fun selecting a cellar which eventually contained 16 English white wines. Our reds were all French (*there are no*

acceptable English reds) and we ensured they were of good quality also.

We then set out to run “English Wine Weekends”. We obtained lists of secretaries of wine societies and wrote a circular letter to each every half year using the services of a local word processor. We soon had bookings both in the spring and autumn. We took them to visit one of the local vineyards and served three different wines with each main meal, describing their characteristics at the time of serving. We received a lot of free editorial publicity from the Tourist Board, Airline Magazines and the local press. We were in fact the first to run English wine weekends, closely followed by Belstead Towers a much more up market hotel in Essex.

English wines are still little known so we offered them by the glass and soon found that once tried we would sell the customer a bottle next time. Some took them back to Europe to show their friends the English really can make wine!

The result of this was a busy spring and autumn and the lowest cost per client of all our advertising. We were promoting to a captive market. What speciality do you have to use as an U.S.P.?

Travel Agents

The trouble with agency bookings is the delay in getting payment and the commission they deduct. Watch out for agents who book clients in on a client paying basis and then much later send you an invoice for commission. The Tourist offices are now increasing their booking fees.

H O U S E K E E P I N G



IN a small establishment the owner is likely to be the head housekeeper. He or she will find it essential to keep close control of maids. Our experience is that whatever they may say in applying for the job one can not rely on their being adequately trained. Added to this most will be part timers. They are likely to be local housewives seeking a little extra

money by doing a job they feel they know from home, unaware that hotel standards are likely to be very different.

Bedrooms and Bathrooms

As we said in 'Making the Choice' on page 12 a bedroom is a working piece of hotel or guest house equipment. It must be treated as such. It must be kept sparkling clean and in good repair. Fittings must be functional, and repaired quickly if found out of order.

A notice of meal times and check out times should be in every room. There should also be local guides if these are available.

Tea and coffee making equipment should be added if not already there.

The maids should have baskets or trays filled with all the necessary aids to cleaning and polishing. They should also carry replacement guest soap tablets, shoe cleaning strips tea bags and coffee sachets, and any other items you like to provide – possibly little needle and cotton repair kits, match booklets etc. with the hotel name on them. This is a good advertising ploy.

Whether you replace used towels daily or only on departure or weekly is up to you. It is essential each guest has a bath and hand towel and we recommend any that are clearly wet are replaced anyway.

Linen can be taken on a hire basis from laundries, or you can have your own and have it laundered. You can indeed do your own laundering if you have 50/50 terylene cotton sheets and pillowcases. A lot depends on local availability. We started with hired linen on a contract basis. All went well until major holidays like Easter and Christmas. Then deliveries dropped a week with complex planning needed. Sudden surges of business found us with no sheets left and a hurried home laundering programme. We then bought our own linen and terylene cotton sheets. We had the tablecloths laundered but washed our own sheets. The first laundry kept sending us back other peoples tablecloths, far inferior to the good quality ones we had bought so we changed to another laundry, more expensive but far superior quality work. Again we had problems over holiday deliveries and eventually decided to do all our own laundering and bought a rotary iron – although drip dry sheets in theory do not need ironing, in practice they do. With automatic washers it took surprisingly little time and saved quite a lot of money and frustration. The

choice here is between using a domestic washer or a commercial model at at least four times the cost. The domestic one will need replacement at say two year intervals but the cost may be easier to find! The decision depends on your assessment of cash flow and economics.

Linen store

Fire regulations will dictate that your linen store is lined throughout with fireproof material and kept locked when not in use. As with domestic usage it is an advantage for it to be warmed by heating pipes if practicable.

The quantity of bed linen and blankets you will need depends once more on whether you do your own laundry or send it out. Doing one's own gives considerable flexibility at bank holiday times when commercial laundries can give problems. We also suffered from loss of deliveries with broken down vans before starting to do our own.

An arbitrary guide is to have 20% more blankets and pillows than beds to allow for requests for extra cover and to allow for periodic cleaning. The number of sheets and pillowcases depends on the balance of overnight, several day and weekly stays and on whether linen is changed daily or weekly with long stays. In most smaller establishments daily changing is rare.

Public areas

The same high standards are necessary in the public areas. In particular ashtrays should be continually emptied and stray drink glasses retrieved as an automatic reaction any time staff are passing.

Staff training

Whatever new staff may claim it is always necessary to retrain them into your way of making beds and cleaning rooms. The prosperity of the establishment is very dependent on strict rules here. It is essential to have vacuum cleaners in good working order and to provide all staff with a tray fitted with an adequate supply of dusters, polish, rags and replacement soap etc.

KITCHEN



THE kitchen is a key area of any guest house or hotel whether a bed and breakfast or a full board establishment. It has to be impeccably clean and well equipped for efficient function.

There was a full discussion of kitchen equipment on page 16 so it will not be repeated here.

Kitchen routines

There are one or two rules to be recommended for kitchen working.

- *Food dished up on plates before serving should spend the minimum time achievable in the hot cupboard, preferably with the top plate covered. This means careful timing of each cooking operation so they are completed at the same time just before they are needed for serving.*
- *The practice of cooking a joint one day then next day slicing it cold and heating up with gravy and placing in the hot cupboard should never be used. This is sometimes claimed to be used because the slicer only works on cold meat. We used a stainless steel slicer and it worked perfectly on hot, freshly cooked, joints. In these conditions it must be kept impeccably clean. We do tend to use this word 'impeccably' a lot but it is absolutely vital to preserving a reputation for quality.*
- *Deep fryers should be cleaned out regularly, preferably daily, and the fat discarded before it discolours and affects the taste of chips.*
- *Animals should be barred from the kitchen area.*
- *Dishes and pans should not be left about but washed as soon as the meal is over.*
- *Microwaves are variable performers. Ideal for rapid defrosting but less sure for cooking. Good for fish e.g. kippers and haddock for breakfast. Dubious for most meat. They can be useful for reheating if used cautiously but beware of chill dried food packs.*

DINING ROOM



WHETHER you are offering bed and breakfast or half board the dining room needs essentially the same equipment, merely differing in scale.

In a small guest house or hotel guests find it very irritating to have to wait for a table at mealtimes. If there are restricted meal periods this is particularly true. It is desirable then to have enough seating for the fully booked complement to be served together. In busy situations guests do not object to sharing tables if it cannot be avoided, though normally parties prefer to be separately seated.

If the tables are square four seaters then they can be combined easily for larger parties. Many guest houses have a mix of odd tables with several different heights making life difficult. Economics will dictate when such a situation can be rationalised.

We would recommend use of top quality damask cloths, properly laundered. These give an excellent impression of efficiency. Plastic cloths are the reverse. It is a continental practice to have a clean paper cloth freshly placed for each meal, usually diagonally over the main cloth. This has much attraction.

Since the practice is becoming universal of providing part of the meal on a self service basis a good sideboard is essential. There is much to be said for offering a wide range of cereals, including some high fibre and a version of muesli, together with fruit juices and possibly grapefruit at breakfast, and a variety of cheeses and biscuits with the evening meal. This gives a good impression to the guest and in practice on average no more is used than if individual portions are served. The saving in work load is great.

Cutlery is expensive. Stainless steel is virtually indestructible and if a neat pattern is used quite attractive. Silver plate is expensive and needs regular treatment with Silver Dip and, at rare intervals, periodic replating if it is to retain its attraction. The main thing is to avoid offering stained or deformed cutlery. One needs to have at least 10% more than the maximum capacity of the room.

Each place setting should be able to offer:

- *main knife and fork, with fish version if applicable,*
- *small knife and fork and soup spoon for starter,*
- *spoon and fork for sweet,*
- *small knife for side plate.*

Ideally china should be of an easily replaceable pattern. It is dangerous to rely on a cash and carry or local store for this. Their stocks are rarely repeatable. Far better to deal with a main wholesaler or manufacturer direct and take their advice on the repeatability of lines. One can still choose between the widely used Wood's Beryl Ware and repeatable but more glamorous lines. Again one should try to maintain some 25% more than the capacity of the room. Replacements can take time to obtain!

Glassware will depend on presence or absence of a bar. As a minimum one should have adequate supply of tumblers and water jugs for all tables and wine and liqueur glasses also if these items will be served. Small tumblers for fruit juices will be needed on the sideboard.

The mode of service will depend on the proprietors choice. Few guest houses or small hotels will indulge in silver service where the serving staff serve each portion individually with spoon and fork. Tradition demands one serves from the left, removes plates from the right of the guest.

More commonly the starters and the meat of the main course are served on plates and vegetables in dishes on the table for guests to help themselves. In establishments with few staff all courses may be dished up in the kitchen and served on the plate. A choice of sweets can be offered from a trolley or for view on the sideboard.

There is much to be said for offering coffee or tea in the lounge after dinner. This is more comfortable and allows quicker clearing of the room. Relaying for breakfast after dinner is good practice but cups should be inverted to avoid collecting dust.

Bar

Because of shortage of space smaller hotels and guest houses often have a bar either in the dining room or in one of two lounges. Some just offer drinks on demand without a physical bar, usually by intercom or bell in reception. A bar has the disadvantage that someone has to attend it while drinks are needed, perhaps for a whole hour while one glass of lager is drunk. Practice will depend on the nature of the clientele. With a regular commercial clientele a bar attendance may be good business. With a holiday hotel it may vary. Often people like to explore the town while only a few may stay in. In such cases drinks on demand rather than a bar is more economical and usually quite acceptable.

GUESTS



GUESTS are the lifeblood of a guest house or small hotel. They can be the most interesting, the most exciting or the most exasperating facet of the business. Yet where would we be without them?

We recognised three types of guest, each of which came in many guises.

There are the business clients. If successful they tend to be model guests expecting first class treatment and causing little trouble. If unsuccessful middle managers however they may well be a pain in the neck, making unreasonable demands to bolster their damaged egos. One must not lose control at this, remain calm, courteous but firm against all odds.

Tourists are likely to be more relaxed, at least after the journey has worn off. They may need encouragement to make the best of the neighbourhood. Be prepared to be helpful over this, especially on wet days.

Then there are the 'perms', elderly long staying guests. They prefer hotel service to doing for themselves, and are often taken on at times of low turnover. Beware, they do not mix well with transitory guests, liking to 'own' a chair or table for themselves. They are better diverted to a more specialised environment.

Some Guest Houses take in Social Security clients. These too are better in a specialised house.

Animals can be guests too. Hotels vary in their approach to accepting them. We had many lovely animals to stay, mainly dogs, once a budgie. They were never any trouble. Owners were asked to keep them out of the dining room and only let them in the lounge as long as they did not upset other guests. Owners had to feed them and take them to the kerb when necessary. Most slept in their cars overnight, others brought bedding. We did not charge unless extra cleaning was involved.

Before we were involved in the industry we spent much time on holiday or business in a wide range of hotels. The treatment varied enormously. Some receptions seemed to think they were too important to worry about us. Some were disgustingly servile. Some were excessively jolly. The best ones were calm and courteous and made us feel really welcome. Since many of the poor ones were in at least two star hotels one must assume the staff had not had adequate training.

It is unusual for the prospective owners of the smaller establishments new to the industry to have had any formal training but our view is that this is not necessarily a disaster.

The best type of reception will welcome guests calmly and efficiently even if the place is in a panic. Their booking will be checked and if they do not have a reservation the room situation will be explained to them. If possible guests will be escorted to their rooms and the facilities and meal times etc. outlined to them. If the house is full up then offer to ring round similar establishments to find a vacant room and give directions how to get there.

In any establishment there should be information on the locality either in reception or, better still, in each room. When we took over we spent some time learning all the places of interest within the district and then wrote a leaflet about them to be photocopied and placed in each room. The local tourist body may have leaflets too but we preferred to judge what our particular guests would be most interested in and our comments were perhaps sometimes more down to earth.

Guests can be a puzzle sometimes too. One evening at about 1.30 a.m. a taxi drew up and asked if we had a family room. By luck we did. In came a couple with five children. They had come down from the north by train in high summer

without any reservation. It was mere chance we could squeeze them in due to a cancellation. What optimism!

Another late evening a ring at the door. Could we put up an elderly couple, possibly in their late seventies we judged. Of course we could and showed them up to their room. “We are married madam assured us!” Could they have a tray of tea although it was late? Certainly – we took it up and said “no need to bring it down, the maid will fetch it in the morning” half an hour later there was a terrific crash in the stair well. Madam was teetering down and had tipped tray and crockery over the bannisters. When they left in the morning she said “This is a lovely hotel I wish we could stay longer”. Without blushing we said how sorry we were they could not and wished them thankfully a happy journey.

Another evening an elderly lady arrived worn out and asked if she could stay explaining she had little money but her daughter would pay us. We took pity on her, lent her the fare to Eastbourne next day and had a most charming letter of thanks from the daughter a few days later.

They were not always like that. We had an American writer who also ran out of cash and asked us to let her publishers pay from her next royalties. We rang them and they agreed. Some time later we checked and they embarrassedly said she had not published anything more.

Then we had the couple who stayed a week, drinking a lot, and disappeared the day after the weekly bill was presented. We rang the police to be told they had them in custody in Rye. They had stolen a car in Wales and had no money at all. That was a week in which we were very busy and a very new maid who did their room had failed to spot the lack of any luggage. We normally did ask for payment in advance for unbooked rooms if doubtful but we really slipped up that time.

Rosemary had the theory that if a couple looked happy at breakfast they were probably not married. On the occasions we were able to check up she was right! We had a German couple once and Rosemary complimented the man by saying how well his wife looked after him – washing his socks to dry on the radiator! “She isn’t my wife! – she’s my girl friend!” he said indignantly in his continental accent.

Then we put up three Saudi Arabians who arrived two days early for their language school. They spoke little English. Bacon was out but we suggested boiled eggs. When placed before them they did not know what to do – never having seen

a boiled egg before. So we demonstrated the technique and everyone was happy including the other highly amused guests. Whenever they saw us in the town thereafter they rushed up in delight and shook hands.

It is all these and other varied incidents that make hotel keeping such a fascinating occupation and make up for the busy time and lack of freedom that is so often our lot.

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