

Establishment of the New Hostel in Armenia

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Master's thesis
2020

 Tomas Bata University in Zlín
Faculty of Management and Economics

Univerzita Tomáše Bati ve Zlíně
Fakulta managementu a ekonomiky
Akademický rok: 2019/2020

ZADÁNÍ DIPLOMOVÉ PRÁCE (projektu, uměleckého díla, uměleckého výkonu)

Jméno a příjmení: **Bc. Hovhannes Mkhitaryan**
Osobní číslo: **M180111**
Studijní program: **N6208 Economics and Management**
Studijní obor: **Business Administration**
Téma práce: **Establishment of the New Hostel in Armenia**
Zadávající katedra: **Ústav podnikové ekonomiky**

Zásady pro vypracování

Introduction

Define the objectives and the application methods used in the Master thesis.

I. Theoretical part

- Compile the theoretical information about establishment of a new business.

II. Practical part

- Complete the analysis of the hostel business in Armenia.
- Prepare the project of establishing a hostel in Armenia.
- Submit the project to risk, time and cost analysis.

Conclusion

Rozsah diplomové práce: **cca 70 stran**
Forma zpracování diplomové práce: **Tištěná/elektronická**
Jazyk zpracování: **Angličtina**

Seznam doporučené literatury:

ATKINSON, Sam. *The business book*. New York: DK Publishing, 2014, 352 s. ISBN 9781465415851.
CLIFTON, Darrell. *Hospitality security: managing security in today's hotel, lodging, entertainment, and tourism environment*. Boca Raton: CRC Press, c2012, ISBN 9781439874370.
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SINEK, Simon. *Start with why: how great leaders inspire everyone to take action*. London: Portfolio Penguin, 2011, 246 s. ISBN 9780241958223.

Vedoucí diplomové práce: **prof. Ing. Boris Popesko, Ph.D.**
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Datum zadání diplomové práce: **6. ledna 2020**
Termín odevzdání diplomové práce: **21. dubna 2020**

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ABSTRAKT

Tato práce pojednává o zřízení nového hostelu v Arménii v regionu Tavush. Práce je o zahájení vlastního podnikání se samosprávou. Hovoří se hlavně o založení nového hostelu v regionu Tavush, městě Dilijan, kvůli mnoha turistům, kteří navštívili tento region v posledních letech. Práce bude sloužit jako průvodce, který chce rozvíjet své dovednosti v oblasti cestovního ruchu. Díky vstupu na trh nízkonákladových leteckých společností, jako jsou Ryan Air a Wizz Air, se Arménie stane jedním z hlavních turistických cílů pro Evropu. Turisté obvykle navštěvují hlavní město Arménie, Jerevan, ale protože z Jerevanu neexistuje kultura hostelu, probereme potřebu hostelu mimo hlavní město.

Klíčová slova: Pohostinství. Hostel, penzion, turista, cestovní ruch, management, podnikání, řízení rizik.

ABSTRACT

This thesis discusses the establishment of the new hostel in Armenia, in Tavush region. The work is about starting your own business with self-management. It is mainly spoken about establishing a new hostel in Tavush region, city Dilijan, because of many tourists that visit that region in the last years. The thesis will serve as a guide who wants to develop their skills in tourist sphere. Because of the entrance in the market of low-cost air companies, such as Ryan Air and Wizz Air, Armenia will become one of the main touristic targets for Europe. Tourists usually visit the capital of Armenia, Yerevan, but as there is no hostel culture out of Yerevan, we will discuss the need of hostel out of capital city.

Key words: Hospitality. Hostel, Guest House, Tourist, Tourism, Management, Business, Risk Management.

ACKNOWLEDGMENTS

Hereby, I would like to say thank you everyone who helped me to study this two year in Tomas Bata University, encouraged me and supported me. Also, I would like to thank all my course mates and teachers, especially my supervisor Boris Popesko. Special thanks to my parents, who helped me to invest in my knowledge. I am very pleased that we worked together, thank you!

I would like to thank also the Faculty of Management and Economics, International Office, especially to Pavla Bartosova, who helped me before my arrival and during my stay in Zlin. Thank you to Mrs. Andrea Brtosikova and Mrs. Lucie Neubarueva, who helped me with the questions related to my studies.

Huge thanks to Czech Republic, the country that hosted me.

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INTRODUCTION

In our world having a profitable business is one of the main goals for many people. There is no person in this world that does not want to have his/her own business. In my Master Thesis I am introducing the establishment of a new hostel in Armenia, particularly in Tavush region. I am answering the main questions that should know a young entrepreneur who wants to start a business in hostel sphere.

The Master Thesis is intended for those who have an idea to start a hostel business or have already started, want to develop through more effective, innovative management. The purpose of the work is to support novice and current hostel managers to plan and implement their business processes as profitably as possible, as well as to monitor, evaluate, and improve service delivery and service quality. One of the goals of the Thesis is to develop the potential of organizations and individuals operating in the field of hospitality, to promote the creation and promotion of tourism infrastructure, ensuring the continuous growth of industry indicators in the region (Tavush region). So, if you have an idea to establish a new business in this interesting and promising field, you will find new approaches, knowledge and skills in managing this business in my work. In this work you can find the answers to the main questions regarding the theme.

1. What do you need to have to get started?
2. How to evaluate the local market?
3. How to calculate revenues, expenses, pricing mechanism?

These are questions that you will find answers to. By getting acquainted with the chapters of the Thesis, as well as using the approaches and tools presented in them, you will have the opportunity to first understand what a guest house is. You will also find the answer to the question whether you are ready to start and run a hostel business in Armenia or not. After answering the question in the affirmative, this will be your practical guide and helper both in developing an idea and in managing staff, finances or processes.

This work is intended to serve as a practical guide for entrepreneurs wishing to open a holiday home in rural communities. It will give the novice entrepreneur an idea of the principles of management of the tourist house, the problems, the need for the necessary financial means for its establishment and operation, as well as the promotion tools. It should be noted that the guide provides a typical example of a business model that should be tailored to the specifics of each specific business project. The financial projections in this guide are based on the example of a typical guest house.

In the thesis I am discussing the following vital concepts that are considered as the main preconditions: hospitality, tourist and guesthouse/hostel.

1.HOSPITALITY is one of the branches of the tourism industry. It is characterized by a friendly reception of guests, open-minded and caring attitude towards them. And the guests are the ones who mainly need food, drinks and accommodation.

2. TOURIST is a citizen who:

- 1)Leaves his place of permanent residence for leisure, cognitive, business, cultural or other purposes.
- 2)It is located there for 24 hours to 12 months.
- 3)Spends at least one night.
- 4)Does not engage in paid activities.

3.THE GUESTHOUSE is a private house, the rooms of which have been transformed into separate rooms for receiving guests. Except providing places to sleep, breakfast is always offered here, if necessary, lunch and dinner, also.

If you have a home of your own, you love to interact with people, you have the skills to manage, and you have a great desire to start a business, then it's time to think about starting a hostel business. Starting and running this type of business can be profitable, but you need to open your eyes wide, be alert to the details and work hard, which is not for everyone.

Being the owner of a guest house, of course, you will be your own manager, but all the same, you have to do some tasks again in order to please the guests of your house, who will pay you.

Summing up, I studied the most important concepts that may definitely be useful for every person who is interested in this topic. Hostel business, nowadays, is a developing one in our world but it depends on many factors that may affect positively or negatively.

Study structure

The study is constructed from Cover page, Content, Introduction, Two Chapters, where second chapter has three sub-chapters, Project suggestion, Conclusion and Bibliography.

On the first chapter it is represented the hospitality sphere in Armenia, how it is developing, the strengths and weaknesses of the sphere. First sub-chapter of the second chapter is spoken about hostel/guest house analysis, we will discuss the market. Next sub-chapter is about the main project, what we need to start the business. The last one is about risk and cost analysis, how to minimize our risks, how manage our risks and how to start your own business with less costs. We took Tavush region, city Dilijan. It is a great example to show the beauty of the Armenian mountains. Also, here, in Armenian regions hostel business is not so developed, so with this thesis we will be a stimulus to develop that sphere in regions of Armenia.

I. THEORY

1.1 HOSPITALITY INDUSTRY AND HOSTEL BUSINESS IN ARMENIA

1.1.1 Hospitality Industry in Armenia

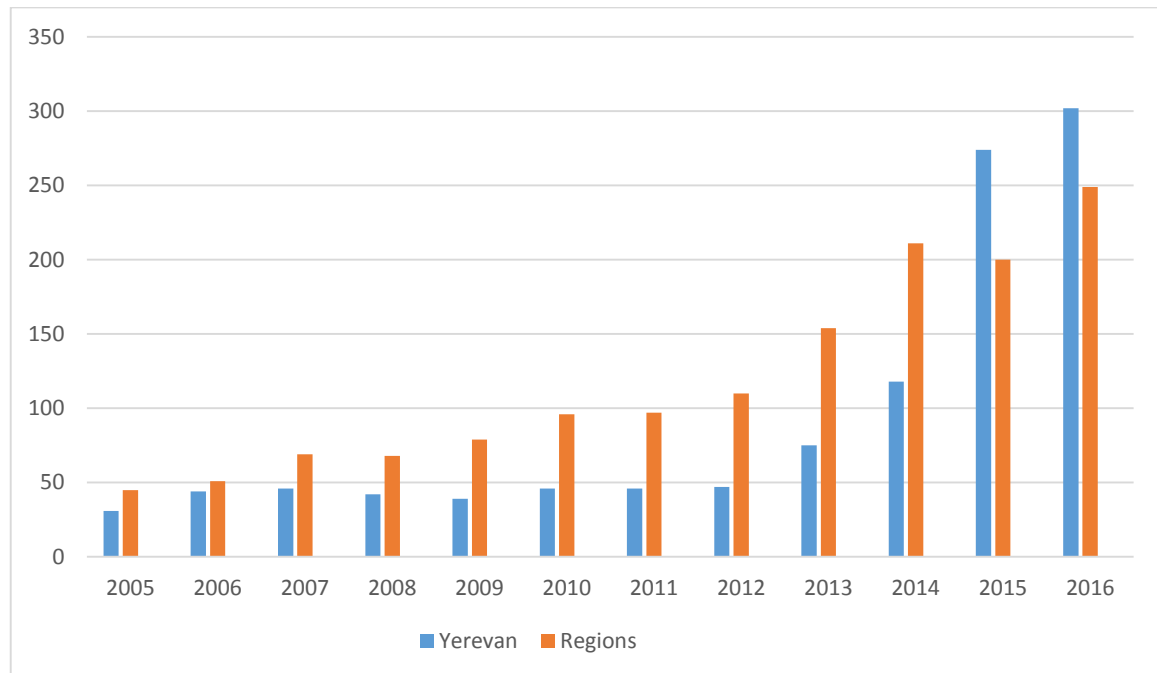
Inbound tourism is one of the most dynamically developing sectors of the Armenian economy.

In recent years, the number of incoming tourists in Armenia has been growing rapidly. The development of tourism infrastructure, the development of tourism centers outside Yerevan (Tsakhkadzor, Jermuk, Dilijan, Tatev) and the expansion of winter tourism opportunities have greatly contributed to the dynamic growth of tourism. The increase in the number of hotel resorts and public catering establishments, the increase in the quality of services, and the modernization of Zvartnots Airport have played an important role. The benefits of Armenia's nature contribute to the development of non-traditional types of tourism, including adventure and eco-agro tourism.

Despite the dynamic growth of international tourists in Armenia, the majority of them are visiting relatives, who are more limited in using basic tourism services. Only 17.7% of inter-national tourists visiting Armenia in 2017 stayed at hotel complexes. The main stimulus for arrivals for recreation is the nature and sights of Armenia.

The hotel/hostel industry in Armenia has a high potential for development. The dynamic growth of the number of tourists and the expansion of demographics create favorable conditions for almost all types of hotels. The key issue in the industry is to correct the sharp differences in quality levels within different segments. The number of hotels is growing in both Yerevan and the regions. However, from 2005 to 2016, the number of hotel farms in Yerevan grew faster (23%) than in the regions (17%). As a result, the weight of hotels in the regions has decreased from 59% to 45%.

The expansion of international hotels to the regions (Tsakhkadzor, Jermuk, Dilijan) contributed to the development of hotel infrastructure in the regions. At the same time, the expansion in the regions has been concentrated in the existing main tourist centers.

Chart 1: Number of hotels and guest houses

The average annual employment rate of hotels is still low in Armenia compared to international indicators. The average employment of hotels in the world varies from 50 to 70% depending on the season and location. In Georgia, this figure was 65.8% in 2016 (source: KPMG, Georgia Hosting Review, 2016). The average employment rate in Yerevan's top hotels is 70-80%, in the regions it is significantly lower, even taking into account the higher level of shadow economy in the regions. High levels of employment in the regions are observed only in active tourist centers (professional assessment: Jermuk - 65%, Tsakhkadzor - 50%). The low employment rate is also due to the high seasonality of the flow of tourists. As a rule, there is a lack of hotel rooms during the peak period, while hotels are mostly empty during the off-season. The low employment rate hinders the development of large hotels in the regions, which creates an opportunity for the development of the hotel segment.

The information below is intended to serve as a practical guide for entrepreneurs wishing to open a tourist home in rural areas.

It will give a start-up entrepreneur an idea of the principles of management, problems, the need for start-ups and start-ups, as well as the tools of promotion. The model envisages the possibility of using the support mechanisms provided within the framework of the SME DNC program of Armenia to finance the establishment costs. It should be noted that the guide provides a typical example of a business model that should be tailored

to the specifics of each specific business project. Attached to the guide is a model financial model of a typical tourist house in MS Excel format, with the help of which a start-up entrepreneur can make financial calculations of his own business plan by changing a few basic parameters. In this guide, the financial forecasts are based on a typical guest house, and the actual financial results may be somewhat skewed due to various interrelated circumstances. Taking into account the practice of guest house activities in Armenia and the assessment of the economic expediency of this business, the guest house providing a 3-room (2 bedrooms each) for guests was considered as a typical guest house model in this guide. The economic calculations of the model are based on the following basic assumptions: The guest house is located near the tourist attraction (up to 30 km away), which is an important precondition for ensuring the flow of customers. Guest activities are organized in one's own house, where the entrepreneur's family lives at the same time. In addition to accommodation, the guest house provides dinner and supper, as well as additional services (for example, wine, cheese tasting, stroller service, etc.).

- The active tourist period is 6 months, from May to October.
- The guest house operates in the family business tax regime,
- The owner of the guest house or one of his / her family members has a certain computer skills: a foreign language, which will enable the promotion of the guest house on the Internet to communicate with foreign customers. This model does not involve the construction of a new guest house or capital construction work, but only the transformation and renovation of the existing building.

The first preconditions for the success of the hostel

Guest management is an activity that requires a lot of personal involvement, the effectiveness of which largely depends on the right choice and implementation of the format of the activity. Before considering the financial benefits of hospitality, entrepreneurs are advised to analyze the impact of many human factors on the successful operation of the inn.

The experience of guest house management shows that often the reason for the failure of the hotel owners is the underestimation of the complexity of the hostel management. Before starting a business, it is important for the entrepreneur to assess whether he and his family are ready to accept the challenges of hospitality and whether they have the skills to manage the hostel.

1.1.2 Marketing and Promotion

The location of the hostel plays a primary role in ensuring the employment of the guest house, that is, the proximity to the tourist places. However, in order to ensure the level of employment provided by this model, it is necessary to present and promote the services of the hostel on the Internet. In order to make an effective promotion, it is necessary for the entrepreneur or a family member to have sufficient computer knowledge to register on online portals and follow their page on the portal. Knowledge of English is required to use the services of international online portals.

Taking into account that the main customers of hostels in Armenia are foreign tourists, the guest house should be properly presented not only in Armenian, but also in international online portals. There are portals with a narrow thematic orientation (for example, www.booking.com: only hotels and hotel resorts), as well as portals representing a wide range of tourism services (resorts-restaurants, family vacations, adventure vacations, etc.)

In order to register on the portals, the hostels must first have an e-mail address. Email can be created for free on one of the popular websites (for example, www.gmail.com, www.mail.ru, www.yahoo.com, etc.). The registration procedure on the portals includes the addition of data on the hostel (online). The required data mainly refers to the geographical location of the hostel (it is necessary to indicate the address or indicate the location of the guest house on the map), the number of rooms, the services provided, the tariffs and the payment methods.

Describing the geographical location, services and other benefits of the hostel as much as possible helps tourists to choose the hostel more easily. Brief information about the history of the hostel owner and the guest house "can attract the attention of tourists and influence the choice of the hotel. It is very important to post pictures of the guest house and its surroundings on the portal.

As a rule, travel portals do not charge registration fees from guest houses, but keep a commission of 5-15% of the booking price for each order. Portals also guarantee their customers the availability of payment methods in hotel facilities,

therefore, in order to cooperate with the portals, it is necessary to have the appropriate payment infrastructure (for example, a card payment device, a bank account transfer).

When registering in travel portals, the host must have a bank account to accept non-cash payments. The entrepreneur must also check his e-mail 1-2 times a day in order to confirm or reject the received orders in time. In case of quick response to orders, such as the comments of tourists on the guest house on the portal, the guest house has more opportunities to receive high marks from tourists. Before registering, entrepreneurs are advised to familiarize themselves with the requirements of the portal and the services offered. In some cases, you can also get free advice on online promotion methods from portals.

1.1.3 Hostel Business in Armenia

According to the RA Law on Tourism (adopted on December 17, 2003), Article 8, Clause 2, the objects of the hotel economy in the RA are: hotels, motels, hotel-type resorts, sanatoriums, holiday and specialized camps or houses, boarding houses, tourist, children camp accommodation (complexes), tourist houses. According to the mentioned law, hotel services are accommodation, catering, as well as other paid accommodation services. Minimum hotel services are the following daily services - bedding, cleaning of accommodation, bathroom provided to customers.

Despite the fact that the RA legislation does not define the type of hostel or HTOs, they operate in the RA. It should be noted that in international practice a hostel is a budget shared accommodation, the rooms of which can be mixed or intended for members of the same sex. Guests share a sink, kitchen, bathroom, etc. It is possible to have separate rooms. Let us present some information on the prices of hostels operating in Armenia. In the online hotel reservation system www.armhotels.am, for example, there are 9 hostels operating in Yerevan, the prices of which range from 3500 AMD (ten-room utility room) to 4000 AMD. It turns out that there are hotel services in Armenia that are not defined by law.

Let us now turn to the planned legislative changes. The draft law of the Republic of Armenia "On Tourism" (still under discussion) envisages a number of changes related to the above, according to which the objects of hotel economy are: hotel, motel, sanatorium, hostel, recreational or specialized camps or houses, boarding house, camp accommodation (camping), tourist house (B&B), guest house.

As we can see, the hostel type has been added to the list of hotel facilities (Hostel is the hotel facility where, in addition to the minimum hotel services, self-service facilities are provided, which has at least 20 bedrooms per night).

According to Article 9 of the draft law, licensing of hotel services in the Republic of Armenia is envisaged, which will be carried out by the authorized body in accordance with the procedure approved by the Government of the Republic of Armenia. Accordingly, a license can be obtained by a hotelier who owns or uses a hotel facility registered in accordance with the law.

The hotelier is forbidden to:

- Providing or offering hotel services through a hotel facility without a registration or qualification certificate provided by law;
- Providing or offering hotel services through an unlicensed tourism entity.

According to the bill, the qualification of HTOs will be voluntary again. However, the requirement for mandatory registration of hotels has increased according to the types provided by law, moreover, the type of hotel facility is determined by the hotelier.

The registered hotel facilities will be issued a form certificate approved by the Government of the Republic of Armenia. And the object of qualified hotel management will be considered registered.

According to the draft law, the subject of tourism activity is prohibited to sell, offer or include in the tour package:

- The services of an unlicensed hotelier.
- Hotel services through a hotel facility without a registration or qualification certificate.

We think that the requirement of licensing and registration envisaged by the draft law is a very significant change, in the conditions of which the current situation will be excluded, when by law there is no such type of HTO, but it actually provides hotel services.

It is worth mentioning that according to the RA National Statistical Service, in 2016 Out of 1,259,657 incoming tourists to Armenia, only 174,724 (or 13.87% of the total) stayed in hotel facilities, and in the same year, the number of domestic tourists staying in hotel facilities was 979,968. According to the NSS survey, hotels are hotels, resorts, resorts, holiday homes, etc. (source: "Socio-economic situation of the Republic of Armenia in January 2017", pp. 88-90), ie what is defined According to the current legislation, it turns out that the information about the tourists staying in the "actual" hostels is not registered. We believe that the above-mentioned legislative changes will contribute to the improvement of the statistical accounting of the sector.

II. ANALYSIS

2.1 HOSTEL BUSINESS CONCEPT AND ANALYSIS OF THE BUSINESS

2.1.1 Hostel Business Concept

Before opening a hostel, it is necessary to clearly formulate its concept. Assessing the features of the hostels and other competitive advantages to hotel resorts. In the initial planning of the activity. The shortcomings lead to the imperfection of the value proposition of the hostel. In order to promote the hotel effectively, it is necessary to present an attractive value proposition to the potential guests. The main features that shape the value proposition must be defined in advance, and they must be interconnected and complement each other. The main features that shape the business concept of the guest house are:

- Geographical location,
- Services provided,
- Convenience,
- Interior and exterior design and decoration,

It is necessary to clearly define the pricing policy, the segment of targeted tourists, the methods of attracting tourists and other strategic initiatives that contribute to the development of the hostel.

In order to make the hostel more attractive, it is desirable that it has a traditional Armenian or architectural design typical of the given place. In every rural area it is possible to buy antique furniture with a small amount of money, with which you can give a unique design to the guest house and a typical living environment of the given settlement.

In this section, only cash flow forecasts have been considered to make it more practical and easy for the user.

Costs of other food and services provided - It has been estimated that the cost of other food and services (eg, transport, wine tasting, etc.) will average about 15% of the cost of selling these services. This is especially true if the hostel is partially using the agricultural products produced in its own household to prepare the food to be served.

Internet Portal Fees - Internet portals are usually not a registration fee demands. About 10% of the overnight tariff is taken as the average level of commission.

Storage costs - maintenance costs are aimed at solving the current technical problems of the hostel, for example, faucet repair, broken glass replacement, etc. It is assumed that the annual maintenance costs are 0.2% of the investment in the guest house.

Utility costs - the utility costs of the hostel depend on the number of its guests and the services provided to them. Based on the mentioned connection, the level of communal expenses was estimated at 15% of the total sales.

This guide will help you understand how profitable your future guesthouse will be. In order to manage finances effectively, it is necessary to understand how much they are initial and operational expenses as well as expected income.

The necessary steps are:

1. Determine how much money you need for a hotel job for the start: initial process.
2. Define pricing policy and forecast sales.
3. Calculate operating costs, including fixed and variable costs.
4. Understand where to find investment.

The projected revenue should be sufficient to cover operating expenses and provide some profit. In this case, it is useful to calculate the cost of the item, which will help you understand how much sales you need to have in order to cover the establishment and fixed costs.

4.1. Defining the necessary investments and expenses

The following table will help you understand what investments you need to start your own business. In it you must indicate the required funds to start the business and the amount needed to purchase them.

4.2. Where to find investments and investors?

Guest house business is a relatively small business. However, money is needed to implement a business idea. In order to invest, you need to use a number of sources: personal or family savings, credit and leasing opportunities, crowdfunding and grants.

It is natural that banks and credit organizations (lenders) play an important role in financing and growing small and medium-sized businesses.

However, lenders do not always provide financing for start-ups. The role of investment organizations is growing here. The investment already made to get a loan can be an added benefit as well.

Lender is more willing to provide loans to businesses that have the opportunity to pledge (preferably real estate in the form of property). To decide which source to use, first evaluate the potential of your business to get this or that funding.

1. Involvement of own resources

Once you've figured out that your business needs extra money, you can invest some money in your own or your family's reserves. It is true that such investments are usually small, but there is no interest, service fees, paperwork and penalties for non-retention.

2. Borrowing

The lender (bank, credit organization or other financial institution) provides cash, expecting to receive both principal and interest in the future from your start-up business.

The loan allows you to buy goods or services, rent premises, as well as pay a salary. At the same time, the resulting loan helps to cover large expenses over a period of time in Business or commercial loans are provided to sole proprietors or legal entities for economic purposes activities, including service delivery, business expansion and development. When borrowing, you need to have a clear idea of what the purpose of the loan is. Depending on how long you need a loan, you can decide:

- Short-term loans

You can take out a short-term loan, let's say for up to 360 days, to finance the current expenses (working capital).

Lenders usually expect short-term loans to be repaid after several months of sales.

- Long-term loans

In the case of long-term lending, the money will be refunded to you over a fairly long period of time. Some lenders divide loans into two types: medium-term long-term (1-5 years) and long-term loans (for more than 5 years). Such loans are usually intended for capital construction, purchase of equipment and other fixed assets.

If you are sure that you need to get a loan from a lender, your next step is to decide who to apply for a loan. This decision must be made based on the financial resources available in

Armenia, from the study of institutions. Find out what kind of loans lenders offer. Make a comparison to choose the one that works best for your conditions, especially in the following parts:

What is the nominal interest rate offered for the loan, the actual annual interest rate?

What are the costs that are not included in the actual annual interest rate?

Is the loan interest rate applied to the principal amount or the deductible balance?

How will the loan be repaid (during the loan or at the end of the term)?

What is the loan repayment schedule?

How long does the loan have to be repaid?

What are the deadlines for applying for a loan? Is there a collateral requirement?

How is the loan provided (cash, non-cash)?

What is a loan currency (AMD, USD, etc.)?

What are the penalties for violating the terms of a loan agreement, or for failing to do so properly?

(SINEK, Simon. Start with why: how great leaders inspire everyone to take action. 2011).

3. Leasing

What is leasing and how does it work? Leasing is a system of property and financial relations. It operates by the following logic. The property is acquired by a leaseholder and is paid for to the lessee for the right of ownership, temporary possession and use. Classical leasing is a three-way relationship between a leaseholder and a leaseholder.

Imagine that you need to buy solar panels or new air conditioners for all the bedrooms. However, at the moment you do not have the appropriate funds. You can use 2 financial tools as a solution to the problem. lending and leasing. In the case of borrowing, everything is clear. And what practical solution does leasing provide?

In this case, you choose a leasing company and simply tell them which brand and model of air conditioner or what kind of power solar panels you want to have, and from which supplier. Then

The leasing company buys the product from the company you mentioned and hands it over to you for temporary use. In return, the leasing company determines:

fixed fees

payment terms,

other conditions:

In this case, the owner of the product is the leasing company, and all the risks and revenues related to the property are transferred to you. After paying the full amount, the given product, according to the contract, either becomes your property or is returned to the licensor's management. This clause should be defined in advance in the contract.

To avoid the benefits and risks of leasing, it is recommended that you make a clear statement before purchasing a leasing transaction, for which you want to purchase equipment. Try to predict whether it will serve its purpose. Make a budget plan, that is, set the maximum amount that you can provide as a lease.

Explore the market. Get acquainted (gain, obtain) with present-day techniques that came from Leasing.

What is the nominal interest rate for leasing, annually?

What is the term of the lease agreement?

What is the down payment on the value of the property?

What is the payment schedule according to the dates?

How long will it take for the property to be delivered to you?

In what currency is the lease agreement?

What documents are required for leasing?

Should I insure the subject of the lease?

Do you choose the property or the leasing company?

When does the lease agreement start payment of liabilities?

This questions should get the answer. After receiving the answers, it will make easier to organize your own start-up business (ATKINSON, Sam,2014).

4. Crowdfunding. business financing through the people.

Crowdfunding is a way to raise money for the idea, which is usually done online on special online platforms. Crowdfunding online platforms, in turn, attract people who want to invest in a successful business.

Startups, having a new business idea, present it to the public, setting a target amount, in case of which they collect the product will become a reality. In this option of attracting funds, people voluntarily give money for the implementation of other people's ideas, sometimes receiving a product / service or a share of the company in return. At first glance, this type of funding, which is widespread in the field of information technology, has recently been applied in the field of hospitality and tourism. People living in different parts of the world can come together to buy an interesting, different guest house and buy something that doesn't exist yet. A successful example of crowdfunding in the field of tourism is the Yell Extreme Park campaign in the village of Yenoqavan, Tavush region. Through the Indiegogo.com website, which: Jelly was able to raise \$ 22,905 in a short period of time to build the world's longest zip line.

To start a crowdfunding campaign, you need to follow these steps:

- 1) Develop a text that will tell your story. Get started from the description of the idea, interestingly presenting how it originated in you and your family members. If there is a precedent, for example, in the history of your own home or in the generations that live there, you can present it in an attractive way.
- 2) Make photos or, if possible, a video of the area and the building

In terms of repair, the parts that need repair / reconstruction. He can creatively show in the photos who will be the implementers of the idea, the initiator and the team members. This can be done on your own or with the help of friends.

- 3) Set goals for how much money you want to raise. If your goal is to accumulate \$ 5,000, and the "overnight + breakfast" package costs 10,000 AMD, then at least 242 future visitors should invest in your future business.
- 4) Register on the appropriate platforms. The two most popular platforms for crowdfunding are www.kickstarter.com and www.indiegogo.com.
- 5) Start the campaign. Open a page in one of them, fill in your data and start the campaign, following the rules of the site. You just have to be more discriminating with the help you render toward other people. Be prepared to make some changes to the history, photos, as required by the site with set goals.

Distribute by all possible means. Share the campaign link on social media and other possible platforms. Ask your friends, acquaintances, other important people in the field to do the same.

5. Grant programs

What is a grant, and who can apply for a grant? Not only non-governmental organizations, but also companies and individuals engaged in entrepreneurship can receive grants, and the source of funding can be state or international organizations, non-governmental organizations engaged in economic development.

All this, of course, has its specific preconditions. This is a great way to start and grow a business without having to worry about losing money. However, there is a clear responsibility to ensure that all actions specified in the program are implemented and that all results are available. Individual subsidies can be in the form of money as well as equipment, automated system or advice. Usually, the recipient of the grant and its program are subjected to a rather rigorous examination according to pre-defined criteria and processes.

Table 1. Grant Organizations

| State funding programs | State Employment Agency |
|---|---|
| Joint funding programs by international and state institutions | “Small and Medium Enterprise Development National Center ”(SME DNC) |
| Local Funds and NGO programs funded by international development agencies | "Jinishyan" Memorial Foundation Mission Armenia Charitable Non-Governmental Organization World Vision Armenia Development and International Charity (World Vision Armenia) OXYgen Youth and Women's Rights Protection Foundation (OxYGen) Armenian Relief Fund (FAR) |
| International funding structures | "Reconstruction and Deep Development of the European Development Bank for Small Businesses" (EBRD ASB) Asian Development Bank (ADB) |

| | |
|--|--|
| | UN Armenia (UN Armenia) US Office of International Development (USAID) Austrian Development Agency (ADA) World Bank (WB) "Germany's international cooperation Company "(GIZ) "Japan's international cooperation agency "(JICA) "Swiss Development and Cooperation Agency in Armenia "(SDA) "The European Union in Armenia delegation "(EU in Armenia) |
|--|--|

Cost and cost coverage

Cost includes all costs incurred in order to "issue" a single unit of service (for example, the cost of raw materials, salaries, depreciation of fixed assets, utility payments, electricity, gas, water)

The costs are fixed and variable. Fixed (indirect) costs that remain unchanged as services change. No matter how many guests you receive, the salary of the receptionist will not change.

Other types of hostel expenses are fixed expenses.

- marketing,
- accounting,
- salary depending on the type of business
- stationery and other accessories,
- phone,

- maintenance
- tax liabilities.

Expenditures are (directly) variable, which do not remain the same in parallel with the change in the volume of services provided. If you need two loaves of bread and one glass of juice to make one breakfast, you will need four loaves of bread and two glasses of juice. Variable costs only appear when the guest house has a visitor. These types of expenses include:

- food,
- utility payments,
- transport,
- cleanliness,
- care products (soap, shampoo).

By calculating the variable and fixed costs, it is possible to calculate the cost of a room, to which by adding a margin, the selling price of the room will be obtained.

Table 2. Distribution of variable and fixed costs per room / 1 place (for example)

| Cost Type | Example of Cost | Action |
|---------------------|---|---|
| Variable Costs | Room cleanliness, salary, materials, etc. | Calculate the amount of all direct expenses on a monthly basis. |
| Fixed Costs | Rent, sales and marketing, security, loan repayment, etc. | Calculate the amount of all indirect costs on a monthly basis. |
| Total Costs | Direct + indirect costs. | By adding direct and indirect costs, you will get the total monthly expenses. |
| Cost per room/place | | By dividing the total monthly expenses by the |

| | | |
|--|--|---|
| | | number of rooms / places, you will get the cost of one room / place |
|--|--|---|

Expenditure means you have neither profit nor loss. This is the point where the difference between the income and all expenses incurred is zero. And the level of sales where this happens is called the cost point. That is, it shows the level of sales that should be provided to avoid losses.

It is quite easy to understand the point of spending through the following equation.

$$(\text{unit price} * \text{quantity sold}) - (\text{variable unit cost} * \text{quantity sold}) - \text{fixed cost} = 0$$

For example, the guest house has overnight + breakfast bookings by a corporate customer. The price of one unit of service is 13,000 AMD, the variable cost for the same unit is 5,000 AMD and fixed costs for the entire volume of production - 200,000.

How much money does a guest house make?

If we use the above formula, then:

$$X * (13,000 - 5,000) - 200,000 = 0 \quad X * (13,000 - 5,000) = 200,000 \quad X = 200,000 / 8,000 \quad X = 25$$

In other words, the guest house has to provide 25 bed and breakfast services (for example, 5 people for 5 days each) in order to reach the cost point, that is, to cover all the expenses. He will make a profit only if he serves more than 25 points.

2.1.2 Prediction and Budgeting

Financial forecasting and planning will help you achieve your goals and lead the business in the direction you want. But to do that, you need to have a clear idea of the activities of the guest house and build financial predictions based on real assumptions. In short, a financial forecast estimates your business' future income and expenses. As for budgets, they should contain complete information about financial data such as revenue (money from the sale of the service), sales, operating expenses, capital investments, etc.

- Budgeting includes:
- Defining room prices.
- Revenue control from various services (accommodation, food, other services).
- Comparison of Revenues and Expenditures for Cost Reduction
- Disclosure of operating expenses (for example, provided cost of services, internet portal fees, utility bills, internet connection payment, etc.)

Taxes and tax systems

Guest services are considered business activities, so they are regulated by the current tax legislation. According to the RA Tax Code, which came into force on January 1, 2018, guest houses operating in Armenia have the opportunity to choose general and special taxation systems. Among the special systems are family business and Individual entrepreneurs and commercial organizations operating within the framework of the turnover tax; Let's talk about each one separately. Family business. According to the RA Tax Code, family business is the joint activity of more than one member of the family in order to receive business income. Family members include a parent, spouse, child, sibling. The subject of the family business may be the resident commercial organization and the sole proprietor, whose turnover for all types of activities during the previous tax year did not exceed 18 million drams. The subjects of family entrepreneurship are the resident commercial organizations and individual entrepreneurs who before On February 20 of the current tax year, including the tax authority, they submitted it with the vote approved by the tax authority.

Statement on being considered a family business entity, relevant documents substantiating the involvement of family members in the family business.

Employees involved in family business defined by the Code in terms of family business, the amount of income tax in the amount of five thousand drams per month for each

employee of taxable income (calculated) by the tax agent is calculated and paid to the state budget before the 20th of the month following including.

Turnover tax:

In the system of turnover tax, there may be guest houses whose owners are registered in the tax authorities as sole proprietors or have registered a commercial organization. And during the previous tax year, the sales turnover for all types of activities should not exceed 58.35 million drams. In order to operate in the turnover tax system, it is necessary to submit an application to the tax authority on the day approved by the tax authority, including the turnover taxpayer, before February 20 of the given tax year. According to the RA Tax Code, in the case of this type of tax, "income from other types of activities" is taxed at a rate of 5%. According to Article 150 of the RA Tax Code, the income tax of employees is calculated and paid in accordance with the general procedure provided by law, on a monthly basis with monthly rates.

Table 3. Calculation of Income Tax rate

| The monthly amount of the tax base | Income tax rate |
|---|---|
| up to 150,000 drams inclusive | 23% |
| From 150,000 to 2,000,000 drams inclusive | 34,500 drams, plus 28% of the amount exceeding 150,000 drams |
| More than 2,000,000 drams | 552,500 drams, plus 36% of the amount exceeding 2,000,000 drams |

Choice of tax field. The above information will help you understand the features of different tax systems. However, it should be noted that this guide was developed in the first quarter of 2018, and all the information is based on the RA Tax Code, which entered into force in 2018. on January 1, and on the current legislative framework. For various reasons, in the interests of the economy, the legislation is subject to continuous change. It is possible that some changes have been made to the text presented at the time of reading the guide. It is possible that some changes will be made in the definition of tax bases and rates. It is necessary to check the current limit from the tax inspectors, specialists or to study the relevant section of the current version of the tax code. Table 21 summarizes the preconditions (turnover and number of employees) for different tax areas.

| | Last year's turnover (excluding VAT), AMD | Maximum number of employees |
|-------------------|--|--|
| Family business | 18 million | Unlimited |
| Turnover tax | 58.35 million | Unlimited |
| Value added field | Unlimited | Unlimited |

Today, guest houses in Armenia, if they do not exceed the turnover of 18 million drams a year, as it was founded and managed by families, mainly operate in the tax field of family business. In cases where, due to the increase in turnover and the need to involve additional employees in the organization, in addition to family members, the guest house business may move to another tax field. When the turnover exceeds 18 million AMD, the organization passes to the turnover tax field, and after exceeding the turnover limit of 58.35 million AMD, the VAT field. In any case, within 20 days of registering with the organization, you must submit an electronic application to the tax inspectorate, choosing which tax field you will work in. Otherwise, the company will automatically be subject to VAT.

2.2 RISK, TIME AND COST ANALYSIS

2.2.1. Risk Analysis

Table 4. Risk Analysis

| Risk sources | Risk characterization | Probability of occurrence | Actions to minimize risks |
|---------------------|---|----------------------------------|--|
| Building | Various problems that may arise during construction (in the case of the acquisition of the building) or redevelopment (in the case of rental) | Average | Attracting companies capable of building a hostel or redeveloping a rented apartment on time and with maximum quality indicators |
| Technical | Difficulties with the delivery, installation and configuration of equipment | Low | Involvement of the equipment supplier and equipment installation and configuration specialists |
| Human | Lack of qualified staff | Average | Hiring highly qualified personnel, improving their skills in the process of hostel activities (staff training, courses) |
| Organizational | The occurrence of all kinds of random adverse situations in | Average | The presence of highly qualified specialists who do not allow the |

| | | | |
|------------|--|---------|--|
| | the process of the hostel | | occurrence of force majeure situations |
| Financial | Lack of funds to launch the project | Average | Fundraising carried out by obtaining a grant to newcomers from organizations with the authority for this, concessional lending |
| Commercial | Low rate of room rental at stated prices | Average | Attracting more customers through advertising |
| Political | All kinds of adverse events arising from any political changes | High | Forecasting, hiring a highly qualified specialist in this field |
| Economic | All kinds of adverse events that occur due to the economic characteristics of the organization | High | Business planning, analysis of the generated financial statements, fulfillment of contractual obligations, attraction of credit resources, analysis of the competitive environment, increasing the competitiveness of the hostel |

First we need to identify the sources of risk and divide them into internal and external. Among the internal sources of risk, I identified the following:

- 1) Construction - all kinds of problems that may arise during construction (in the case of the acquisition of the building) or redevelopment (in the case of rental) - for example, disturbances and obstacles from the tenants of the apartment.
- 2) Technical - the occurrence of difficulties with the delivery, installation and configuration of equipment necessary for the "Like at home" hostel.
- 3) Human - the lack of personnel with the necessary qualifications (for example, incompetence and lack of knowledge in matters of servicing guests)
- 4) Organizational - the occurrence of all kinds of random adverse situations in the process of hostel activity.
- 5) Financial - shortage or lack of funds to launch a project.
- 6) Commercial - a low level of renting rooms to guests at stated prices (due to the influence of various factors).

Among external sources of risk, it has identified the following:

- 1) Political - all kinds of adverse events that arise due to any changes of a political nature. For example, adverse changes in tax legislation.
- 2) Economic - all kinds of adverse events that arise due to the economic characteristics of the organization. For example, long-term and short-term loan rates and inflation rate.

So, then we need to choose a method or even methods that will help us eliminate or minimize risks and their impact. -Hedging method, since it is an effective way to reduce the risk of adverse changes in the price situation by concluding fixed-term contracts, which will be very appropriate, taking into account the environmental risks that we have identified.

-Reservation method. We chose this method because it ensures the reliability of the system due to the formation of a reserve, from which damage is compensated due to the failure of one of the elements of the system. In our opinion, this method will be relevant for any enterprise.

Thus, after analyzing the risks of the hostel, we came to the conclusion that it is necessary not only to be able to identify risks, it is equally important to be able to eliminate them, if possible in advance. So, based on our analysis, we have identified methods that will help us

eliminate and minimize all possible risks. We have chosen the hedging method and the reservation method.

It is also worth noting that the risks associated with hostels are diverse, and are divided into external and internal, which simplifies further risk analysis. The most significant risks for the hostel are: construction, technical, human, organizational, financial, commercial, political and economic.(LAM, James. Implementing enterprise risk management,2017).

2.2.2 Time Analysis and Cost Analysis

Production Program

It is planned to open our hostel in our own three-stored private house in Dilijan, Tavush region, the area of which is 180 m², and the total area of all 3 floors of the hostel will be 540 m².

Hostel and dining area

Designed for 24 people, the restaurant will be designed to serve food to 36 guests of the hostel and other customers.

The hostel economy first envisages cooperation with other partners. This case refers not only to our permanent suppliers, which provide us with relevant materials, equipment, machinery, technology, but also to organizations that provide additional services for the high level of service to our guests, as well as to host organizations that attract other customers.

"Rumea" tourism organization, which deals with the development and organization of inbound and domestic tourism in Armenia. It is planned to provide discounts and affordable sales in case of purchasing numbers with a certain package. In order to sell the product, it is also planned to cooperate with "Mika in tour", "Sputnik", "Garant Tour", "Fairylad Tour", "Tatev Tour" and other tour operators, armhotels hotel site.

"Bus Voyage" transport company, which provides comfortable buses for tourists. A special taxi service is planned for our hostel, which will work all day 24/7 and will transport both in Tavush region and beyond.

Rosgostrakh Insurance Company, which will insure both our guests and those who wish, moreover, the following types of insurance can be provided:

- I. Motor insurance
- II. Property insurance

In the future, it is planned to establish active contacts with the public through PR and marketing communication, which involves active surveys among the public and guests.

Table 5. List of basic equipment and cost

| Name | Cost(USD) |
|------------------------------------|-----------|
| Restaurant furniture and equipment | 10.000 |

| | |
|--------------------------------|--------|
| Hostel furniture and equipment | 20.000 |
| Total | 30.000 |

Table 6. Prices for installation, materials, suppliers

| Name | Cost (AMD) | Suppliers |
|--|------------|--------------------|
| Hostel and restaurant building materials + construction services | 10.133.000 | OST Group, Armenia |
| Equipment installation | 940.000 | OST Group, Armenia |
| Total | 11.173.000 | |

Taking into account the data presented in the production program, it becomes clear that 55 306 000 AMD is needed for the construction and technical support of the hostel.

Calculation of costs of economic elements necessary for the production of goods.

1. The cost of water consumed

$C_{wc} = Q \times n \times P$, where C is the value of water consumed per month, $Q = 25 \text{ m}^3$ - the amount of water used during the shift, the number of working days during the n-month, $P = 180 \text{ m}^3$

$$C = 25 \times 30 \times 180 = 135000 \text{ AMD}$$

2. Salary payments

Sal. = F + soc. cost:

f- the amount of monthly salary paid

soc. c.- amount allocated for social needs

$$\text{Sal.} = 610000 + 610000 \times 0.32 = 805200 \text{ AMD}$$

3. Heating costs

$$Ch = N \times Q_6 \times C:$$

N-heating period, months

Q6- used amount of hot energy

C- 644 AMD

$$Ch = 4 \times 22.2 \times 644 = 57960$$

4. lighting costs

Cen. = $Q4 \times n \times T$:

Q4 - Energy used during the shift

$$\text{Price} = 110 \times 30 \times 30 = 99000 \text{ AMD}$$

The price of the room was determined by the competitive method, taking into account the prices set by the competitors.

TIME EVALUATION AND STEPS TO LAUNCH THE BUSINESS.

- ❖ Market analysis, target audience.
- ❖ Conclusion of a lease agreement.
- ❖ Bringing the premises to the standards and requirements of regulatory authorities.
- ❖ Business registration, obtaining permits.
- ❖ Purchase of equipment, furniture, inventory.
- ❖ Advertising campaign, distribution of business cards.
- ❖ Search for service personnel.
- ❖ Hostel arrangement.
- ❖ Business start-up.

2.3 ANALYSIS OF HOSTEL BUSINESS IN ARMENIA

Competition is the driving mechanism through which all the economic problems of a society are determined. It is free competition between producers and buyers for maximum revenue. Competition leads to the efficient use of limited resources. Fair competition is beneficial for the consumer, the producer and the society. It is profitable for the producer, because he can maximize the profit by surpassing the competitors. The main means of competition are price, production volumes, costs and quality of goods and services.

With this in mind, we use competitors' analysis to identify their strengths, weaknesses, and use that data to increase our competitive advantages. All this will allow us to attract consumers, hence the maximum profit. Let's start our hostel competitive analysis by region by exploring local hotels, hostels and other accommodation. There are 33 competitors in Tavush region-

hotels-5

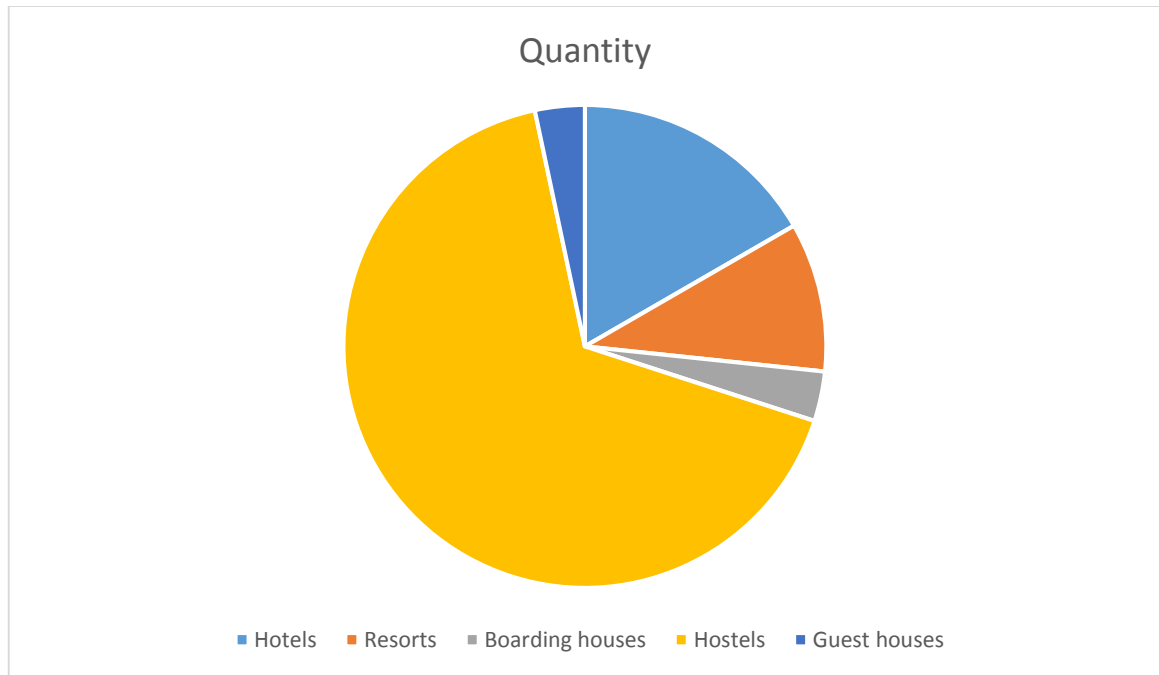
resorts -3

boarding houses -1

hostels-20

guest houses -1

Chart 2. Number of Guest Houses and Hostels in Tavush Region



As can be seen from the chart 2, there are different means of placement in Tavush marz, but in order for our analysis to be accurate and pictorial, we will analyze the five main largest guest houses in Tavush marz. Let's make the analysis in the form of a table, in the horizontal direction of which are the names of the hostels, and in the vertical direction - the indicators on the basis of which we will evaluate the them. The table allows us to identify the strengths, weaknesses, competitive advantages and disadvantages of the presented hostels.

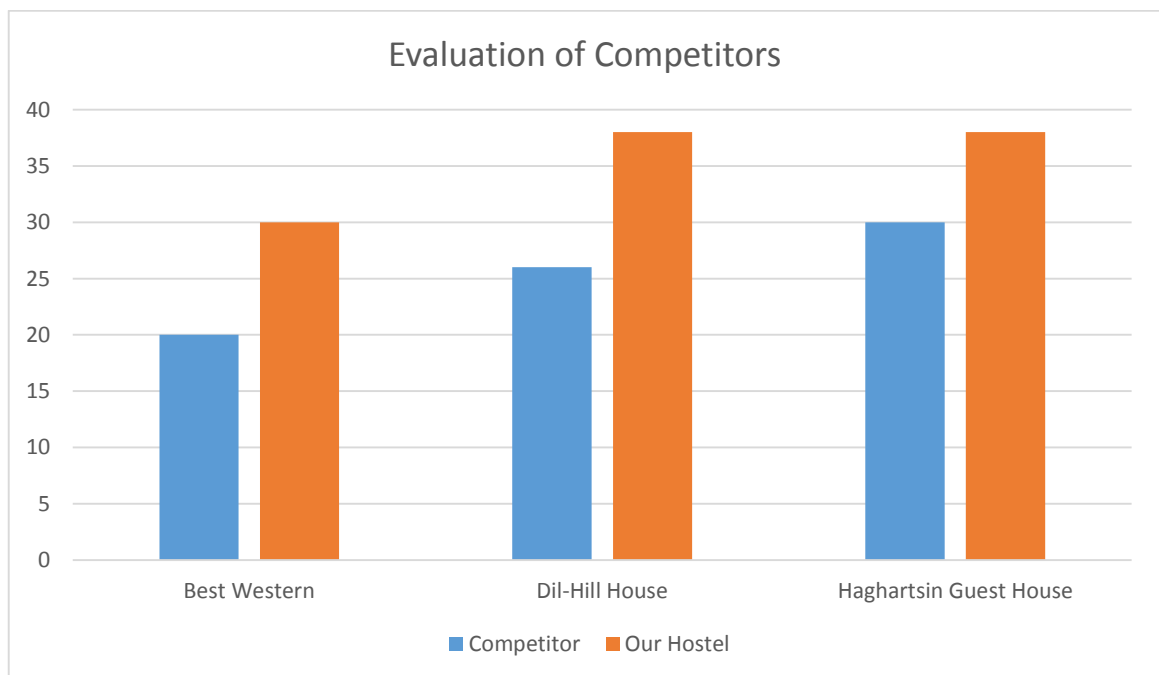
Table 7. Evaluation of competitors

| Criteria | Best Western Paradise | Doc Hostel | Dill-Hill Hostel | May Bridge Hostel | Haghartsin Guest House | Our Hostel |
|--|------------------------------|-------------------|-------------------------|--------------------------|-------------------------------|-------------------|
| Location | 4 | 4 | 4 | 4 | 4 | 4 |
| The location of the rooms and the view from there | 5 | 3 | 4 | 3 | 3 | 4 |

| | | | | | | |
|-------------------------------------|---|---|---|---|---|---|
| Comfort | 5 | 3 | 2 | 4 | 5 | 5 |
| Bathroom comfort | 5 | 3 | 2 | 2 | 4 | 4 |
| External view | 4 | 3 | 2 | 4 | 4 | 4 |
| Interior | 4 | 2 | 1 | 3 | 4 | 5 |
| Assortment of services: | 5 | 2 | 2 | 3 | 5 | 3 |
| Restaurant and food services | 4 | 3 | 2 | 4 | 4 | 4 |
| Costs | 5 | 4 | 2 | 5 | 4 | 4 |

Summarizing the table, let's present it with the corresponding diagram

Chart 3. Evaluation of Competitors



As a result of the analysis, it became clear that Best Western Paradise and Haghartsin guest houses located in Dilijan and are competitive in terms of Tavush region.

The main advantages of Best Western Paradise are:

1. Located in the beginning of Dilijan resort town.
2. All rooms have a balcony.
3. The bathrooms are in excellent condition
4. Prices are affordable compared to the services they provide.

The main advantages of Haghartsin are:

1. The range of services provided.
2. Attractive appearance.
3. The comfort of the rooms, the good condition of the bathrooms.

Table 8. Only Hostels

| Hostel Name | Arman's B&B | Artsiv B&B | Ashot Margaryan's B&B | Nina's B&B | Our Hostel |
|--------------------|------------------------|-----------------------|----------------------------------|-----------------------|--------------------------|
| Quantity of Rooms | 12 | 5 | 4 | 5 | 12 |
| Rating | 3 | 3 | 3 | 4 | 5 |
| Room Price (AMD) | 6000 | 8000 | 5500 | 6000 | 8000 |
| Rating | 5 | 4 | 5 | 5 | 4 |
| Cuisine | Armenian | Armenian | Armenian | Armenian | Armenian & International |
| Rating | 3 | 4 | 3 | 4 | 5 |
| Bathroom | 1 | 1 | 1 | 1 | 4 |
| Rating | 2 | 4 | 3 | 4 | 5 |

| | | | | | |
|----------------------------|----|----|----|----|----|
| Service Quality Assessment | 3 | 4 | 3 | 4 | 4 |
| Total Rating | 16 | 18 | 17 | 21 | 27 |

Potential consumer market.

1. Agrotourism lovers

2. Ecotourism lovers

3. Lovers of religious and historical-cultural tourism

SWOT ANALYSIS

One of the strategic tasks of any company is to ensure the interaction of the external and internal environment, which will increase the potential of the organization and allow it to achieve strategic goals. This can be done through SWOT analysis, which involves identifying the strengths and weaknesses of the organization, as well as the opportunities and threats to the external environment. Through such analysis, the organization decides in which areas it is competitive and in which it is not.

Strengths - This refers to the internal resources of the organization.

The strengths of our hostel are:

Provision of production capacities,

To ensure the efficiency of the hostel, we will equip it with the necessary equipment, which will help to easily organize the work of employees and provide the necessary services to guests. This equipment includes the necessary machinery and equipment for the rooms, kitchen, reception area.

Favorable working atmosphere,

As mentioned, we have adopted a participatory management style, which will allow the hostel to maintain a favorable working atmosphere.

knowledgeable, hardworking and conscientious employees,

marketing events,

These include conducting ongoing market research to identify emerging customer needs and information about new competitors, organizing advertising in a variety of ways, and other customer engagement activities.

being in a favorable recreation area,

Tavush region is rich in favorable climatic conditions - forests, healing mineral waters, clean air and other tourist and recreational resources, which are the reason for attracting tourists to the place.

Weak spots

The weaknesses of the organization also relate to its internal resources. The weaknesses of our hostel are:

a brand that is not yet widely known,

Naturally, the newly opened hostel has a problem with spreading its brand and providing relevant information to tourists. It may take a long time for it to become popular and attractive to tourists.

above average prices,

Building existing hostel rooms and equipping them with the necessary equipment requires a lot of money, which makes the prices of these rooms a little higher than others.

dependence of activity on seasonality,

The location of the hostel does not allow for year-round employment, which is an additional cost.

small market share,

There are many guest houses and hostels in the hotel business of the Republic of Armenia, as well as other objects of the hotel economy, as a result of which the share of our hostel is decreasing.

Opportunities - These are due to environmental factors. The capabilities of our hostel are:

- Stable political situation
- The current political situation in Armenia is favorable, which allows to increase the number of tourists from year to year.
- Tax and monetary policy,

- Since April 1, 2012, guest houses in Armenia are considered to be patent taxpayers. The starting point for calculating the amount of a patent fee for a hotel is the total area.
- The emergence of new technologies
- This economy is one of those sectors that is constantly evolving and new technologies are emerging.
- Cooperation with new partners,
- There are many tour operators and other tourism service providers in Armenia and other countries, with which our hostel can cooperate and spread its brand through it.
- Consumer awareness
- Collaboration with the above partners will enable consumers to provide the necessary information about the hostel.
- Sustainable growth of tourists in Armenia,

To make the above more vivid, we will present the sustainable growth of tourists in the form of a chart.

Figure 1. Total Arrivals in Armenia, 2018-2019

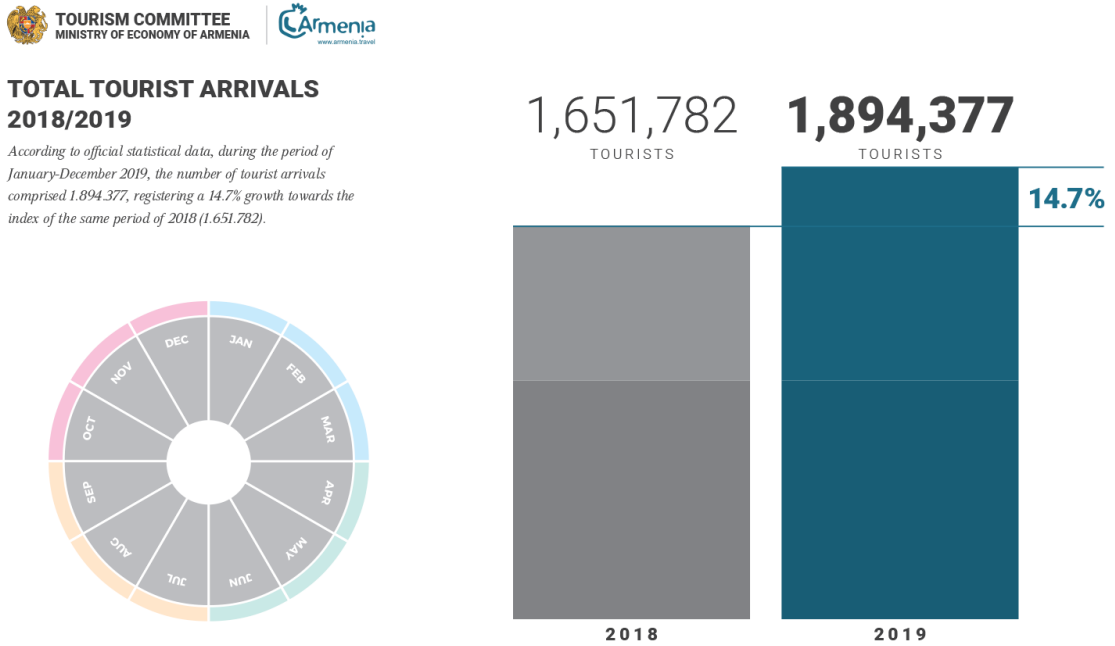


Figure 2. Arrivals from European Countries, 2018-2019

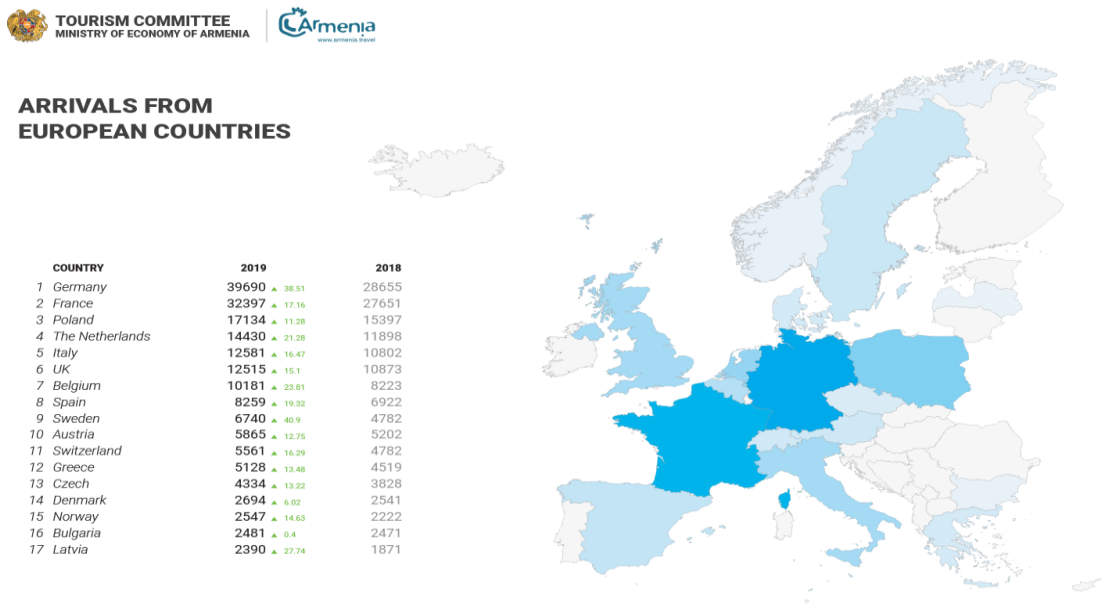
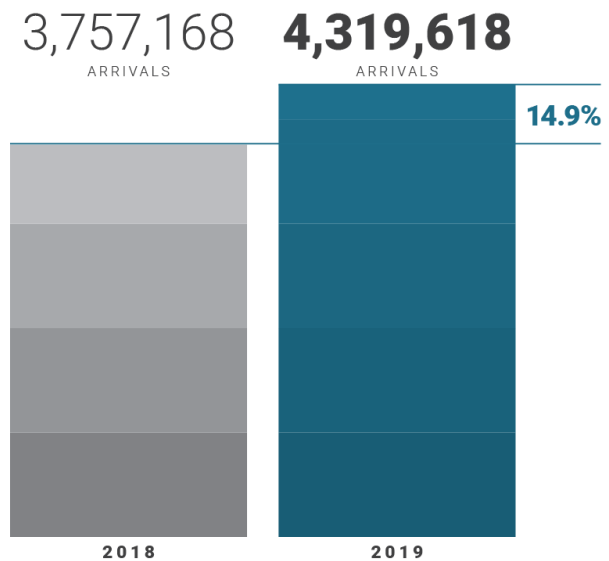
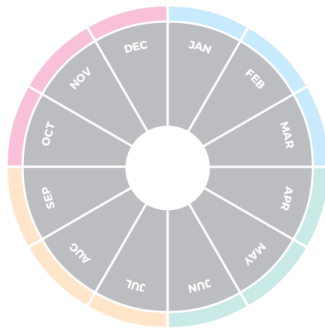


Figure 3. Total Arrivals, 2018-2019



**TOTAL ARRIVALS
2018/2019**

According to the RA Border Management Information System, during the period of January-December 2019 the total number of arrivals by nationality comprised 4.319.618, registering a 14.9% growth towards the index of the same period of 2018 (3.757.168).



All three figures are taken from the website of Ministry of Economy of Republic of Armenia.

The National Competitiveness Foundation of Armenia is trying to centralize the development of tourism in both the public and private sectors in order to strengthen the demand and viability of the tourism direction. These corridors, formed from emerging clusters, will create the framework that will ensure the harmonization of national goals and private investment. Five separate corridors have been identified, one of which is Northern East, which includes Dilijan and Ijevan.

Threats:

These also occur in the external environment. Our hostel's threats are:

1) *The emergence of new competitors,*

Dilijan has a lot of tourism resources, which is attractive for many businessmen, who, based on this advantage, can build their hotel facility right here.

2) *Changing consumer needs,*

In the field of tourism, the number of consumers is constantly increasing, they have many and varied needs, which change very often. In this regard, we have to change the range and level of services to meet the needs of consumers.

3)Consumer purchasing power

The purchasing power of tourists from different countries and especially domestic tourists in Armenia is not so high, which forces the guest houses to regularly reduce the prices of services in order to be able to attract customers.

4)Level of competition

The hostel has many competitors in Armenia, which offer an attractive range of hotel services

5)Introduction of common standards, technologies and rules adopted in the world practice,

For a hostel to enter the international market, it must comply with international standards and rules, but their introduction incurs additional costs.

6)Introducing France's experience in the regions.

The contribution of the French experience opens new opportunities for the development of tourism in the regions, but it is a threat to us, as the way to develop tourism in the regions has been the construction of guest houses, which are potential competitors for us.

SWOT analysis is performed in the following stages:

1. Analyzes the external environment of the enterprise and identifies the factors that the organization identifies as opportunities and threats.
2. Each of the isolated factors is evaluated on a scale of 1-5. After assessing the previously identified opportunities and threats, a partial indicator of each of them is calculated. Partial indices are calculated by relating the score of each factor to the highest value on a scale (in this case 5).

Table 9. Score assessment of strategic environmental factors and calculation of partial indicators

| Strategic factors of the external environment | Score / 1-5 / | Partial indicator |
|--|----------------------|--------------------------|
| Opportunities: | | |
| 1.Stable political situation | 4 | 0.8 |
| 2.Tax and monetary policy | 4 | 0.8 |

| | | |
|---|---|-----|
| 3.The emergence of new technologies | 5 | 1 |
| 4.Collaboration with new partners | 4 | 0.8 |
| 5.Consumer awareness | 3 | 0.6 |
| 6.Sustainable growth of tourists in Armenia | 3 | 0.6 |
| 7.Involvement in tourism development in the Northeast | 4 | 0.8 |
| Threats: | | |
| 1.The emergence of new competitors | 5 | 1 |
| 2.Changing consumer needs | 2 | 0.4 |
| 3.Consumer purchasing power | 2 | 0.4 |
| 4.Level of competition: | 3 | 0.6 |
| 5.Demographic situation | 2 | 0.4 |
| 6.Introduction of common standards, technologies and rules accepted in the world practice | 3 | 0.6 |
| 7.Introducing the French experience in the regions | 5 | 1 |

3. The aggregate indicators characterizing the level of opportunities of the external environment and the level of threats are calculated. The aggregate indices are calculated as follows: the sum of the partial indices is proportional to the corresponding partial indices. Thus:

The sum of opportunities is $5.4: 7 = 0.77$

The total level of threats - $4.4: 7 = 0.63$

The result reflects the enterprise's ability to adapt to changes in the external environment.

4. The strengths and weaknesses of the internal environment of the enterprise are distinguished.

5. The factors of strengths and weaknesses are assessed on a scale of 1-5

6. The partial index of each strong and weak indoor environment is calculated by the same logic that was used to determine the partial indices of external environmental factors (Table 5)

Table 10. Scoring of internal environmental factors and calculation of partial indicators

| Internal environmental factors | Score / 1-5 / | Partial indicator |
|--|----------------------|--------------------------|
| Strengths: | | |
| 1.Provision of production capacities | 5 | 1 |
| 2.Favorable working atmosphere | 5 | 1 |
| 3.Knowledgeable, hardworking and conscientious employees | 5 | 1 |
| 4.Marketing events | 4 | 0.8 |
| 5.Being in a favorable recreation area | 5 | 1 |
| Weaknesses: | | |
| 1.A brand that is not yet widely known | 4 | 0.8 |

| | | |
|---|---|-----|
| 2.High prices | 3 | 0.6 |
| 3.Dependence of the activity on seasonality | 5 | 1 |
| 4.Small market share | 3 | 0.6 |

7. The aggregate indicators of the strengths and weaknesses of the internal environment are determined.

The sum of strengths - $4.8 / 5 = 0.96$

Sum of weaknesses - $3/4 = 0.75$

8. The aggregate index of the organization's access to the market is calculated. For the calculation of this indicator, the sum of the coefficients of the strengths of the internal environment and the capabilities of the external environment is proportional to the sum of the coefficients of the strengths of the internal environment and the threats to the external environment.

If the result is greater than or equal to 1.3, the organization may undertake production activities. Otherwise, it is necessary to improve the relevant factors of external and internal environments until it achieves the set normative value (1,3).
Summary of market access opportunities - $(0.96 + 0.77) / (0.75 + 0.63) = 1.73 / 1.38 = 1.25$

Since the resulting index is not greater than or equal to 1.3, but is very close to that index, we need to improve the relevant external and internal environmental factors, which will be described in more detail in the market promotion program.

SITUATION RELATED TO COVID-19

The COVID-19 epidemic is certainly causing huge damage to the tourism sector. Globally closed borders, temporary closures of flights, hotels, and catering establishments pose a serious threat, putting the industry in crisis. According to the publications of the World Tourism Council, in 2019 The gross investment of tourism in the world GDP amounted to 8.9 trillion US dollars or 10.3% of GDP, provided 330 million jobs, 1 out of every 10 jobs, visitors' expenditures amounted to 1.7 trillion US dollars, 6.8% of total exports, services 28.3% of exports. 2019 The gross investment of tourism in GDP was the highest in the following countries: USA - 1839 billion US dollars, China - 1585 billion US dollars, Japan - 359 billion US dollars, Germany - 347 billion US dollars, Italy - 260 billion US dollars, United Kingdom - 254 billion US dollars, France - 229 billion US dollars, Spain - 198 billion US dollars, Mexico - 196 billion US dollars, India - 194 billion US dollars. According to COVID-19, 75 million tourism jobs are at risk of being lost, and the gross impact of tourism on world GDP could be reduced by \$ 2.1 trillion, or 23%.

Back in early March 2020, the World Tourism Organization predicted a decrease in the number of world tourists by 1-3% in 2019. amounted to 1461 million, and in 2020. It was projected at 1416-1446 million people, as a result of which the loss of tourist expenses worldwide would amount to 30-50 billion euros. Later, the ADC updated its forecasts, according to which international tourist visits in 2020. will reduce by 20-30%, and tourism revenues - by 300-450 billion US dollars. Taking into account the previous growth rates, it can be said that due to the epidemic, the previous growth of 5-7 years will be neutralized. Moreover, according to ZDC, in 2003 Due to the outbreak of SARS (atypical pneumonia), the decrease in international tourist visits was only 0.4%, and in 2009. due to the global economic crisis - 4%.

Chart 4. International tourist visits in the world, 2000-2020, one million people

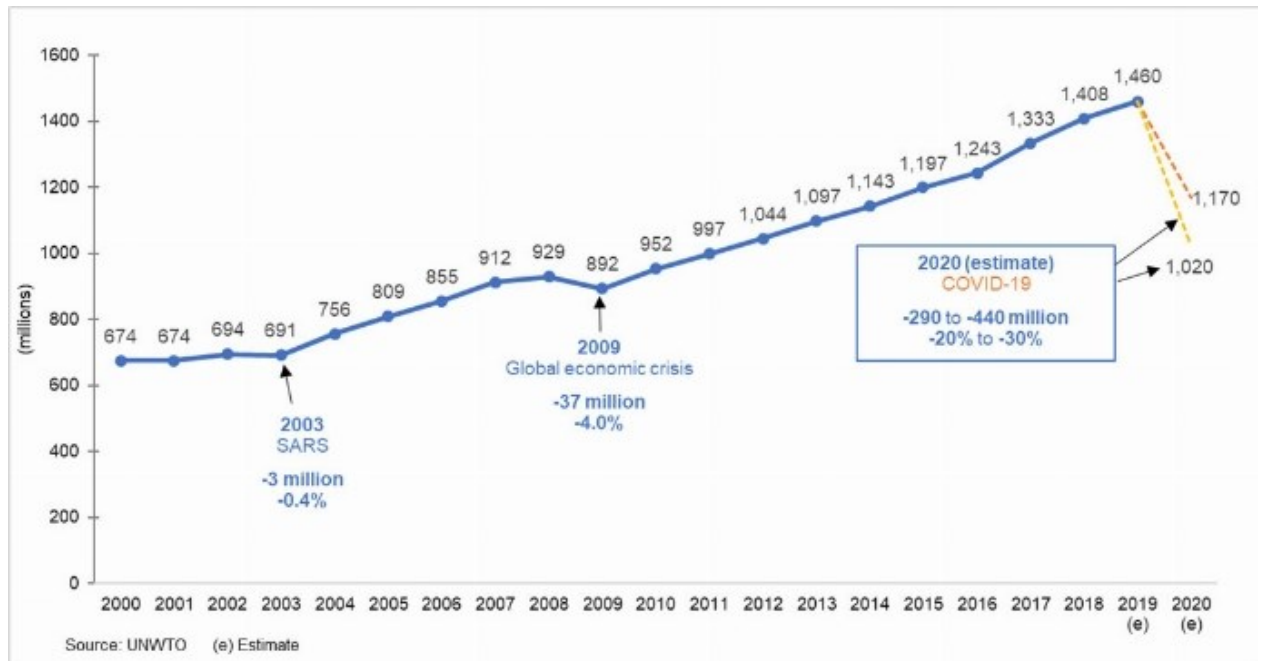
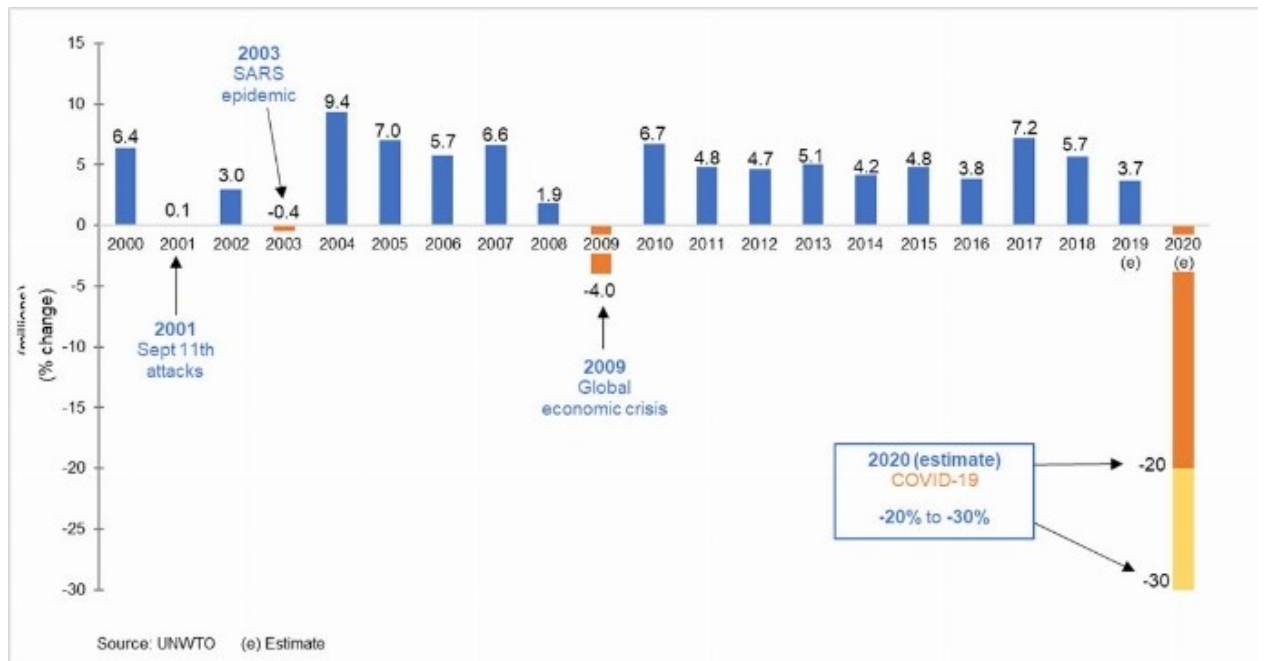
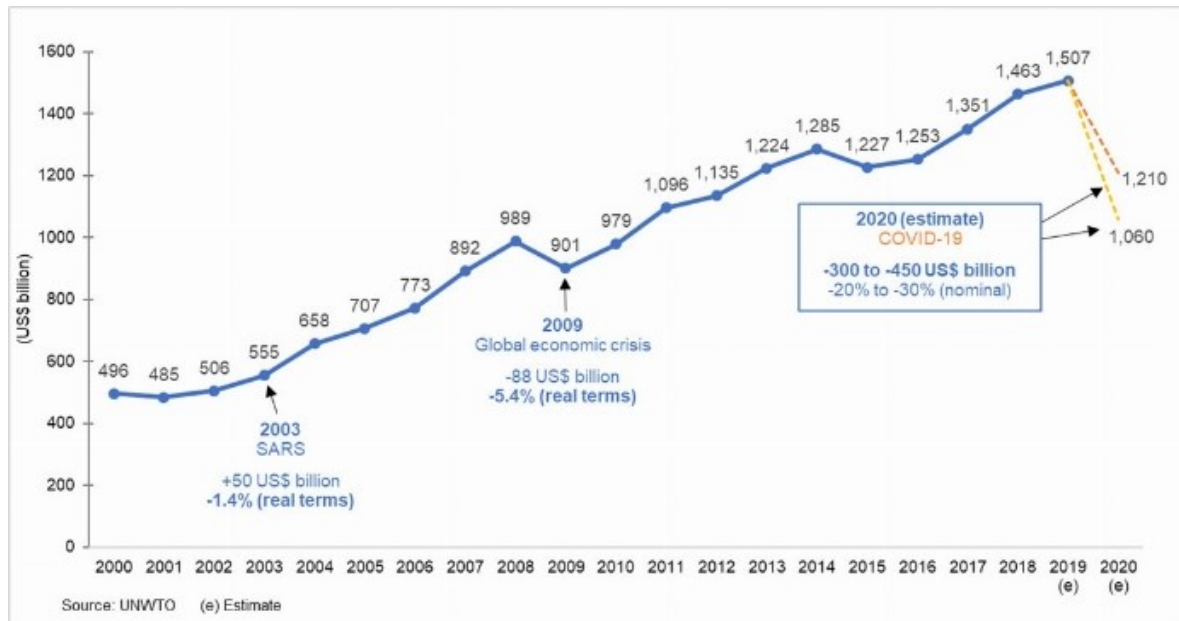


Chart 5. International tourist visits in the world, 2000-2020, change



The chart shows that despite the 2009 decline in 2010 the number of international tourists has increased, exceeding the number of 2008 indicator.

Chart 6. Revenues from international tourism in 2000-2020, billion USD

2009 Revenues from international tourism decreased by \$ 88 billion, and in 2020 It is projected to decrease by 300-450 billion US dollars, or 20-30%.

The decline in air transport industry revenue following COVID-19 is estimated by IATA to be \$ 252 billion, up from \$ 581 billion before COVID-19, and 4.72 billion people.

In order to mitigate the negative effects of COVID-19, the World Tourism Organization has proposed to governments and the private sector to carry out 23 actions in the following three areas:

- ✚ Crisis management & Impact mitigation. The main recommendations are on job creation, support for the self-employed, liquidity, skills development, and taxes and duties on tourism.
- ✚ Promotion & Fast recovery. This set of recommendations emphasizes the need for financial incentives, including favorable tax policies, the removal of travel restrictions as soon as the health care system allows, visa facilitation, and increased marketing and consumer confidence to accelerate recovery. The WTO also calls for tourism to be placed at the center of national recovery policy and action plans.
- ✚ Prepare for tomorrow by emphasizing the unique capabilities of tourism as a local & national growth leader, diversify markets, goods and services, invest in human capital, talent development, intellectual systems, digital transformations. Maximum attention should be paid to the sector's contribution to the implementation of the

Sustainable Development Agenda, and lessons should be learned from the crisis.

The main call is for governments the private sector to have ready-made plans to use this opportunity to move to a circular economy.

Thus, in conclusion, we can say that the world tourism sector suffers a lot from COVID-19. Tourism is one of the major sectors of the world economy, providing 10.3% of world GDP to 330 million jobs. Therefore, it is already obvious that the damage caused by tourism due to the epidemic will have a multiplier effect on other sectors of the economy as well. One can only hope that the epidemic will not last long, the restrictions will be lifted, and at least by 2020. From the middle of summer, the tourism sector will gradually begin to recover, in 2021.

CONCLUSION

Summing up, reading this work, one can find the most important tools to establish a new hostel business in Armenia (particularly in regions). I have discussed all the important questions that may be helpful for the people who wants to start a business in this specific field.

Considering the importance of accommodation sector in the hospitality industry in respect of entrepreneurship development, economic contribution, employment generation, an analysis of the status and prospects of the sector in Armenia is the thrust area of the work. The work is also directed towards assessing future prospect of hostel business in Armenia. It will give the novice entrepreneur an idea of the principles of management of the tourist house, the problems, the need for the necessary financial means for its establishment and operation, as well as the promotion tools.

Hotel management is an activity that requires a lot of personal involvement, the effectiveness of which largely depends on the right choice and implementation of the activity scale. Before considering the financial benefits of running a hotel, entrepreneurs are advised to analyze the impact of many human factors from the opening of the hotel on the successful operation of the hotel.

Guest management experience shows that failure is often the cause of underestimation of the complexities of managing guesthouses. It is very important that the entrepreneur assesses before starting the business whether he / she and his / her family are ready to accept the challenges arising from the hotel business, whether they have the necessary skills to manage the hotel.

Finally, the future of the hostel industry depends on the economic, social, political, scientific and technological changes. The hostel industry is very much sensitive to all these factors. Changes in any of these aspects or in any branch of activity are immediately reflected in this field. It is a type of business in which ideas and methods of operation undergo continual altercations. My Thesis study has tried to unfold a number of issues related to the development of hostel industry in Armenia, as per the objectives of the work. Thus, it does not claim to have examined all the questions associated with the industry. But it has definitely covered at least some vital issues confronted by the sphere. Nevertheless, with the vastness of this specific field, the treatment of the problems leaves, still there lies further scope of

study in a number of ways. This work, first of all, will clearly lead to the path for further research in developing the hostel business sector of Armenia.

So, the aim of my Master Thesis is to introduce the way following which you may reach your desired business. In this work you can find all the important answers to the main questions and also you will find information about the vital aspects that could help or obstruct you and your new business. I hope, this work will be helpful for many people who are interested in this field or just want to start a new, interesting and profitable business.

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LIST OF ABBREVIATIONS

HTO- Hotel Team Organizations

NSS- National Statistical Service

RA- Republic of Armenia

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