

# APT® in Action! Case study 2

## Assessing the impact on profit before you spend money making changes to your current accommodation mix ('What-if' analysis)

### Imagine this scenario:

Since installing your cabins five years ago, your tourist park business continues to improve. You can now afford to install a new group of cabins and think 5 would be a good number. You plan to locate these on 9 of your less popular powered sites. Before you make any investment, you want to understand if it will be profitable given the money you need to invest and the other costs of cabins compared to powered sites.

### Step 1: Update your first 'version' (original)

Ensure your first version (original) has been updated with your most recent yearly results.

### Step 2: Create a new 'Version'

You will need to copy your first version to create a second version so that your initial data is preserved. To do this select copy (figure 1). You will be asked to enter a description; in this case, lets say "5 New Cabins".

#### Benchmark Versions

A number of updates to APT will be occurring in the coming weeks in preparation for the launch of APT Benchmarking. Changes include the addition of a new link to a Benchmarking results page and a new opening page. The new opening page will ask you to select which version is your original financial results and what year this relates to as well as information regarding your state and your location e.g. Coastal, Highway etc. These updates will allow us to present your park with the most useful Benchmark results for you to compare your park against.

Year	Description	Actions
2005	Benchmarking Beta	Load Copy Remove from benchmarking

Park classification for benchmarking:  
 State: SA Region: Other Update

#### Versions

Version Name	Actions
5 New Cabins	Load Copy Delete Benchmark for: 2005

You have used 2 / 10 versions.

Figure 1: Copying your first version (original) to preserve your existing park configuration and results. Then 'loading' the new version created.

### Step 3: Load new version

Next, load the version you have just created to ensure you do not change your original data (figure 1).

### Step 4: Reviewing the "Results and What-if page"

Click on the "results and what-if page".

In our example (figure 2), the self-contained cabins have the highest gross profit after depreciation and achieve the second highest occupancy level.

### Did you know?

Registered users of APT® can create up to four copies of their first version. This means you can compare up to four different 'what-if' scenarios at the same time!

Lets say that whilst you like the look of the villas with spa, at only \$10.74 per night they don't make a large enough return for your investment.

Instead, you feel that 5 new cabins should be the lower cost self contained with average nightly tariffs of \$86.74 and occupancy of 71.55%.

	Per Occupancy Results						
	Total	Cabin Unit Self Contained	Cabin Unit Holiday	Cabin Unit Executive	Cabin Unit Standard	Caravan Site Powered	Villa/Chalet Villa with Spa
Occupancy %	71.55%	73.97%	70.65%	66.47%	65.55%	68.22%	68.22%
Average Rate	86.74	93.84	106.76	75.48	24.92	95.93	95.93
What-if Rate							
Utility Recovery	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Costs	(39.96)	(43.78)	(60.96)	(24.06)	(14.28)	(60.09)	(60.09)
Gross Profit Before Depn	46.79	50.05	55.90	41.43	10.64	35.84	35.84
Depreciation	(10.21)	(19.75)	(23.27)	(9.62)	(0.50)	(25.10)	(25.10)
Gross Profit After Depn	36.58	30.30	32.63	31.81	10.14	10.74	10.74
Gross Profit %							
- before depn	53.94%	53.34%	52.36%	54.89%	42.70%	37.36%	37.36%
- after depn	42.17%	32.29%	30.56%	42.14%	40.69%	11.20%	11.20%

Update What-if

Figure 2: Occupancy results for accommodation types on the 'Results and What-if' page.

### Step 5: Adding proposed '5 new cabins'

You will need to go to the accommodation page in the side bar menu. Then enter your 5 new cabins in 'Add Accommodation Facility' (figure 3).

Add Accommodation Facility	
Type: Cabin Unit	Additional identifying information e.g.:
Description: New cabins	- standard / deluxe
Powered: <input checked="" type="checkbox"/>	- ensuite
Gas: <input checked="" type="checkbox"/>	Check box if yes
Number of Sites: 5	Check box if yes
Actual Occupancy: 1314	Number of sites x 365 x occupancy%
Tourist Use: 100 %	Enter the % use of facilities by tourists
Average Cleaning Time: 20 minutes	Average cleaning time (per occupancy day) influenced by:
Replacement Cost: 45000 per site	- no. of bedrooms/rooms
Effective Life: 15 years	- full bedding
Revenue: 114318 per annum	- existence of bathroom
Extra Revenue: 0 per annum	- existence of kitchen
	Replacement cost influenced by:
	- infrastructure costs
	- fixtures & fittings
	- plant & equipment
	- installation materials & labour
	- EXCLUDE LAND VALUE
	Expected life of a new facility
	Revenue from all sites (within this type)
	E.g. Extra adult/child, bedding hire etc.
	Number of Sites must be greater than zero Add Facility

Figure 3: Click on 'Add Accommodation Facility'.

At this stage you can't see what the occupancy or income from the new cabins will be. However lets say you believe you can maintain the occupancy at 72% and set the average nightly tariff at \$87.

Therefore using this example:

Number of site nights (sites x nights x occupancy):  
 $5 \text{ cabins} \times 365 \text{ nights} \times 72\% = 1,314$ .

Estimated income (site nights x average nightly tariff):  
 $1,314 \times \$87 = \$114,318$ .

### Step 6:

Your 5 new cabins have now been added.

You now need to remove the 9 caravan sites that you used to 'build' the new cabins. To edit this, click "Edit" and change the number of sites from 34 to 25.

My Accommodation Facilities						
Type	Utility	Description	# Sites	Replacement \$	Effective Life	Tourist Use
Cabin/Unit	Executive	Executive	8	\$720,000	15 Dyrs	100%
Cabin/Unit	Holiday	Holiday	9	\$720,000	15 Dyrs	100%
Cabin/Unit	Self Contained	Self Contained	13	\$520,000	15 Dyrs	100%
Cabin/Unit	Standard	Standard	10	\$350,000	15 Dyrs	100%
Caravan Site	Powered	Powered	34	\$102,000	25 Dyrs	100%
Villa/Chalet	Villa with Spa	Villa with Spa	4	\$320,000	15 Dyrs	100%
Cabin/Unit	New cabins	New cabins	5	\$225,000	15 Dyrs	100%

Figure 4: Editing accommodation mix to revise down powered sites.

We have reduced our powered sites from 34 to 25. Given the sites used were some of our least popular caravan sites we believe occupancy will increase to 80% from 65.55%, however total site nights will reduce. Our average nightly tariff will remain constant so we will just times total site nights by our average rate of \$25.

### Edit Accommodation Facility

Type: Caravan Site

Description: Powered

Powered:

Gas:

Number of Sites: 25

Actual Occupancy: 7300

Tourist Use: 100 %

Average Cleaning Time: 5.0 minutes

Replacement Cost: 3000 per site

Effective Life: 25.0 years

Revenue: 182500 per annum

Extra Revenue: 3772 per annum

Additional identifying information e.g.:  
 - standard / deluxe  
 - ensuite  
 Check box if yes

Number of sites x 365 x occupancy %

Average cleaning time (per occupancy day) influenced by:  
 - no. of bedrooms/rooms  
 - full bedding  
 - existence of bathroom  
 - existence of kitchen  
 Check box if yes

Replacement cost influenced by:  
 - infrastructure costs  
 - fixtures & fittings  
 - plant & equipment  
 - installation materials & labour  
 - EXCLUDE LAND VALUE

Expected life of a new facility.

Revenue from all sites (within this type)

E.g. Extra adult/child, bedding hire etc.

[Edit Facility](#)

Figure 5: Updating accommodation characteristics.

Lets say that having now added five new cabins, you would expect your park value will increase by \$200,000 to \$4,200,000. Click on Park Facilities to adjust your park value.

### Set Park Value

Park Value: \$4200000

For commentary and assistance, [Click here](#)

[Save Park Value](#)

Figure 6: Adjusting park value.

Adding cabins will change your costs so click on "financial data" to update your cost details.

Lets say you know most of your expenses are fixed, but you expect your existing wages of \$5,000 and staff on costs of \$1,000 to increase due to increased cleaning time. Lets say you also expect accommodation supplies and promotions to also increase by \$2,000.

You will need to add these assumptions to your current expenses and click on "Save Expenses".

### Expenses

Cost of Goods Sold: 6096

Accommodation Supplies and Promotions: 37094

Marketing and Franchise Fees: 84617

Accounting and Legal Fees: 30453

Rental and Hiring Fees: 0

Insurance: 12077

Bank Charges and Merchant Fees: 10996

Printing, Postage, Stationery: 8770

Rent: 11060

Occupancy Costs: 291803

Replacement, Repairs and Maintenance: 189457

Telephone and Fax: 14384

Motor Vehicle Expenses: 14311

Staff On-Costs: 34105

Other expenses: 29075

Purchase costs relating to other facilities & other income  
 Site-specific consumables and promotions  
 Signage, brochures, membership etc.  
 Do not include Hire Purchase/Chattel Mortgage payments  
 Exclude interest costs.  
 On premises - deduct for sub-let income  
 Electricity, gas, rates & taxes, cleaning materials, waste removal etc.  
 Superannuation, workcover, payroll tax, FBT, staff amenities, etc.

Wages and Salaries

Total (\$): 272360

Percentage breakdown:

Cleaning: 30

Maintenance: 28

Admin: 26

Owner: 18

Other: 16

Total: 100

[Save Expenses](#)

Figure 7: Updating expenses associated with new facilities.

### Step 7: The Results

You can then review the results.

In this example, 5 new cabins has increased return from 6.14% to 7.98%. This translates into an increase in profit before interest and depreciation of \$89,878. Replacing 9 powered sites with 5 self contained cabins in this example would make a positive impact on profitability.

Per Occupancy Results							
	Total	Cabin/Unit Self Contained	Cabin/Unit Holiday	Cabin/Unit Executive	Cabin/Unit Standard	Caravan Site Powered	Villa/Chalet Villa with Spa New cabins
Occupancy %	- 71.55%	73.97%	70.65%	66.47%	80.00%	68.22%	72.00%
Average Rate	- 86.74	93.84	106.76	75.48	25.52	95.93	87.00
What-if Rate	-						
Utility Recovery	- 0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Costs	- (37.01)	(40.17)	(46.44)	(31.16)	(14.59)	(53.47)	(41.51)
Gross Profit Before Depn	- 49.73	53.67	60.32	44.33	10.92	42.46	45.49
Depreciation	- (10.21)	(19.75)	(23.27)	(6.62)	(0.41)	(25.10)	(11.42)
Gross Profit After Depn	- 39.52	33.92	37.05	34.71	10.51	17.36	34.07
Gross Profit %	- 57.32%	57.19%	55.50%	58.73%	42.79%	44.26%	52.29%
- before depn	- 45.56%	36.15%	34.70%	45.99%	41.18%	18.10%	39.16%

Per Annun Results							
	Total	Cabin/Unit Self Contained	Cabin/Unit Holiday	Cabin/Unit Executive	Cabin/Unit Standard	Caravan Site Powered	Villa/Chalet Villa with Spa New cabins
Income	1,308,010	294,490	228,026	220,240	183,126	186,272	81,538
Direct Costs	(601,162)	(125,647)	(97,215)	(96,925)	(75,507)	(108,555)	(45,447)
Gross Profit Before Depn	706,848	168,843	130,811	124,315	107,619	77,717	36,091
Depreciation	(193,333)	(34,867)	(48,000)	(48,000)	(23,333)	(3,000)	(21,333)
Gross Profit After Depn	513,495	134,100	82,418	76,432	84,201	74,744	14,758
Other Income	35,124	-	-	-	-	-	-
Overheads	(406,826)	-	-	-	-	-	-
Other Depreciation	(60,124)	-	-	-	-	-	-
Net Profit	- before depn (EBITDA)	335,324	-	-	-	-	-
- after depn (EBIT)	91,867	-	-	-	-	-	-
Return on Assets	- before depn	7.98%	-	-	-	-	-
- after depn	2.19%	-	-	-	-	-	-

### Step 8: Review

Finally, you should reflect on whether the assumptions you made are realistic.

For example, is it realistic to maintain cabin occupancy across the park with the addition of 5 more cabins? Or may occupancy on the older cabins fall away?