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Business Methods for Cottage Resorts
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BUSINESS METHODS

for COTTAGE RESORTS

RESERVATION

COTTAGE	MAY		JUNE	
	29 - 4	4 - 11	11 - 18	18 - 25
"Blue Spruce"		Mrs. R. W. Smith	Jim Fisher	
"White Pine"		Frank Smaller	←	
"Birch"	Mr. + Mrs. B. J. Roe			
"Balsam Fir"			D. H.	
"Jack Pine"			←	
"Red Pine"	Bill Brown	Norman Cheal		
"Cedar"				
"Black Spruce"		F. A. Questenn		
"Tamarack"		Mr. + Mrs. O. P. Penn		
"Sugar Maple"	R. J.	Garfield	Inch	→
"Poplar"				
" "				

- FINANCING
-
- TRAINING EMPLOYEES
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- KEEPING YOUR ACCOUNTS
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- GUEST HOSPITALITY
-
- LAWS and REGULATIONS

By ROBERT W. McINTOSH

MICHIGAN STATE UNIVERSITY
 OF AGRICULTURE AND APPLIED SCIENCE

Cooperative Extension Service



Agricultural Experiment Station

EAST LANSING

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BUSINESS METHODS

for COTTAGE RESORTS

Almost everyone in the housekeeping cottage business is in it to make money. The renting of cottages may be just a sideline with you, but nevertheless, it's a business and should be operated as a business.

Some housekeeping cottage resorts are very profitable, producing a good income for the owner. Others make but little, or are actually losing money. Why? *Better business methods and more attention to the customer's wants is probably the answer.*

This circular is designed to aid active and prospective cottage resort operators in increasing their business. It is intended to give suggestions on such important management problems as sources of credit, training employees, office systems, handling reservations and deposits, advertising and promotion, bookkeeping and accounting, guest hospitality and public re-

lations. In addition, a list of pertinent laws and regulations and selected references are included.

No business stays the same. It either goes forward and grows or it goes downhill. New ideas are welcomed by the progressive resort operator. There's always a better way to do a thing if we search for it.

These suggestions are the result of many years of experience in this business. They have worked for others and they will work for you.

Study this circular carefully. See if you can find some useful ideas and methods which will make your business more profitable, and more satisfying.

ROBERT W. MCINTOSH
Extension Specialist
Tourist and Resort Program

I. FINANCING AND ESTIMATING PROFITS

Earning Power of a Cottage Resort

So much depends upon the location and appeal of the resort that it is difficult to give any meaningful figures which would indicate a resort's earning power. *Length of season* is the primary factor in determining profits, and it will largely depend on the location. The most profitable resort will be near a popular winter sports development to assure winter business. It would also be near good trout and lake fishing to attract spring fishermen and their families. Summer lures should include favorable swimming conditions, interesting places for sightseeing, attractive scenery, places to view wildlife, and a quiet, peaceful atmosphere conducive to rest and recreation. Small and big game hunting in the fall would help round out the year's business. Probably no resort is ideally located, but these factors should be studied carefully.¹

Financial facts concerning resort operations are scarce, but studies made to date indicate that earnings should approximate 5 to 10 percent of the investment. That will depend on the length-of-season factor, as mentioned above, and efficiency of operation. It is generally agreed that the length of season must be greater than 10 weeks to operate profitably. Obviously, 5 to 10 percent is not a large profit considering the amount of work involved. Thus it

1. See C. A. Gunn, "Planning Better Vacation Accommodations" Circular R-304, pp. 4-8.

would appear that resorts of the housekeeping cottage type are not big money makers. In many instances they can be considered as part-time enterprises, with the family income being supplemented from other sources.

Investments

Lake frontage desirable for a resort likely will be expensive. However, it is wiser to choose the best possible location and pay a little more for the land than to accept an inferior location and, consequently, a lower volume of business. As in the motel business, *it's the location that counts*. It costs no more to build on a first class parcel of land than on a poor one—in fact usually less. Cost of the land will likely approximate 20-25 percent of the total investment. Investments vary, but a financial study of resorts made in 1952 disclosed the distribution shown in Table 1.

Source of Loans

In the past, getting a loan for resort construction or remodeling was rather difficult. However, there now appears to be more consideration of this type of loan by individuals, as well as by local banks. Insurance companies or building and loan associations have not done much financing of cottage resorts.

Your local bank is probably the most likely source of a loan. Other possibilities include

TABLE 1—Distribution of investment in resorts

	Your resort	Number of cottages in resort			Arithmetic mean (weighted average)	
		1-4	5-8	Over 8	Amount	Percent
Number of resorts studied.....		19	35	11		
Investment in land.....	\$3,351	\$5,452	\$7,334	\$5,156	22.2
Land improvements.....	675	1,324	1,190	1,112	4.8
Buildings.....	7,944	12,898	17,690	12,260	52.8
Furnishings.....	1,597	3,290	5,237	3,125	13.4
Equipment.....	546	2,193	1,365	1,571	6.8
Total investment.....	\$14,113	\$25,157	\$32,816	\$23,224	100.0

Making The Financial Estimate

FINANCIAL ESTIMATE FOR YEAR 19.....

INVESTMENT

Land	\$ _____
Land Improvements	_____
Buildings	_____
Furnishings	_____
Equipment	_____
TOTAL INVESTMENT	\$ _____

INCOME

a) Rental units (rooms, cabins, cottages)									
	_____	×	_____	×	_____	=	_____	\$	_____
	(units)		(days or weeks)		(av. rate)				
b) Profit from bait, boats, souvenirs, etc.									_____
									TOTAL INCOME

EXPENSES

a) General Expenses									
Depreciation									
Buildings							\$		_____
Furnishings									_____
Equipment									_____
Interest Paid									_____
Repairs and Maintenance									_____
Real Estate and Property Taxes									_____
Insurance									_____
TOTAL GENERAL EXPENSES								\$	_____
b) Operating Expenses									
Wages							\$		_____
Laundry									_____
Cleaning and other supplies									_____
Advertising, Printing, Stationery									_____
Fuel and Light									_____
Telephone, Telegraph, Postage									_____
Other Operating Expenses									_____
TOTAL OPERATING EXPENSES								\$	_____
TOTAL EXPENSES								\$	_____

SUMMARY

Total Income	\$ _____
Less Total Expenses	_____
NET INCOME	\$ _____*

*Repayments on principal of mortgage and federal income tax would have to be deducted from net income.

the FHA, which has a "Title 1" improvement loan, arrangements for which can be made through your local bank. Another source is a government loan through the Small Business Administration, 630 Federal Building, Detroit 26, Michigan. Business loans can also be obtained through the help of the Veterans Administration.

To get a loan, a carefully considered prospectus showing all of the facts regarding the proposition will be very helpful. A financial estimate form is included for that purpose.

Working Capital

You must have some financial cushion in reserve to cover expenses until sufficient income is earned. This working capital is important and must surely be included in your plans. Some working capital can be obtained through advance deposits from your customers — but this is likely to be quite limited in the initial stages of the business. It is wise to have from 5 to 10 percent of your investment in reserve after opening the business.

II. TRAINING EMPLOYEES

Almost every resort will have some employees from time to time. It is good business to employ them at their maximum efficiency. After you have found a suitable employee, remember that his first day on the job is the most important one! Be sure that his tasks are taught effectively at the outset. When you demonstrate how well you can teach, it builds confidence and respect.

For example, if you are teaching how to clean a bathroom, say "I like to clean the bathroom this way," and then go ahead and clean it, stressing the important points. Then have the employee clean a bath while you watch. This is the best type of instruction. It also assures that the job is being done right. Impress on employees that *all* jobs are important to the success of the resort. Here are some more teaching hints.²

2. How to Train An Employee. (Houston: The University of Houston, n.d.), adapted from.

Prepare Yourself as a Teacher

1. List the tasks which the employee is to perform.
2. Plan your training schedule, know when and how you are going to teach.
3. Have necessary teaching supplies and equipment on hand.
4. Arrange a suitable place.
5. Check over the four basic steps in training. (see below.)

Basic Steps in Training

STEP 1. PREPARE THE LEARNER

- A. Put learner at ease.
- B. State specific job.
- C. Find out what he knows about the job.
- D. Develop his interest and desires to learn.

STEP 2. PRESENT THE MATERIAL

- A. Tell, show, demonstrate, and question.
- B. Present one main point at a time, clearly, patiently, and in a correct learning sequence.
- C. Stress the special points.
- D. Present no more than the learner can master.

STEP 3. TRY OUT UNDER SUPERVISION

- A. Have learner do the job and correct his errors.
- B. Have learner repeat and explain major points.
- C. Question him as to why—what—how.
- D. Continue until *you* know that *he* knows.

STEP 4. CHECK BACK

- A. Check on his understanding and performance.
- B. Correct errors and re-teach.
- C. Put him on his own.
- D. Tell him where to come for help.
- E. Reduce coaching to normal supervision.

III. BUSINESS PROCEDURES

Office Forms

Three standard business forms are needed in all resorts: (1) Guest registration card or book; (2) Receipt form; and (3) Reservation book or "day book." In addition, many resorts use a "reservation chart" which is placed on the office wall, showing all rooms or cottages and the names of each party according to their reservation. Another handy form is an "advance reservation request card" (or book) to be used for next year's reservations. In addition, colorful and appealing letterheads and envelopes are extremely important. Nothing does more to gain a favorable impression than neat and attractive letters with friendly and persuasive messages.

Office Procedures and Systems

REGISTRATION OF GUESTS is required by Michigan Law (Act 75, P.A. 1952). Thus, you must have registration cards or a book. It is a recommendation for cards that they are more convenient and private. They can be filed easily and quickly referred to for future promotional purposes. A receipt should be offered upon paying the rental charge.

RECORDING TRANSACTIONS should be made at your earliest opportunity. Use an accounting system that is simple and easy for you to keep.

HANDLING CORRESPONDENCE deserves your prompt and careful attention. In a small resort, probably all letters can be personally prepared by the manager. In larger places, it will be handy to use a duplicated or printed letter which has type exactly like your typewriter. However, the personal individual letter is by far the best and should be used whenever possible.

Reservations and Deposits

Old customers have priority over new customers for the type of accommodation wanted and time wanted. Thus, if Mr. and Mrs. John Doe rented "Blue Spruce" cottage for the last two weeks in July 1954, they are then given first choice for this cottage for the last two weeks in July 1955.

Many resorts take *year-in-advance* reservations. Notices to this effect are placed in the cottages or in the office. A card is filled out by the person making the request giving the necessary information (Fig. 1). He usually makes this request before leaving the resort.

In early spring, about March 15, letters are sent to those who have made advanced reservation requests. They are asked for a verification of their reservation. A postcard is enclosed for the customer to make his reply. If the confirmation is received within two or three weeks, a request for the deposit is then made by the resort. In this letter, a complete factual statement regarding all aspects of the reservation should be stated.

For example: *"We have reserved 'Blue Spruce' cottage for you, your wife, and three children. It is equipped with two bedrooms; one bedroom having twin beds and the other with double bed. There will be a crib provided for your baby. A private bath and shower are in the cottage. Reservation begins on Saturday, July 14, and ends on Saturday, July 28. A boat will be furnished with the cottage."*

When the customer sends his deposit (usually about 25 percent) the transaction is complete and the reservation final. Then, the reservation is entered on the Master Reservation Chart (Fig. 2). A record is also made in the "Reservation Book" (Fig. 3) which lists each customer, room or cottage assigned, dates of reser-

SILVER SANDS RESORT	
ADVANCE RESERVATION REQUEST CARD	
7-28-54 DATE	
NAME	Mr. & Mrs. John Doe
ADDRESS	1727 Main St.
CITY AND STATE	Toledo, Ohio
HAD CABIN OR ROOM	Blue Spruce
WOULD LIKE	Blue Spruce Cottage
FROM	July 12
TO	July 26
John Doe SIGNATURE	

Fig. 1. Advance reservation request card. Use of such card assures proper reservation for party wishing a reservation for the next season. (Size of card is 4 by 6 inches.)

vation, amount deposited, and remarks. The Reservation Book is arranged by dates, a page being provided for each day that these reservations are effective. (In the example, there would be a page for Saturday, July 14.)

When all advanced reservations have been received (which should be completed by about May 1), you know how many vacancies remain. You can then proceed to determine the kind of advertising needed to get these vacancies filled.

It is usually wise to hold back some of the cottages or rooms for long reservations and emergencies and not fill in the weeks in every cottage with short reservations.

In case of cancellation, refund the deposit if there is no loss. If there is a loss, some resort owners refund the difference between the loss and the deposit. *Your policy on deposits should be included in letters confirming reservations.*

Cottage	June			July			
	9-16	16-23	23-30	30-7	7-14	14-21	21-28
Blue Spruce						← John Doe + family →	
White Pine			← The B. Johnson family →				
Birch		Mrs. B. J. Roe + daughter					
Balsam				← Mr. + Mrs. Bill Brown + family →			
Jack Pine							

Fig. 2. Master reservation chart. All reservations are posted on the chart so that vacancies can be determined at a glance. (The original chart is about 24 inches wide.)

July 14				
Name	Cabin or Room	Dates	Deposit Received	Remarks
Mr + Mrs John Doe	Blue Spruce	July 14-28	\$ 25.00	Need Crib

Fig. 3. Reservation book. There is a page for each day. Only confirmed reservations with deposits received are entered in this book. (Size of sheets is that of standard ledger book.)

Cash Control and Cashing Checks

HANDLING CASH for best control means that *all* income must be deposited in a bank and *all* bills paid by check. *This is the best control.* If a bank is very remote, it may not be practical. At the end of each month, reconcile bank statement, check stubs, and your accounting records to be sure that all moneys are accounted for.

PETTY CASH is the handy way to pay for small items. Create this fund by writing a check to "petty cash." Place money in a strong box or locked drawer. All disbursements from the fund should be covered by a slip of paper (voucher) signed by the party who received the money and stating the purpose of the payment. When the fund gets low, replenish it by cashing another check equal to the difference between the original amount and the amount left in the fund. At the end of each month remove vouchers and distribute expenditures in proper cash disbursement columns in your account book.

CASHING CHECKS should be done with caution. To protect yourself, post a notice in the office to the effect that anyone wishing to cash a personal check must make arrangements 24 hours in advance. Phone or wire his bank to verify the check or have the guest wire the bank for the funds. This is safest. Resorts are expected, of course, to cash traveler's checks. But examine the two signatures carefully to be sure they are the same and are signed in the right place on the check.

Consult your banker for additional advice on this matter.

IV. ADVERTISING AND PROMOTION

The resort business is a very human business. Personalities are of great importance. Many people patronize a certain resort because they like the manager and his family. The physical facilities of many of the places may be just ordinary, but folks vacation there because they like the people who run it. Cold business logic doesn't always pay out. Personalities are more heavily taken into account in this business than

in almost any other. In fact, there is no other business like the tourist and resort business. Your advertising has to be governed accordingly.

Selling your resort to the prospective guest thus becomes a matter of selling yourself as manager; selling your family and staff; and selling your facilities and services.

Advertising

Advertising your business is a study in itself. It will take experience to find out which combination of advertising methods is the most profitable. You must advertise to attract customers. Set up an advertising budget and stick to it. The type of advertising will depend upon the kind of operation being conducted. Perhaps your advertising will be all word of mouth from one satisfied guest to another. That is the best kind of advertising, but seldom is it sufficient to keep the business at capacity. Other kinds of advertising will be necessary.

Newspaper advertising should be carefully placed. It should appear in papers which people read for travel and resort information. An advertising agency may be helpful in writing and placing ads. Key all ads so that you know which produce results.

Essentially, advertising consists of these seven steps:

1. Get names of prospects.
2. Have attractive and effective printed material to send them.
3. Answer all inquiries immediately.
4. Follow-up previous guests with new invitations for them to again patronize the business.
5. Use signs for roadside advertising and for giving directions.
6. Provide publicity material.
7. Be an active member in the chamber of commerce and tourist association.

Getting Names of Prospects

Names of prospects can be obtained as follows:

1. From lists of previous guests.
2. From employees' recommendations.

3. From inquiry bulletin of the tourist association.
4. By advertising in a tourist association guide book.
5. In response to national advertising of the Michigan Tourist Council and their Tourist Information offices.
6. In response to newspaper advertising.
7. By roadside advertising (signs).
8. By operating booths at the outdoor and travel shows.
9. From chambers of commerce, automobile clubs, and travel agencies.
10. By listing your business in various travel directories and in the telephone book.

Printed Material

Good mediums for printed matter include:

1. Post cards (full color recommended).
2. Folders.
3. Greeting cards.
4. Stationery.
5. Printed letters.
6. Matches.
7. Bath mats (paper).
8. Place mats.

Post cards and folders are the principal types of sales literature used by resort operators, but the author believes that very few of them are as effective as they might be. Study the following suggestions to see if you can't improve your material. Most need more color, better quality photographs and printing, and sounder page layouts.

Preparation of Folders

A resort folder not only is an introduction card, but it is the most important sales tool of a resort. A good folder is read in detail by every prospective guest, and it is often shown to friends and passed from person to person. It must arouse interest and it must have "eye-appeal." There must be a *particular appeal to women readers*. It has to be *good* to get business. It should include everything the prospective guest may wish to know about the resort.

A good resort folder is, briefly, an eye-catching, colorful piece of literature on good paper stock; with up-to-date pictures; good printing; and honest, friendly, informative, but concise text. Good color printing on good paper stock makes any booklet compelling and makes a favorable first impression.

It is suggested that you consult an experienced layout man on the preparation of your folder. Sound layout is not necessarily a matter of expensive art, additional colors or "circus" typography; it depends more on good taste in design, and a readable balance between type, color, and illustrations.

PICTURES—GOOD PICTURES are most important in "selling" a resort. Poorly selected pictures are worse than none. Photographs should show human interest; yet the vast majority of folders contain picture after picture of empty porches, cottages, and grounds. Be sure to include several interior pictures, as well as exterior. Another common fault is to crowd too many pictures on one page, usually by overlapping. Leave plenty of white space around each photograph, as in a frame. It attracts attention.

Some folders use pictures so small that a magnifying glass is needed, accomplishing no useful purpose. Amateur snapshots should never be used. Because printing is expensive, it pays to start right by getting the services of a professional photographer. Plans for new folders should be made a year in advance.

A good technique is to show a picture of each cottage. Under it, list all the features of the cottage. Providing each cottage with a name is more appealing to the prospective customer than just giving it a number.

THINGS TO INCLUDE WHEN MAKING UP A FOLDER

- Location
- Map
- Nearness to town
- Capacity or size of resort
- Special features
- Transportation information
- Resort telephone number
- Recreational activities

Whether cater to family groups or any age limits

Suggestions on what equipment and clothing to bring

Manager's name and address

Manager's off-season address

Rules regarding pets

Information on freezing fish or game

THINGS TO INCLUDE IN A SEPARATE LEAFLET
(For insertion in the folder)—

Name of resort and the date

Rates, and what is included

Charges for children or extra adults

Charges for golf, boats, transportation

Information about deposits

Opening and closing dates

Special facilities being offered

Manager's name, address and off-season address

Resort telephone number

BE HONEST—The text should be easy to read, concise, and not flowery. It must be honest information. To speak of a golf course as being "right at your front door", when actually it is 5 miles away is deceiving, and gains only a disgruntled guest. Better understate your resort rather than over-write it and disappoint your guests.

SIZE—The best size for most resort folders is 4 by 9 inches. The name of the resort should always be near the top of the cover page, making the name stand out when the folder is placed in travel literature racks.

Distribution of folders

As folders must reach prospective customers, their distribution should be as effective as possible. Distribution can be made by chambers of commerce, tourist associations, tourist information offices and booths, and offices of the Michigan Tourist Council. Other possibilities are gas stations, motels, automobile associations, travel editors of the larger newspapers, Highway Department tourist lodge information stations, industrial recreation departments, and travel agencies (if you take travel agency business). A modest number of the folders should

be sent or taken to these places because storage space is often quite limited.

Folders may be sent to each prospective guest in letters. Often guests at the resort will send folders to their friends.

If you have a booth at an outdoor show, a less expensive "handout" piece is entirely appropriate. The regular folders could be given only to those who are sincerely interested in your resort.

Preparation of Post Cards

Attractive post cards are always in demand. Your guests will send them to their friends and thus spread the name of your establishment. Much good advertising is obtained in this manner.

Full color is infinitely more appealing than black and white. Numerous firms now print natural color cards from color transparency film. Such a card, if well composed, is a most compelling sales tool. High quality photographs, taken by professional photographers, are required. The best size film is 2¼ by 3¼ inches or 4 x 5 inches. The advertising message on correspondence side of card should not exceed 50 words. It may be advisable to have several views taken, including interior ones, and to offer the guests three or four different choices. If only one card is to be made, the most attractive view of the establishment should be used.

High quality black - and - white photographs can be used if color is not feasible. A card with an inset showing an interior view of one of the rooms is desirable. Thus, a prospective guest can see what the place looks like on the outside and what the rooms are like on the inside. Sometimes a picture of a room showing part of the bathroom is used. Primarily, be certain that the photographs do justice to the place. Do not accept inferior pictures.

Be sure you have some happy people and signs of life in the pictures. Don't show deserted rooms or exteriors without a car or person in sight. Photographs should be of the candid or action type.

Cards can be sold at the counter or furnished free to the guests. They are also handy for use by the manager for some types of correspondence.

Answering Inquiries

Answer requests immediately. All mail should be answered the same day it is received, even if this means working until midnight. Send these prospective guests:

1. Folder and rate sheet.
2. A personal letter, either individually written or printed. Letters can be duplicated to appear like typewritten ones. The person's name and address are typed on the letter; and it is difficult to tell it from an individually prepared letter. If you have had guests from the same city as the person making inquiries, include their names as references.
3. A part of the resort such as a cedar twig, spruce twig, piece of birch bark, or similar small natural object. Cedar is favored for its good smell.
4. Area folder if postage is not excessive.

Follow-up of Previous Guests

Keep an up-to-date card file of all previous guests. This file will constitute your most important source of business. On the back of the card can be placed personal information about guests, their families, names and ages of the children, anniversaries, nicknames, favorite sports, food preferences, birthdays, special likes and dislikes, make of car, and so forth. Having this information handy makes it easy to write to the guest, urging his return. Names of these guests can be put on addressing plates, or duplicating forms for convenient filing. Smaller sized addressing machines are now on the market, which greatly lessens cost of such solicitation.

METHODS OF GUEST FOLLOW-UP—

1. All previous guests should be sent an invitation in the spring of each year to again visit you. This usually takes the form of the current folder, rate sheet, and a personal letter. The best time to do this is in March or April.
2. "Thank You" cards after the guests have returned home. These are much appreciated.
3. Christmas, birthday, and anniversary cards.
4. Personal greeting or reminder cards sent during the year whenever appropriate.

5. Current attractions which might induce off-season patronage can be solicited by postal card. Here are some suggestions:

- A. Opening dates for hunting and fishing.
- B. Especially good fishing conditions; e.g., smelt runs, perch runs, ice fishing.
- C. Wildflowers in abundance, or mushrooms.
- D. Color tours.
- E. Winter sports conditions.

It pays to make a continuous study of the guests—where they come from, where first contact was made, *where inquiries originated*, and other vital information needed to improve solicitation. Make a list of the various types of advertising media which have been used and find out from the guests how they heard about your place. Then check to see which type of advertising is producing results.

Using Signs

Your sign represents you at the roadside. Thus, it should be very attractive, eye-catching, and well kept. First impressions mean sales in the tourist and resort business. The entrance to your property is usually the first thing to meet the eye of a prospective customer. If he is pleased, he will drive in and make inquiries. If he is unimpressed, someone else who does a better job of presenting his wares gets the sale.

Use of signs will depend upon your location and size of business. Almost every resort would profit by having several effective signs to attract business. Some resorts may need only a group of directional signs to assist guests in reaching the resort. Larger resorts may need several prominent signs. If the resort is only operated in the summer, the signs should be taken down in the fall, refurbished, and put back up in the spring.

Publicity

Excellent advertising can be obtained at no cost by the use of publicity. People in the following fields can be of help: chamber of commerce secretaries, tourist association officials, Michigan Tourist Council, travel agents, automobile club managers, personnel managers of companies, travel editors, and public service

Tourist Associations and Chambers of Commerce

A bundle of sticks is infinitely stronger than any individual stick. Unified and aggressive trade associations need the support of the rapidly growing resort and motel industry. Join your local and regional tourist and trade associations. Attend their meetings. Do your part to vigorously assist and protect your industry and profession.

Tourist associations do a great deal to increase business by their advertising and publicity programs. They supply names and addresses of prospective customers. Members are kept advised of new products, developments or systems that might benefit their business. Reports are made on legislation which affects their welfare. Resorts benefit a great deal from the work of these associations and have a moral obligation for their support.

The local chamber of commerce and civic clubs deserve your backing. Such contacts are fruitful and help build recognition and appreciation for the profession of resort management.

editors of newspapers. Such individuals are constantly coming in contact with those seeking vacation advice. Your establishment might get favorable comment from them if you can supply interesting pictures, stories, and printed material for their use.

Another suggestion is to send pictures of vacationing guests to their hometown newspaper. Travel and sports editors are frequently glad to get such material. A good camera is necessary but results are worth much more than the effort and cost involved. Of course, the guest's permission should be obtained before such publicity is sent to his hometown newspaper. Your local newspaper might also like interesting bits of information about the activities of the guests at your resort.

V. KEEPING YOUR ACCOUNTS

Good accounting is vital to your business. It is the best means of taking the guesswork out of resort operation. It tells you exactly what sort of shape your business is in, and which way

you are headed. Accounting for most resorts is not complicated, and you should have a thorough understanding of its basic principles.

The actual clerical work of recording the financial facts of your resort is called *bookkeeping*. This procedure is important because good accounting can only be based upon complete and accurate records.

Accounting is the interpretation and analysis of these recorded transactions. Such analysis is usually made of all or part of the accounts—such as a study of occupancy percentage. Another example is a study of all operating expenses in relation to cottage rental income. Such inquiries are made for one or more periods of time. After comparing these accounts, weak points in your business might appear. Proper action can then be taken to improve or correct the situation, resulting in more efficient and profitable management.

Accounting thus becomes a *valuable tool* for controlling the business operation. It can be compared to the instruments used in navigating a ship. It helps to head your business in the right direction. For example, accounting information is vital in considering upgrading, ex-

(EXAMPLE)

Month June **CASH INCOME**

Date	1 Blue Spruce cottage	2 White Pine cottage	3 Birch cottage	4 Jack Pine cottage
1	\$ 55 -	\$	\$	\$
2		10 -		10 -
3		(deposit)		(deposit)
4				
5			10 -	
6			(deposit)	
7				35 -
8	55 -	40 -		
9				
10				

Fig. 4. Daily cash income record. Cottage rental receipts and deposits are recorded when received.

Month <u>June</u>		CASH EXPENSE			
Date	Adver- tising	Car Expense	Supplies		
			Explanation	Cost	
1	\$	\$	80# fertilizer	\$ 3	75
2			2 brushes	12	30
3			Paint	57	18
4					
5	25	-	Bathroom tissue	8	35
6			roof compound	1	21
7		6			
8			5 gals. wood preservative	15	75
9					
10			pipe compound	2	71
11	10	-			

Fig. 5. Daily cash expense record. Detailed statements from vendors should be kept for reference.

pansion, length of season, increasing efficiency, establishing rates, and many other important decisions.

Well-kept books tell you where your income is coming from, where the money goes, net income, Federal income tax liability, *trends* in profits or losses, and your net worth at the end of the year.

In addition, good accounts are of value in case your loaning agency should want a financial report. Furthermore, should you ever wish to sell, the buyer would want to know how much the resort has earned.

Records Needed

Basic records needed for good accounting are:

- Daily cash income sheet. (See Fig. 4)
- Daily cash expense sheet. (See Fig. 5)
- Monthly (or weekly) summary sheets of expenses, income, cost of goods sold (if you operate bait sales, souvenir shop, or similar side line).
- Monthly profit and loss summary. (See Fig. 6)
- Wages records.

Inventory records for keeping track of your capital investments, and for figuring depreciation expense. (See Fig. 7)

Profit and loss statement for the year.

Balance sheet.

Mortgage and Debt Repayment Records.

The system you use should suit your own individual needs. No one bookkeeping system will fit all resort records. It is very important that the system used be *best for you*. Often it is advisable to consult a certified public accountant and have him set up the necessary record forms.

Studying Trends in the Business

Keeping records is of little value (other than for tax purposes) unless these records are studied and used as a guide in management. If you study and interpret your books, you will be accurately informed as to the financial status of the business. This knowledge will then help you make the most profitable business decisions. You can compare results under one policy with the results you are obtaining under a new policy. This measures progress. For example, you could try new advertising methods, such as a better sign program, a booth at a travel show, or gifts for your guests (such as a nice souvenir or something special for the children). Compare your results under this new policy, and see whether it proved to be profitable.

How To Analyze Your Business

1. Have an excellent set of books which contain the basic information needed for the analysis.
2. Make a monthly profit and loss statement. (See Fig. 6)
3. Compare all important accounts with the same accounts for the previous month. This should be done for the past 3 months, 6 months, 1 year, or whenever such comparisons are meaningful.
4. Discover *trends* in:
 - A. *Amount of rental income* (combination of number of cottages, average rate, and percentage of occupancy).

B. Percentage of each important item of operating expense to rental income. (See example in Table 2)

5. Compare your operating results with any available yardsticks to see how you are succeeding in relation to other resorts of similar size. This will measure your efficiency.

6. Study: general business conditions, future outlook for the resort and travel business, travel trends, newsletters, and the tourist travel studies of the magazines. See how your business is affected by these trends. Take action to put your resort in the most favorable position.

Results of Studying Trends

You know where you stand at any given time, and you know how this compares to a previous period. You know the relationship of one phase of your operation to another. You know how you compare with other resorts. You can determine the advisability of expansion, contraction, economizing, more advertising, improvements, lengthening of season, and other vital management decisions. *You know where you are going!*

MONTHLY CASH PROFIT AND LOSS SUMMARY												
Month	June		July		August		September		October		November	
Total Cash Income for Month	\$1,545	10	\$2,150	41	\$2,272	65	\$1,281	50	\$510	45	\$860	17
Less: Cost of Goods Sold	21	-	40	10	45	90	37	50	-	-	-	-
Gross Profit or Loss	1,524	10	2,110	31	2,226	75	1,244	-	510	45	860	17
Less: Cash Expenses for Month	418	85	714	53	762	31	210	50	129	42	340	05
Net Profit or Loss	\$1,105	25	\$1,395	78	\$1,464	44	\$1,034	50	\$381	03	\$520	12

Fig. 6. Monthly cash profit and loss summary clearly shows trend in gross income, expenses, and profits.

(EXAMPLE)										
INVENTORY OF CAPITAL GOODS ASSETS										
List all land, buildings, heating equipment, furnishings, kitchen equipment, laundry equipment wells, pumps, tanks, motors, boats, cars, trucks, and other similar equipment.										
Description of Property	1 Quantity	2 Kind	3 Date Acquired	4 Estimated Useful Life (years)	5 Original Cost or Basis	6 Depreciation allowed in prior years	7 Remaining Cost	8 Depreciation Expense this year	9 End of year Value	
E X A M P L E										
"Blue Spruce" Cottage	1	Frame	1948	30	4,200 -	560 -	3,640 -	140	3,500 -	-
add porch to "Blue Spruce"	1	Frame	1952	26	520 -	-	520 -	20	500 -	-
Guest room furniture	46	rustic	1949	12	720 -	180 -	540 -	60	480 -	-
Row boats	12	metal	1950	10	2,130 -	426 -	1,704 -	213	1,491 -	-
Truck (old)	1	panel	1949	5	2,250 -	1,350	900 -	(traded in)		
			1952	5	1,400			280		

Fig. 7. Inventory records are very important, particularly for computing depreciation expense.

Federal Income Tax Considerations

Advice of professional accountants and lawyers is frequently sought on income tax matters. However, an understanding of business methods must include fundamentals of the tax and its application to your resort. Taxation of profits

TABLE 2—Each important item of expense and its percentage of total cottage rental income (example)

Items of expense	Amount	Percentage of total cottage rental income*
General expense:		
Depreciation—buildings	\$620	14.5%
Depreciation—furnishings	320	7.5
Depreciation—equipment	200	4.6
Interest paid	170	3.9
Repairs and maintenance	350	8.2
Property taxes	150	3.5
Insurance	140	3.3
Total general expenses	\$1,950	45.5%
Operating expenses:		
Wages	\$ 320	7.5%
Laundry	60	1.4
Cleaning supplies	70	1.6
Advertising and printing	110	2.6
Fuel and light	310	7.2
Telegraph and postage	70	1.6
Other expenses	130	3.0
Total operating expenses	\$1,070	24.9%
Total expenses	\$3,020	70.4%

*The best measure of a resort's expenses lies in their percentage of total rental income. Comparison of these percentages with other similar resorts will give some indication of your proficiency.

is based upon results of operations, as reflected by financial statements. Thus, you must understand what these statements are, and how they are drawn up, in order to put yourself in the best tax position.

The income tax is a graduated tax based upon the net earnings (tax base) of the resort, after deducting ordinary business expenses.

A business expense must be an *ordinary and necessary expense of doing business*. It need not be essential, but it must be appropriate and helpful to the business.

Kinds of Expenses

A. *Charges against income (business expenses)*. For example: wages, fuel, supplies, repairs.

B. *Charges against capital*. For example: Building costs, major furnishings, equipment, a new roof.

A *charge against income* is an expenditure incurred in connection with operating the business, and is a proper deduction for the taxable year. This is called a *business expense*.

EXAMPLES OF BUSINESS EXPENSES

- Cleaning and cottage supplies
- Laundry
- Linen supplies
- Painting and decorating
- Repairs
- Utilities
- Automobile expense
- Wages
- Contributions
- Dues and subscriptions
- Legal and accounting
- Office supplies
- Grounds supplies
- Advertising
- Insurance
- Interest
- Taxes—real estate and property
- Telephone and telegraph
- Traveling expense

A *charge against capital* is an outlay of funds for obtaining property which will extend beyond the taxable year. *It is not currently deductible as an expense*. There are two criteria for determining whether a purchase is a capital expense or not:

A. *The property will last more than a year*. For example, the building of a new cottage.

B. *It is a permanent improvement or betterment which either prolongs the life of the property, increases its value, or makes it adaptable to a different use*. Example, adding porches to cottages. This then becomes an addition to capital. Such an expenditure is deductible through a depreciation allowance spread over the useful life of the *capital improvement*, or the remaining useful life of the building being *improved*. The Internal Revenue Code of 1954 liberalizes depreciation allowances during the

early life of property. You should become familiar with these provisions.

EXAMPLES OF CAPITAL EXPENSES

Depreciation—buildings

Depreciation—furniture and equipment

Depreciation—signs

Depreciation—land and yard improvements

Depreciation—yard equipment

These expenses are deductible only through proper accounting for depreciation.

Saving Money on Your Income Tax

For the most equitable tax position, have accurate and well-kept books. Careless book-keeping invites trouble.

Expenses needing special attention are: Depreciation, repairs and maintenance, small miscellaneous items (often missed), travel and auto expense, and advertising. Be sure you get *all* of these items into the records.

Purchase a good tax guide (it's deductible!) and study deductions you are entitled to. Your increased understanding of this problem will be of material benefit to you.

VI. GUEST HOSPITALITY

Greeting the Guest

Put yourself in the place of your guest. Visualize his mental and physical reaction at the moment he sets foot on your ground. What has he been doing all year long? Maybe he is a businessman, harried by selling problems, supervising employees, and working late hours. Perhaps he is a factory worker, tired of being under constant tension and pressed for production. His wife is worn out from housework, cooking, and caring for the children. While at your place, they want to forget their cares and have a good rest and vacation.

It is your job to satisfy these wants. *If you can make these guests feel important and happy, you won't have to worry about repeat business. They'll come again and bring their friends along.*

You as manager should personally greet all of your guests upon their arrival. Be sure you

can call them by name. Genuine expression of appreciation to them for coming should be made. "We're glad you're here," is one way of saying it. *The wrinkles you will get giving out friendly smiles will never make you look older.* Tone of voice and manner of speaking are important. A poor impression can be made on just this one thing. Saying "good-by" is just as important as a first greeting.

Personal Considerations

Go out of your way to make friends with all your guests. *The most important single thing in the resort business is to remember people's names.* Get to know their likes and dislikes, favorite recreation, birthdays of their children, and anything else personal about them. The more you know about your people, the better able you will be to serve them. It's the personal aspect of this business that makes one resort an outstanding success and another just mediocre. The successful resort is usually one where the manager has given an all-out effort to personally greet his guests and treat them as though they were in his own home. Make a special effort to show them all of the attractions in your vicinity such as wildlife, scenery, and interesting trips.

Catering to Children

"We live for our children" has often been said. Much of Michigan's tourist and resort business caters to the middle class family trade. Excellent guest hospitality can be built upon your special consideration for the children. Birthday cakes, organized games, play equipment, and programs all help to make the children happy at the resort. To entertain the children, some leadership, ingenuity, and home-made equipment are all that are needed.

Honeymoon Business

The quiet rustic setting of many resorts is ideal for honeymoons. This patronage could be encouraged by making a special effort to cater to these couples. This holiday is long remembered and the honeymooners will often repeat their stay many times in the years to come. Also, much of the honeymoon business is in the spring and fall when additional business is needed.

VII. LAWS AND REGULATIONS

The following laws and regulations affect the operation of resorts. Consult your attorney and local governmental officials.

1. REGISTRATION OF GUESTS (Act 75, P.A. 1952)

All guests must be registered, including name, legal residence, make of car, car license, number or name of room or cottage occupied, and the date of arrival and departure. Registration records must be available for inspection at all times by law enforcement officers for a period of not less than 3 years.

2. MICHIGAN RETAIL SALES TAX (Act 167, P.A. 1933)

The 3 per cent Michigan retail sales tax will apply to businesses which sell tangible personal property at retail. This tax must be collected on groceries or any other things sold. No sales tax is levied on lodging. Obtain the license from the Michigan Department of Revenue, 200 Tussing Building, Lansing, Michigan. The fee is \$1.

3. BUSINESS ACTIVITIES TAX (Act 150, P.A. 1953)

Any business having a gross income of more than \$20,000 per year is subject to the tax. Seasonal businesses can file annually with permission of the Michigan Department of Revenue. For complete information write to Michigan Department of Revenue, 200 Tussing Building, Lansing, Michigan.

4. SANITATION REGULATIONS (Act 98, P.A. 1913, Act 344, P.A. 1917, Act 306, P.A. 1927, Act 273, P.A. 1939)

Contact your city or county health department, or the Michigan Department of Health, Lansing 4, Michigan, on the following regulations: Public water supplies, food, beverages, alcoholic drinks, food handling, ice, sewage disposal, garbage and refuse disposal, and swimming beaches.

5. FIRE SAFETY REGULATIONS (Act 207, P.A. 1941)

For standards pertaining to fire safety and state regulations governing fire hazards, write

to the State Fire Marshal, State Police Headquarters, East Lansing, Michigan.

6. MOTOR VEHICLE LAW (Act 302, P.A. 1915)

If the operator uses a private motor vehicle to transport guests (regardless of whether such transportation is included in the general fee charged or charged separately) he is designated as carrying persons for hire. Vehicles so used are classified as private commercial vehicles and must be so licensed. Plates are obtainable at your nearest Department of State license bureau.

7. ZONING AND BUILDING REGULATIONS (Act 207, P.A. 1921, as amended; Act 62, P.A. 1943, Act 183, P.A. 1943, Act 184, P.A. 1943, as amended, Act 185, P.A. 1943)

Consult your local city, village, township or county clerk regarding these regulations and how they can affect your business.

8. HOTELS AND LODGING HOUSES (Michigan Department of Labor, Lansing) Ways of egress, fire escapes, elevators, space requirements, Act 285, P.A. 1909, Act 82, P.A. 1937.

Juvenile employment (minors under 18 years of age) Act 157, P.A. 1947.

Employment of Women, Act 285, P.A. 1909.

9. CONDUCTING BUSINESS UNDER AN ASSUMED NAME (Act 101, P.A. 1907)

When a business is operated under a name which is other than the real name of the operator, a certificate setting forth the name under which the business will be conducted must be filed with the county clerk.

10. MICHIGAN WORKMEN'S COMPENSATION ACT (Act 10, P.A. 1912 as amended)

The purpose of this law is to protect both employees and employers when an employee is injured while working. Any employer of four (4) or more employees must operate under the Act. Those employing fewer than four can operate under the act if they wish and this is recommended. "Coming under the Act" means that an employer takes out a workmen's compensation insurance policy from his local in-

insurance agency. After taking out this policy, the operator receives notice from the State of Michigan that he is protected and will be given a display card stating such. Write Workmen's Compensation Commission, Lewis Cass Building, Lansing 13, for more information.

11. MICHIGAN UNEMPLOYMENT COMPENSATION (Act 1, P.A. extra session, 1936 as amended)

If an employer has eight (8)* or more employees who work 20 weeks out of any one year or longer, he must make contributions to the unemployment compensation fund. Write to Contributions Section, Michigan Employment Security Commission, 7310 Woodward Avenue, Detroit, Michigan, for information.

12. FEDERAL INCOME TAX (Withholding)

Employers of any number of employees must deduct the withholding tax on income from those eligible to pay the tax. For instructions, write to the Collector of Internal Revenue, Detroit, Michigan, or any branch office.

13. FEDERAL SOCIAL SECURITY LAW (Old Age and Survivor Insurance)

Employers of any number of employees and self-employed persons must pay the Social Security payments. Write to the Collector of Internal Revenue, Detroit, Michigan.

14. MINNOW LICENSE (Act 326, P.A. 1931)

When live or fresh minnows or wigglers are

sold at retail or wholesale, a license is required by the Director, Michigan Department of Conservation, Lansing, Michigan.

15. BOAT LIVERY ACT (Act 257, P.A. 1952)

The purpose of this law is to protect both those having boats to rent and the persons who rent such boats. The act consists of four parts: registration of certain boat liveries, compliance with safety standards, inspection, and issue of passenger capacity tags by sheriffs. Write to Michigan State Waterways Commission, 1302 Cadillac Square Building, Detroit 26, Michigan for details. Regardless of inspection requirements, the important thing is to have boats built from designs of competent naval architects, and which are sound and seaworthy. This is the best protection against lawsuits which might arise from accidents.

16. WATERCRAFT TAX ACT (Act 179, P.A. 1952)

An act regulating the taxing of inboard power boats 16 feet in length or over. Write to Michigan State Waterways Commission (address above) for details.

17. INSURANCE

Although not precisely required by law, certain types of insurance are considered essential: fire and extended coverage, automobile, comprehensive general liability, business interruption, and workmen's compensation if there are employees. Consult your local insurance agent.

*After Jan. 1, 1956, four (4) or more employees.

VIII. SELECTED REFERENCES

BOOKS AND CIRCULARS

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Wilcox, Arthur T. and Robert W. McIntosh. (1950). *Signs and Entrances for Attracting Tourists*. Tourist and Resort Series, Circular R-202. Michigan State University, East Lansing. 8 pp.

MAGAZINES AND NEWSLETTERS

American Motel Magazine, 5 S. Wabash Ave., Chicago 3, Illinois.

Holiday News Letter, 743 National Press Bldg., Washington, D. C.

Motel Magazine, 154 E. Erie St., Chicago 11, Illinois.

Resort Management, 1368 Monroe Ave., Memphis 4, Tenn.

Tourist Court Journal, Temple, Texas.

BUSINESS FORMS AND OFFICE SUPPLIES

American Hotel Register Co., 230-232 W. Ontario St., Chicago 10, Illinois.

Associate Service, 255 Robinson Rd., Pasadena 6, California.

Blackbourn Systems, Inc., 230 So. Cedar Lake Road, Minneapolis, Minnesota.

Butler Enterprises, Inc., Drawer 2958, Winston Salem, North Carolina.

Gresham's Manufacturing Stationers, Temple, Texas.

John Willy, Inc., 1948 Ridge Ave., Evanston, Illinois.

Motel Contract Supply Corp., 6635 Delmar Blvd., St. Louis 5, Mo.

Motel Printing and Stationery Co., 126 W. 21st St., N. Y. 11, N. Y.

Specialty Merchandisers, 512 S. Main St., Ann Arbor, Michigan.

Whitney Duplicating Check Co., 406 West 31st St., New York 1, N. Y.