

A STUDY OF RYOKAN BUSINESS IN CHINA: CASE STUDIES AND BUSINESS PLAN

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Summary

In this thesis, I propose a business plan, which seeks to bring Japanese “omotenashi” experience to China and expand on an existing hot spring resort hotel, called Green Hot Spring Resort Hotel. For this purpose, I first conduct case studies of three different ryokan businesses, (Radium-Kagaya International Hotel, GuanShanGe and Einichika Japanese Cuisine Ryokan) which seek to bring Japanese style ryokan and omotenashi to Chinese and Taiwanese market, for benchmarking. Through case studies, I find that Einichika Japanese Cuisine Ryokan, which purses to emphasizing on omotenashi through its entire operation, receives the highest degree of customers’ satisfaction, although Einichika Japanese Cuisine Ryokan does not have onsen. On the other hand, GuanShanGe is well decorated with Japanese style equipment and onsen, but it does not provide perfect customer experiences because it does not thoroughly implement the omotenashi atmosphere through its operation. Based on these observations, I conclude that the “omotenashi” is the most important factor for differentiation to develop a ryokan business successfully in China. Therefore, I

build an actual business plan for hotel business with hot spring and omotenashi atmosphere in China.

Specifically, I select some strategies to revamp the Green Hot Spring Resort Hotel, which is located in Guangxi city. After a deep research on current Chinese government policies and regulation, this business plan is executable and also has many advantages in terms of being successful, and I also conduct the feasibility study. I conclude that the business plan is feasible and my findings in case studies have implications for many other hospitality businesses to enter foreign countries with different cultures.

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CHAPTER I. INTRODUCTION

In this study, I propose a business plan to bring Japanese omotenashi to an existing hot spring resort hotel in China. In order to complete this business plan, I first conduct case studies of three ryokan (Radium-Kagaya International Hotel, GuanShanGe and Einichika Japanese Cuisine Ryokan), which seek to bring Japanese style ryokan and omotenashi to Chinese or Taiwanese market, for benchmarking. Through case studies, I find out that the emphasizing on the flavor of omotenashi is a very necessary point to be successful for a Japanese style hospitality business in China. My motivation for this business plan is due to my personal experience in Japanese ryokan, I have stayed in many ryokans in Japan, and I am always amazed by the service most ryokans implemented, which I have never experienced in any other countries. As a foreigner in Japan, I could not only feel warmth of omotenashi but also feel like being at home. I have started to wonder if there is a possibility to bring omotenashi to China to make Chinese customers feel omotenashi without leaving China.

This study is structured as follows. I first discuss the background of Chinese host spring hotel business environment and Japanese ryokan. Then I conduct case studies of three ryokan business in China and Taiwan. Based on the case studies, I then propose a business model for my business plan in China. Details of the business plan follow it. I finally conclude the paper by summarizing the study.

CHAPTER II. BACKGROUND DESCRIPTION

In this part, I summarize the current hot spring resort hotel business environment in China, and also current Japanese ryokan business in Japan to have a better understanding of business environment in both countries. I conclude that there is a good opportunity for Japanese ryokan business to be explored in China.

SECTION 1. HOT SPRING HOTEL BUSINESSES IN CHINA

In China, there is no hot spring culture and according to news report, Chinese hot spring has been facing five major problems. First, products similar, there is no obvious features, most spa planning and design simply copy the photo sets, is not bound to consider its own characteristics, resulting in stereotyped spa. Second, chaos, spa industry management is confusion and not developed a unified management practices, resulting in the use of just hot water, moreover the bad situation is also about the size of the spa reception, spa products and prices which are not reasonably arranged. Third, poor quality, the quality of hot spring itself is not so good and for the sometimes due to the long time usage of hot spring, the water quality becomes bad, also the hot spring equipment and service is not satisfying to most customers. Fourth, shallow, the depth of hot spring is not enough and there is not hot spring culture background, it is difficult to make customers feel impressive.¹ Fifth is the issue of seasonal use. In China, Chinese people do not have the

¹ [Haisen, 2015]

customs to go to hot springs in other three seasons besides winter; it makes hot spring business so much less profitable and attractive to most customers in other three seasons.

In recent years, Japanese culture is becoming more and more popular in China. Japanese restaurants are everywhere in China, and the number of Chinese tourists to Japan have been increasing year by year. Japan National Tourist Office statistics show that in 2014 foreign tourists spending in Japan for the first time in 55 years more than the Japanese spending overseas, where Chinese tourists "cargo sweeping" a strong impetus to reverse the travel deficit in Japan. Japan's Kyodo news agency quoted the data reported on the 13th, last year, foreign tourists in Japan consumption 2.0278 trillion yen (about 17.03 billion US dollars) , up 43.1 percent , the highest on record. Among them, Chinese tourists spend up to 558.3 billion yen (\$ 4.69 billion), accounting for 27.5%. Kyodo comments, Chinese tourists "cargo sweeping" pushing Japan to reverse the travel deficit. ²

In other words, Chinese customers have an increasing interest in Japanese culture and production (including Japanese hot spring) in recent years, therefore a Japanese culture-oriented business has the potential to be successful in China.

SECTION 2. RYOKAN AND RYOKAN BUSINESS IN JAPAN

Ryokan (Japanese style hotel) appears in the early period of Edo. Originally ryokan is a

² [Xinhua, 2015]

place, which provides services and accommodations for travelers. Ryokan usually features with tatami room (traditional Japanese style rooms), and share shower facilities. In ryokan guests are allowed to wear a yukata (Japanese style bathrobe). Travelers in Edo period also shared a chat space with ryokan proprietors. Nowadays, it is difficult to find ryokan in cities, due to the relatively higher price than western hotels and more space needed to for ryokan operation. Most ryokan located in the mountains or hot spring areas. A typical Japanese ryokan features a large entrance hall for guests to sit down and chat with others, more modern ryokan may have a TV in the lobby. Rooms of ryokan decorated in traditional Japanese style, for example, rooms are built with wood mostly, floored with tatami, and doors are made with wood and paper. For the security issue, most entrance doors are western style wooden doors but inside rooms, the Japanese style wooden doors are used. There is a special place, which is available for customers to take off shoes in the room and some rooms are with terrace. Ryokan usually has shared bathing place, located in the spa area with a spa for guests to soak in general. The higher-class ryokan is more likely to be independent on-site spa in the room. In ryokan, yukata is available for customers to wear for both inside and outside of rooms. Ryokan also provide customers with leisure facilities, such as karaoke, table tennis, etc. Rooms are generally equipped with Futon (blanket) for customers to sleep on tatami. Japanese cuisine is always provided for customers who stay in ryokan, some ryokan even provide food-delivery-to-room service. Ryokan is very different from western hotels in many aspects, like decoration, cuisine, customs, and service etc. However, in recent years, due to the aggressive competition from Western hotels in Japan, ryokan business is struggling with decreasing numbers of customer in Japan. Therefore, it is could be a good timing for Japanese ryokan to seek for new

opportunities in other counties.

Based on the increasing interest of Japanese culture and product in China, and decreasing popularity of ryokan business in Japan. If green hot spring hotel could be reconstructed and decorated in the manner of a Japanese hot spring ryokan, but also make effort on improving hot spring quality, and as a hot springs hotel, Japanese omotenashi service could be provided there. This would become a fresh and new experience to customers, and become one of the pioneers of the ryokan business in China. Another reason why ryokan business might work efficiently is due to Japan being a country with a famous hot springs culture, and this cultural image has become very familiar with Chinese customers. It would be a great opportunity to take advantage of the existing hot springs and add Japanese features to make the Green Hot Spring seem more exotic. With a Japanese image, Guangxi Green Spring Hot Spring Hotel could clearly differentiate from the other two competitors in this area. The most important factor is Japanese omotenashi (a tenet of Japanese hospitality), which could be a key success factor due to its uniqueness; and, in order to be successful as a hotel, it is also essential to develop unique hospitality model as a business model or long-term marketing strategy. However, for Green Hot Spring Resort Hotel to make use of Japanese culture imported, it is necessary to find some benchmarks and then develop a business model based on their experience and business performance. There is one ryokan in Taiwan, one in Dalian and another one in Qingdao, which can serve as benchmarks. In the following section, there are introductions the three ryokan in both China and Taiwan.

CHAPTER III. CASE STUDIES FOR BENCH-MARKING

As mentioned in the previous section, starting ryokan business in China seems to have a great potential to be successful. However, it would never be easy to start a business in foreign countries. The extant study of international business has continuously emphasized on that the cultural difference inhibits a success of business in foreign countries.³ (Kandogan)

SECTION 1. RADIUM-KAGAYA INTERNATIONAL HOTEL

While the service industry is becoming more and more international, from the perspective of the globalization the Japanese service industry's performance does not seem to be play an important role on the global stage. However, the Japanese service industry is impressive to customers due to its extreme thoughtfulness and kindness. Omotenashi is the basis for this kind of service, is original, and is hard to be imitated. Omotenashi has become a part of Japanese culture through years of effort and experience in Japan. Therefore, Kagaya, one of the major Japanese ryokan companies, decided to export its business to Taiwan in order to make Omotenashi known worldwide. Kagaya originally wanted to make its own business model work in Taiwan without any change and adoption. But Kagaya knew that overseas expansion does not happen overnight, and that it is necessary to make some "compromise" to suit the locals' preferences.

In December 2010, the first overseas Kagaya opened in Taiwan. The location of the hotel

is 30 minutes away from the central Taipei bus station. In Japan, this expansion was introduced as “Japan’s own hospitality export with value added”. When Kagawa tried to enter Taiwan, the construction, food, and design were kept as original as possible at the beginning, but Kagaya manager realized it is difficult to hire professional Japanese cuisine chefs and obtain fresh food ingredients. The most difficult issue Kagaya faced is to hire the right people; for example, was not easy for Kagaya to explain the concept of “omotenashi” to Taiwanese employees. To solve all those problems, Kagaya firstly made 30% of quality ingredient imports from Japan to Taiwan, including all tableware. To make Taiwanese employees have a better understanding of Japanese culture, especially omotenashi, Kagaya decided to hire younger employees age 20-30 and with Japanese language ability. Kagaya also sent all Taiwanese employees to Japan for several months training at headquarters.

In order to reduce the investment risk, Kagawa is cooperating with local developers and built the “Radium-Kagaya International Hotel”. Radium-Kagaya International hotel is classified as high-class hotel. It costs 45,000 yen (3,000 RMB) per night for each customer. It has been three years since Kagaya opened its business in Taiwan, with 72% customers are from Taiwan while 20% are from Japan, and the rest are mainly from Hong Kong, China.

From Kagaya’s perspective, such things as construction, cuisine, and decoration are possible to imitate and could not be the core competitive factors among the hospitality industry. The added value of omotenashi is something Kagaya is trying to promote and sell. Kagaya’s business model is its own understanding of Omotenashi. According to Kagaya, Omotenashi is something that you need to consider or realize what customers need before customers realize what

they really need. All employees should take action to satisfy customers' needs before customer ask.

Now, Kagaya in Taiwan as a joint venture is designed to test the waters to see whether the Japanese service industry could go international or not. So far for Kagaya, the customers are increasing and reputation is becoming more and more well known.

Even if now Kagaya is doing well in Taiwan, it could not be a reliable indicator that the Japanese ryokan business could be successful worldwide with its added value of omotenashi. First of all, Taiwan was once colonized by Japan for a long time. Japanese culture and products are not unfamiliar to Taiwan customers. Second of all, Taiwanese people have one of the highest friendly attitudes towards Japan. With this advantageous business environment, it determines a large part of Kagaya's success in Taiwan. It could be a concern that Chinese customers could not be willing to accept something in Ryokan due to unavoidable culture difference, for example, Chinese customers go to onsen with swimming suits instead of unclothed. Chinese customers might be unhappy to pay for a hotel room based on the number of customers instead of the number of rooms. To address these differences, we must examine what ryokans do in China. The ryokan in Dalian is quite different from Kagaya in terms of business model and marketing strategy.



SECTION 2. GUANSHANGÉ

GuanShanGe is a Japanese ryokan located in a rural area with hot springs, Dalian, China, and opened in 2012. GuanShanGe is 2 hours away from Dalian airport by car.

All constructions includes traditional Japanese garden, are designed by famous Japanese designers. For example, Ikeda Yasushi, an architect, also a media professor in Keio University, Ryuichi Sawada, a member in International Lighting Design, and Nomura Kanji, a famous Japanese garden designer, all contributed. All of these experienced and well-known Japanese designers and architects have participated in the project in order to make GuanShanGe an authentic Japanese ryokan and import “Wa” (Japanese Style) into China. GuanShanGe is a symbolic construction in this rural area with hot springs. From GuanShanGe’s official website, there are only Chinese and Japanese languages available. It indicates most customers in GuanShanGe are either Chinese or Japanese. In order to make GuanShanGe more authentic, managers there also adopt the management rules from the Japanese way. “Omotenashi” is a key factor provided in GuanShanGe. GuanShanGe’s goal is to make customers feel and sense more about Japan without

leaving China.

In other words, there are four important concepts in GuanShanGe. First is to pursue an authentic Japanese ryokan. Second is to create “Wa” in GuanShanGe. Third is to combine Chinese culture with Japanese culture. The last one is to convey Japanese culture to China.

However, according to customers’ feedbacks on social media, GuanShanGe does not pursue omotenashi as much as customers expected, in other words, customers are more impressed with GuanShanGe’s authentic Japanese features in constructions. Some customers point out that service in GuanShanGe is not sophisticated enough comparing with service provided in Japan. For example, the immediate guide on how to dress yukata and usage of onsen is not provided in GuanShanGe, and it takes a while for front desk to answer hotel room service call.

Even though GuanShanGe is trying to be an authentic Japanese ryokan and convey Japanese culture to Chinese customers, there are a lot activities and features which cater to Chinese customers. For example, there are four types of room in GuanShanGe. Standard guest rooms like westernized hotel rooms, Japanese ryokan style, Japanese style suite of rooms, and villas. Prices range from 1,200 RMB to 12,000 RMB, and are charged by the number of rooms instead of number of guests. Both indoor hot springs and outdoor hot springs are available there, with authentic Japanese hot spring design and spa service. The dining room provides both authentic Japanese food and Chinese food. To make sure the freshness of food ingredients, GuanShanGe has built their own organic farm, and most foods are directly delivered from their own farm to the kitchen. Customers can also enjoy an art museum with both Chinese and Japanese paintings and decorations. Meeting rooms are available in order to meet businessmen’s needs. Activities like

Mahjong and Karaoke are also provided in GuanShanGe. From customers' feedback of GuanShanGe, most customers are impressed with its authentic Japanese style and facilities. However, none of them mention about omotenashi, though most customers, including Japanese customers feel service is good there and staff is kind and friendly. But Omotenashi is not completely adopted in GuanShanGe. Otherwise customers should have given more feedback about impressive omotenashi, in the same way that most Chinese tourists in Japan are impressed with local omotenashi rather than with simply authentic Japanese ryokan style and facilities.

Regardless of the authentic Japanese style construction design and Japanese style management, a lot of Chinese features can be found in GuanShanGe. Due to the difference in customer preference between Chinese and Japanese, and in order to attract more customers, GuanShanGe has applied the concept of "Combine Chinese culture with Japanese culture", unlike Kagaya's Radium international hotel in Taiwan, which tries to keep everything original.



SECTION 3. EINICHIKA JAPANESE CUISINE RYOKAN

Einichika Japanese Cuisine Ryokan is located in Shibei district, Qingdao City, which is

40 to 50 minutes away from airport by taxi. In Shibei district, there are a lot of western hotels, but Einichika Japanese Cuisine Ryokan as the only Japanese ryokan in this area and is regarded as a unique existence. Einichika Japanese Cuisine Ryokan is owned by a Japanese owner, and started from April 2010. Einichika Japanese Cuisine Ryokan is unlike GuanShanGe, which provides lots of activities for customers and combines both Chinese and Japanese culture together. Einichika Japanese Cuisine Ryokan is a relative small ryokan with three different types of rooms available (standard traditional Japanese ryokan style, luxurious room and European style luxurious room). Einichika Japanese Cuisine Ryokan is differentiated by its Kaiseki ryori, instead of hot springs, and hot springs are not available at Einichika ryokan. In Einichika Japanese Cuisine Ryokan, customers can have authentic Kaiseiki ryori and the menu changes with the season. For Chinese customers, Einichika Japanese Cuisine Ryokan tries to make Chinese customers feel Japanese omotenashi and enjoy authentic kaiseki ryori without leaving China. For Japanese customers, Einichika Japanese Cuisine Ryokan tries to make Japanese customers feel at home, as in Einichika there are translators for Japanese customers, as well as a tour guide service, which helps Japanese customers arrange their trips in Qingdao. Einichika Japanese Cuisine Ryokan is not as pricey as the previous two ryokan, with a price range from 500 RMB to 800 RMB (10,000 yen to 18,000 yen) per person, including breakfast and kaiseki ryori (traditional Japanese food) it is 400 RMB (9,000 yen) per person more. Because of its affordable price to customers, Einichika Japanese Cuisine Ryokan has attracted the young generation and many young customers have shared their experience at Einichika Japanese Cuisine Ryokan on various social media like Wechat (Chinese LINE) and Weibo (the most common blog site in China). Due to the young generation's "free advertisement"

on social media, Einichika Japanese Cuisine Ryokan has become popular and well known in Qingdao city. According to customers' blogs and feedback, Einichika Japanese Cuisine Ryokan is impressive for customers due to its heart-touching omotenashi. Some young Chinese customers highly recommend Einichika Japanese Cuisine Ryokan to their friends or tourists on social media saying that at Einichika Japanese Cuisine Ryokan, customers can be deeply moved by thoughtful service and staff's warm smiles. In other words, Einichika has the most impressive advantage on implementing omotenashi comparing with other two ryokans according to customers' feedbacks.



SECTION 4. RESULTS OF CASE STUDIES AND DISCUSSION

Table 1 below summarizes the key result of case studies. From those three benchmarks, the biggest difference between Kagaya and GuanShanGe is way they implement omotenashi in their businesses. Kagaya keeps its original way while GuanShanGe tries to combine Japanese omotenashi with Chinese customers' preference to meet customers' satisfaction. Kagaya and Einichika Japanese Cuisine Ryokan, as with most Japanese ryokan, make an impression with their customers through their impeccable service. GuanShanGe mainly makes an impression with its customers through its authentic Japanese decoration style and the luxurious atmosphere there.

In hospitality industry, providing an impeccable and unforgettable customer experience is the key to success, (Jones, 2013) Especially for business in hospitality industry, it is so essential to embed customer journeys into their operating models. Omotenashi is considered to be a pride for Radium-Kagaya Internation Hotel, due to its uniqueness in its operating models and considered to be something only in Japan. To bring Omotenashi from China to Japan is like a cultural nourish, because it is a cultural orientated business model with being extreme thoughtful of customers' different needs. It is a challenge for all Chinese staffs and managers to have a full understanding about omotenashi and perfectly deliver omotenashi to each customer. In general, omotenashi should be delivered to each customer differently based on what does individual customer need. To make omotenashi impressed and appreciated by each customer, it takes time to accumulate experience on understanding customers' behaviors and preferences. As Radium-Kagaya

International Hotel's business model states that they would love to provide their customers with comfortable services even before customers themselves realize what services do they really need. To achieve such omotenashi, thoughtful observations on each customer's needs are necessary to make omotenashi impeccable and unforgettable.

On the other hand, customers who have stayed in GuanShanGe easily complaint on some not so professional service, like no immediate guide for how to wear yukata and how to make use of Japanese style onsen. Due to the lack of pre-thinking of customers' needs should be absolutely avoided when bring omotenashi into business.

As for Einichika Japanese Cuisine Ryokan, even if it is a small ryokan business without onsen available, it still impressed customers with its heart touching omotenashi according to customers' feedbacks and most of customers mentioned about their willing to visit Einichika Japanese Cuisine Ryokan again in the future. To bring Japanese ryokan business into China, omotenashi plays the most important rule to reach success in China based on Chinese customers' high expectation on the quality of Japanese Omotenashi. As mentioned before, technically it would not be a complicated project to build an authentic Japanese style hotel with Japanese decoration, but it does take time and effort to implement omotenashi from Japan in China.

Table 1.

Hotels	Radium-Kagaya International Hotel	GuanShanGe	Einichika Japanese Cuisine Ryokan
Price	High	High	Reasonable

Place	Center of city	Rural	City
Promotion	Website & Travel agency	Website & Travel agency	Social media
Omotenashi	High	Good	Very Impressive
Japanese Decoration	Authentic Japanese style	Authentic Japanese style	Pretty good Japanese style
Onsen	Yes	Yes	No
Customer Satisfaction	High	Moderate	Very High

CHAPTER IV. PROPOSED BUSINESS MODEL OF ONSEN-RYOKAN

Based on the analysis in the previous section, I have concluded that it is the most important for my business plan to emphasize on omotenashi through the ryokan operation. This chapter is about how to make business model work in Green Hot Spring Resort Hotel, which is located in Nanning Regional International Logistic Base. Even though most potential customers are senior executives of the International Logistic Park and high-consuming groups and businessmen, this area is also a tourism destination, which hopes to attract more customers and become profitable. Therefore, more activities and facilities should be made available.

To make Green Hot Spring Resort Hotel more exotic, and customer experience more unique. Japanese ryokan style with hot spring could be featured in this hotel. The chart 1 below shows the positions of previous three ryokans in terms of Japanese omotenashi and Japanese style construction, and also shows where Green Hot Spring Hotel wants to be positioned. Because Green Hot Spring Resort Hotel is just a new player in this market, it is better to be conservative at beginning by putting its position relatively low on both sides of Japanese decoration and Japanese omotenashi, as mentioned in previous, it takes time and effort to make omotenashi work efficiently in China since it's a cultural nourish to Chinese hospitality industry. And in the future, the goal is to make both Japanese style decoration and Japanese omotenashi improved apparently.

Chart 1.



Green Hot Spring Hotel is unlike GuanShanGe, which is located in a rural area of Dalian, mostly targets those with the intention of fully immersing in Japanese ryokan experience. GuanShanGe's rural location means that only those truly set on a fully immersive experience would be interested in the location. Green Hot Spring Hotel is also different from Einichika Japanese Cuisine Ryokan, which attracts mostly young generation due to its affordable price. Instead, Green Hot Spring Resort Hotel will target a wider range of customers. In other words, Japanese ryokan will be featured as a unique selling point. Fifteen rooms and a few hot springs will be constructed in the Japanese style, and special services like delivering Japanese cuisine to customers' rooms and preparing yukatas in each Japanese style room.

The most challenging part is to implement Omotenashi in Green hot spring hotel, as omotenashi is an intangible asset with cultural background. It is necessary to hire staff with a certain level of Japanese language ability and who are interested in Japanese culture. For the most diligent staffs, Green hot spring hotel will send them to Japanese omotenashi colleges like Nippon

omotenashi academy (a school which educates students how to behave in hospitality industry), which has many different locations in Japan for students to get trained and educated. In Nippon omotenashi academy, it takes two years for students to finish all courses including internship experience provided. To understand more about authentic and decent Japanese omotenashi, it is the best way for staffs themselves to experience what omotenashi is and then bring omotenashi back to China.

To guarantee the high quality of hot spring in green hot spring hotel, water for hot spring is not allowed to be over recycled and hot spring equipment like towels and slippers must be clean and always available for customers. To improve hot spring management, staffs who are in charge of hot spring will be trained specially in hotel (not only know how to clean hot spring areas but also have some knowledge about hot springs and then could be able to have better communication with customers who are not familiar with hot springs) and with many years of experience in hospitality industry. To avoid the seasonal effect on hot spring business, green hot spring hotel will increase more facilities like sports field, barbecue site, and swimming pool to attract customers in all seasons.

CHAPTER V. EXPANSION BUSINESS PLAN OF OONSEN-RYOKAN IN CHINA

Based on the above analysis, I seek to develop a concrete expansion business plan of onsen-ryokan in China. Based on the conclusion of the above chapters, I emphasize on the atmosphere of omotenashi. the form of Property rights hotel, a popular model in the international practice of hotel development, is employed by Guangxi Lumandi Real Estate Development Company Limited at the very start in its development of the Green Hot Spring Resort Hotel.

SECTION 1. BACKGROUND DESCRIPTION

In China, it is very difficult and complicated to start hotel business from scratch due to Chinese land property law. Accordingly, I develop a business plan to purchase and revamp existing hotel in China. Specifically, I select the Green Hot Spring Resort Hotel, which actually now in operation in China as a target.

The form of property rights hotel is a very popular model in Chinese practice of hotel development. Property rights hotel is originated in the 60s of the 20th century in the Alps of France. Property rights hotel means that after a certain investors buy hotel rooms but does not necessarily reside in the hotel, the hotel management company commissioned rent rooms, rooms get profit-sharing, and it is possible for investors to access to get a certain period of free occupancy from hotel management company. The common features of property rights hotel are all built in the scenic tourism and economic active areas, to ensure that the hotel has a high occupancy rate and

property appreciation. Property rights hotel as a special investment and consumption patterns, in line with the basic principles of economic resource sharing; it makes available and the hotel owners to idle the gates open to the public, for the public launch of a ready consumer is stored. The method of property rights hotel is the effective combination of real estate and tourism, and economic development to a certain extent the inevitable outcome.

According to the latest statistics, the number of property rights hotel around the world has increased at an average rate of more than 15% over the past 10 years. It is estimated that the global market value of property right hotels will reach \$ 30,000,000,000 in 2024.⁴

The method of property rights hotel was first introduced to China in Sanya, Hainan Province in 1995, as a way past the struggling real estate market in that region.⁵ Though originally a strategy born out of necessity, it brought about an unexpected enthusiasm in real estate investment.⁶ From that point, property rights hotel emerged on a large scale in cities like Hainan, Beijing and Shanghai during the real estate market boom of 2001. Though unfamiliar to most of the real estate investors, property rights hotel, exactly as a famous real estate agent puts it, bring the proprietors the enjoyment as well as confidence, nobility and proud, just like what Benz and BMW bring their owners. It is for the prestige and riches brought about by this new innovation in

⁴ [Zhewei, 2013]

⁵ [Zhewei, 2013]

⁶ [Yujia, Minghang, Jianhua, 2015]

investment that many investors are attracted to embrace the change, which lead to the fast spread of the model of property rights hotel in cities like Guangzhou, Shenzhen, Dalian, and many other areas. Meanwhile, property right shops, which are another form of property rights investment, also become a fashion that spreads quickly in the market boom of real estate development.

In Guangxi Autonomous Region, the first property rights hotel are in operation in the famous coastal tourist city of Beihai by international timeshare vacation exchange companies from Shanghai and followed by the Repo style property right hotels by the local Caribbean Hotel. In the present, numerous property rights hotel are in operation, such as the Green Capital Hot Spring Resort Hotel of Nanning, the Huatian Centennial Hotel of Liuzhou and Fengdan International Hotel of Guilin.

All the examples above testify to the fact that the property rights hotel is an advanced method introduced from foreign country, and it is developing very fast in tourist cities around all over the country. Greater profits can be achieved if the Green Hot Spring real estate development project employs this latest method of property rights hotel to expand its financing.

On Nov. 3, 2014, Zhu Yuedong, President of Chinese Spa Association and CEO of the Royal Hot Spring Resort Hotel Management (Group) Ltd. and also a forerunner and nationally-renowned investigator of hot springs tourism for more than 10 years, made a trip to investigate the tourism industry of Guangxi Autonomous Region. After his first-person investigation of the Green Hot Spring Resort Hotel in Nama Township, Lingqing District, Nanning, he was reported to say that hot springs tourism, as a new emerging tourist industry, is sure to flourish because, due to the steady increase in living standards, traditional sightseeing tours will

gradually evolve into a form of leisure tourism. The hot springs tours satisfy this new demand in leisure tourism, through which tourists can achieve the goals of health and beauty, along with experiencing bathing culture. He also believes that Guangxi Autonomous Region, with its rich resources in hot springs within the region, has bright prospects for the development of hot springs tourism. Furthermore, the investors of the Green Hot Spring Resort Hotel have foresight to see the potential in hot spring hotel due to the various advantages of the areas around Nanning, namely communications, resources, products and the resorts market.

SECTION 2. AN ANALYSIS OF ADVANTAGES

In this subsection, I discuss advantages of Green Hot Spring Resort Hotel.

1. ADVANTAGES IN LOCATION

Nanning is located in the Beibuwan Economic Circle, which connects China and ASEAN countries, and sponsors the scheduled annual China-ASEAN Expo each November. Besides, Nanning is also the political, cultural, logistical, and trade center of Guangxi. The present project is located a 15 minute by car from the China-ASEAN Expo Center, making for convenient transportation. The present project is in the Pan-Beibuwan Bay Economic Circle, which is one of the most important regions for the economic development in China. Guangxi is to invest more than 10,000,000,000 RMB in the development of the Nanning Regional International Logistics Base. The base covers about 18 square kilometers, and is located to the west of the Nanning-Beihai Expressway, reaching from there to Nama Township to the east. It adjoins Wuxiang High Tech Industrial Park and also borders Nama Hot Springs, the site of the present project.

The Nanning Regional International Logistic Base is 22 kilometers from the city center and about 12 kilometers from Wuxiang Road. In view of future development in the logistics industry, the areas on the east side of the Nanning-Beihai Expressway are planned as a reserve land resource. The present project, with its location in the central area of the logistic park, is one of the representative tourism and resort projects that the government attaches great significance to.

According to the general planning of Nanning, Wuxiang New District will develop a further 18 square kilometers of resort area, with a population density of 10,000 residents per square kilometer. The new development area will equal that of the present Nanning in 2020.

According to the new city plan of Nanning, Liangqing District is to be developed into a new center of administration, sports, arts and headquarters of ASEAN enterprises, with Nama-Liangfeng area as its premier tourist resort area.

2. ADVANTAGES IN GEOTHERMAL RESOURCE

The prospecting work is to be carried out by the Fourth Institute of The Guangxi Geographical Exploration Institute, retained by Weida International Investment Management Company and Guangxi Lumandi Real Estate Development Company Limited. By August - September of 2010, the institute has finished field-prospecting tasks, such as ground geothermal geological surveys, borehole temperature surveys, geo-electric field lithology soundings, etc. The institute submitted the investigation report on geothermal resources and the geological designs of geothermal wells in November 2010. The Green Hot Spring Resort Village applied for and acquired the warrants of exploration of geothermal resources within the range of 14 square kilometers of Nama Township from the Bureau of Geology and Mineral Resources of Guangxi in

February 2011. The drilling and construction were tasked to the 129 Prospecting Team of the China Administration of Coal Geology in April 2011. The drilling began on May 16, 2011 and after 6 month, on November 14, 2011 the site was acceptance, with the completion reports of construction work of the geothermal wells submitted in January 2012.

According to the test results by the Guangxi Test Center of the Ministry of Land and Resources, and the Guangxi Research Center of Analysis and Testing, water from the geothermal wells possesses the following characteristics: colorless and transparent without substances visible to unaided eye; odorless; at a temperature of 36° C; at a pH value of 7.1; is a HCO₃-CA hydrochemical type soluble with moderate amounts of Sodium, Strontium, Sodium Metasilicate, and rich in mineral salts and other micro-elements, such as Zinc and Manganese. The geothermal water is from deep layer strata and thus is free of surface level pollutants. In brief, all indices show that the geothermal water of the Green Hot Spring surpasses national standards for medical-thermo mineral water, and functions as a method of health and skin beauty.

All the above-mentioned benefits are fulfilled through balneo therapy, which refers to the practice of treatment through the immersion of parts or all of the body into mineral water for a certain period of time. The unique effect of medicinal chemistry of the gas and chemical compositions, combined with the physical effect of temperature, pressure and buoyancy, contributes to the medical and health effect on human body. ⁷When immersed in the thermo

⁷ [Jiawei, 温泉常□, 2014]

mineral water, the human body is said to benefit in many ways from the expansion of blood vessels such as; the improvement of blood circulation, the increase of metabolic rate, the limbering of limbs, the decrease in recovery time of physiological functions, etc. Thermo-mineral water has apparent curative effects on numerous diseases, including neuralgia, rheumatism, arthritis, and the numbness of the limbs.⁸

3. ADVANTAGES IN GOVERNMENT POLICY

On May 26, 2006, the Guangxi Tourism Association officially launched the Guangxi Tourist Online Caravan, an online movement to promote tourism. In previous tourist promotion efforts, the district sent out caravans in the form of cars and trains across the country, which firmly established and built our reputation in the circle of tourism. The sales promotion movement began from the Nama Green Hot Spring, with weekly presentations of unique tourist destinations, such as Nanning, Guilin, Baise, Laibin, Hezhou, Guigan and Beihai. These presentations provided potential tourists more information about the beautiful scenery of Guangxi.

The Nama Green Hot Spring is regard as the first scenic by the Guangxi Association of Scenic Spots through the online interactions. Potential tourists were able to acquire in-depth experience regarding the fashion of hot springs tourism.

Zhangxuewen, Vice President of the Guangxi Autonomous Region, stated at the opening

⁸ [Jiawei, 温泉常□, 2014]

ceremony that, “An advanced marketing system is indispensable in our process to become a leading tourist province. We must employ high tech means such as online marketing to construct a modern tourism marketing system. Along this process, the informatization of the tourist industry of our region is to be promoted, science and technology are to be our new impetus, and we will reach the final goal of the promotion of our tourism through science and education.”⁹

The following are various preferential policies to be enjoyed by the tourist resources development, investment programs on tourism and tourist operations and management, stipulated by the national project of Western Development and Guangxi Autonomous. (The contents attached are the policies by the government.)

I. Market Access

i. The cancellation of project approvals

Those projects without national or government investment and in accordance with the planning; the following projects within the approval range of the autonomous region: tourist hotels, restraints and entertainment facilities, etc.

ii. The simplification of investment project approvals

For those projects that require government approvals, only the approval of proposals of projects for which there is no investment by the autonomous region; focus on the approval of feasibility research for those with partial investment by the autonomous region; the approval of the

⁹ [City Government of Guilin, 2010]

proposals of projects, feasibility research and the preliminary design for those with full or major investment by the autonomous region; and for those mainly invested in by the government, the approval of feasibility research for those with investment over 30,000,000RMB, the approval of the proposals of project for those with investment from 10,000,000RMB to 30,000,000RMB, and the approval of the proposal of projects by the planning departments at the city level for those less than 10,000,000RMB.

II. Tax.

Income tax reduced to 15% for enterprises in tourism resources development.

III. Land use

50 years of usage right for land acquired through the bidding or leasing of the national uncultivated mountains, lands, and shores for tourism development, the right can be inherited or transferred with compensation, the extension of validity can be reapplied when due.

IV. Price.

The scenic spots by business investment are to adopt market-adjusted price, and ticket prices are to be set by the operators themselves.

V. The industrial and commercial registration

Tourism belongs to the range of registration stipulated by the Implementation of the Registered Capital Subscribed System

i. At the time of registration, the paid capital at the first phase should be no less than 15% of the company's registered capital or the amount subscribed, the lowest no less than

50,000RMB, and the rest to be paid in 2 years (500,000RMB paid after the first year and the rest paid in the second year)

ii. To be entitled with “Guangxi”, the tourist enterprises should have registered capital of no less than 2,000,000RMB (lower than this limit if operating international tourism business).

VI. Import linkage taxes and fees

Within the amount of the project investment, the exemption from custom duties and import VAT can be enjoyed by the tourist enterprises for the import of advanced instruments for their own use.

SECTION 3. THE SCALE OF THE PROJECT

1. THE GREEN HOT SPRING PROJECT

i. The project covers an area the size of over 100 *acres*, among which transfer procedures have finished for 44 *acres*, transfer procedures are under way for 36 *acres* (1,500,000RMB has been delivered for the land), leased land from local peasants amounts to 28 *acres*. There are 140 rooms are in operation with all 291 beds for 324 residents. The rooms will be expanded to 274 rooms with 704 beds for 832 residents. The most important expansion will be focused on supporting facilities like hot spring bathrooms and recreation places. For the details of rooms currently in operation, all buildings, and supporting facilities, please see below.

ii. A list of buildings and rooms currently in operation

Type	Amount	Notes
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Standard Room	97	(194 beds for 194 residents)
Luxury Suite	6	(18 beds for 24 residents)
Business Standard Room	14	(28 beds for 28 residents)
Business Single Room	10	(10 beds for 20 residents)
Business Suite	8	(16 beds for 28 residents)
Townhouse	5	(25 beds for 30 residents)
Total: 140 rooms (all 291 beds for 324 residents)		

iii. After expansion buildings and rooms

Buildings	Notes
Townhouse	53 (265 beds for 318 residents)
Monomer Villa	1 (6 beds for 8 residents)
Standard Room	168 (336 beds for 336 residents)
Luxury Room	12 (36 beds for 48 residents)
Business Standard Room	14 (28 beds for 28 residents)
Business Single Room	18 (18 beds for 36 residents)
Business Suite	8 (16 beds for 28 residents)
Club	To Be Determined (TBD)
Garage	To Be Determined (TBD)
Foyer of the Hot Spring	To Be Determined (TBD)
12 Sections of the Hot Spring	To Be Determined (TBD)
Staff Quarter	To Be Determined (TBD)
Total	274 rooms (704 beds for 832 residents)

iiii. Supporting facilities

Name	Amount	Notes (If Applicable)
Japanese Style Hot Spring	12	

Bath Room		
Outdoor Hot Spring Bubble Pool	8	
Swimming Pool	1	Over 200 m2
Sports Field	1	3.6 acres
Barbecue Site	1	10 acres
Business Chamber	Several	
Multi-functional Canteen	Several	
Karaoke	Several	
Services include: accommodation, catering, conferences, Karaoke, hot spring entertainment, table-tennis, basketball, badminton, billiards, volleyball, etc.		

2. THE HOT SPRING REAL ESTATE PROJECT

i. Geographical location

Located just opposite the gate of the Green Hot Spring is an uncultivated mountainous area over 400 *acres* in size available for real estate development projects, such as for villas, commercial residential buildings, and luxurious CBDs;

ii. Advantages of the project

Surrounded by both mountains and rivers, it has both beautiful scenery and fresh air, resulting in the best choice for leisure and health. Also, the present project is located at the central area of the International Logistics Park, with the unique surroundings of hot springs, which shows

lofty tastes that attract established individuals;

iii. An analysis of potential consumer types

Senior executives of the International Logistic Park or high-spending consumer groups longing for ecological hot springs leisure and health (as the perfect combination of the place of personal health and family vacation, leisure tourism and property rights investment); and established businessmen (Most Chinese businessmen do business in leisure places such as high-class restaurants or hotels with conference rooms.)

SECTION 4. A GENERAL INTRODUCTION TO THE PROJECT

1. GEOTHERMAL HOT SPRINGS

The hot spring area consists of 25 bathrooms and pools in different styles: 12 VIP sections, 4 seasonal springs (Spring, Summer, Autumn and Winter), Liugu (6 cereal) pools, the swimming pool, etc. It also has sauna and massage, steam bath, lavipeditum (foot cleaning), café, and resting area, which together shape the unique features of hot springs culture.

2. THE CONFERENCE CENTER

The center will contain the following facilities: 10 conference rooms of various sizes; 10 luxury Karaoke rooms, the business center, the multi-functional hall, a large conference center with a capacity for 300, and a Chinese-style canteen for 500. The dishes are characterized by the ostrich flavor (ostrich raised and processed on site) and top-quality soups as well as farm-flavored dishes with large ranges of vegetables. The unique tastes are fostered by first-class service.

3. THE SPORTS CENTER

The gym, with a size of more than 4,000 m², contains facilities for mini-golf, badminton, billiards, basketball, volleyball, table tennis, card rooms, and a bingo hall, which make up a comprehensive sports center.

4. THE OSTRICH FARM

Located at the bank of the beautiful Baci River, within 1,500 meters from the hotel the biggest ostrich farm with the largest numbers of ostriches in the district will provide for the all-ostrich banquet for the canteen of the hotel.

5. THE TASTY FOOD STREET

The street consists of more than 20 restaurants with unified decoration, which provide representative traditional food of Nanning. There are self-help barbecue areas for tourists to enjoy themselves.

6. REVENUES

Year	Month	Amount (RMB)
2014	1	1,450,000
2014	2	1,200,000
2014	3	780,000
2014	4	550,000
2014	5	570,000
2014	6	510,000
2014	7	550,000
2014	8	670,000
2014	9	700,000
2014	10	730,000
2014	11	900,000
2014	12	1,230,000
Total Yearly Revenue: 10,000,000 (the revenue from tickets, catering, hotel, hot spring included)		

SECTION 5. MARKET ANALYSIS

1. AN ANALYSIS OF THE LOCAL COMPETITORS

There are now 3 hot spring resort centers in Nanning. The other two are Nanning Jiuquwan Hot Spring Resort Village and Nanning Jiahe Town Hot Spring Valley, which are to be analyzed.

i. Nanning Jiuquwan Hot Spring Resort Village

In the township of Santang, Nanning, is located the Jiuquwan Farm, 12 kilometers from the city center. With the combination of ecological, ethical, scientific and medical functions, it has 17 outdoor hot spring pools and 24 indoor multi-functional bathrooms. They include a rock bath, fresh flower hot springs, a beer bath, a coffee bath, a charcoal bath, an aloe bath, a Chinese Herb bath, and an ore sand bath. The 41 bath pools there can accommodate 1000 in bathing simultaneously. It also has a rock climbing field, exercise facilities, large ornamental gardens, and a barbecuing field, as well as pavilions for fishing around the lake.

Despite the above-mentioned variety of entertainment facilities, this resort village still belongs to the traditional hot spring project, which lacks the unique innovations in its facility design. Its advantage lies in its countryside environment, which is a leisure spot for urban citizens, especially the urban population who belong to the medium-income customer groups. On the other hand, its disadvantage is also connected to its target customers. As it is different from other big cities, person with white-collars occupation in Nanning increasingly move to modern cities, and only few of them are willing to return to the life of the countryside. Furthermore, the lack in

innovations of facilities there also contributes to its poor performance in revenue.

ii. Jiahe Town Hot Spring Valley

With a location in Jiahe Town, the biggest real estate project in Guangxi, it is 13 kilometers from the China-ASEAN Expo Center and connects to the Hot Spring Golf Course, an international championship level course with 18 holes. With the investment of about 500,000,000 RMB, the building project is to be finished in 3 phases. During the first phase, 600 *acre* of hot spring leisure center is to be established, which includes 6 bathing areas characteristic of the scenery of different countries—China and its thousands of years of history, Thailand, Dongying (Japan), Finland, Jordan and Ottoman Empire. It also has a Maya Water World, which includes the Caribbean Sea, the Amazon, Childrens' Heaven, Land for Warriors, Dynamic Stage and the DISCO on water. Other facilities include the hydrotherapy hall, the coastal canteen and a fountain plaza of over 10,000 m². The number of cold and hot springs there added up to 103. It is also reported that during the 2nd and 3rd phase, the supporting facilities are to include a 5-star hot spring hotel, international conference center, various sports centers, food and ecological scenery parks, waterside ecological leisure corridors, waterside business street, water leisure projects at Dongshan Reservoir, etc.

The advantage of this valley lies in its neighboring golf course and its special design for the top-level customers. However, its disadvantage also lies here. According to news reports due to the lack of the top-level customers, the vast investment poses the hardship for its capital return in

its business operations, at least in medium or short terms.¹⁰

The other disadvantage that faces both hot spring projects is its location. They are both located to the north of Nanning, which is not planned as the focus of investment. The present low rate of occupancy poses great pressures to their operations, which is not likely to be eased without major investment projects.

Furthermore, the 2 hot spring projects are closely connected and this brings about the fierce competition for customers, which narrows the space for profit. Last but not the least, there are no impressive feedbacks from customers about the service of quality from both hotels. Therefore, those two hotels have no advantages in omotenashi.

2. AN ANALYSIS OF THE PRESENT PROJECT

The revenue for 2014 is around 10,000,000 RMB, which means the monthly revenue of 850,000 RMB. The breakeven point of the hotel is 600,000 RMB, which means a monthly profit of about 150,000 RMB or an annual profit of 1,750,000 RMB. The low peak season of operation spans are from April to August and the high peak season from October to February. The problem of capital becomes a barrier to the further perfection and development of the hotel. Based on feedback from the customers, the problems are listed as follow:

i. The lack of services

Many highly-returning services are still in absence, such as sauna, massage, foot care,

¹⁰ (Nizi 2013)

top Karaoke rooms, multi-functional conference rooms, water parks, hot spring beauty treatments, and the sales of cosmetic products. Many customers complain about the lack of night activities, which makes it hard for them to enjoy their stay.

ii. The absence of a conference hall

During the peak season, a multi-functional conference hall for about 300 is needed. Besides, requests from many tourist teams are turned down because half of the planned guestrooms are still waiting for the capital to build.

iii. The facilities for low-season

The hot spring facilities are not popular in summer. Therefore, it is suggested that in the process of expansion an indoor water park is added, which provides services such as an ice spring, milk bathing, beer bathing, rock bathing, and massaging springs, among others.

SECTION 6. MARKETING STRATEGIES

It is very important to build connections with various travel agencies in China to contact more customers, therefore, making contract with reliable travel agencies in China to get more customers, and then spread the fact that our staffs are trained in Japan in order to deliver the most authentic omotenashi in Green Hot Spring Resort Hotels for our customers, and encourage customers to share their customers experience on social media by offering taking great pictures of customers, then increasing the opportunities to access more potential customers through social media. On the official website of Green Hot Spring Resort Hotel, omotenashi will be highlighted

as the most important feature we could deliver to customers and guarantee customers with a different and unforgettable customers experience during their staying.

1. MEDIA COVERAGE

All possibilities are to be used in order to ensure media frequent coverage to expand the visibility and promote public image.

2. MARKETING STRATEGIES

(i). During golden week and the peak season, a series of activities unique to hot springs are to be held, which aims to establish the brand name and expand as well as reinforce the market share in the hot spring market of Nanning.

(ii). With the cooperation with Guangxi Senior Citizens' Work Committee, the first nursing care leisure center in Guangxi is to be established.

(iii). Yearly membership cards are to be presented to the market, for groups and individuals respectively. Customers with membership cards could receive benefits, such as discounts, promotion package, and priority service. The group card is priced at 10,000 RMB per card, and the individual card, 1,000 RMB. There are great potentials for the selling of group cards, with 3,000,000-5,000,000 RMB to be collected in advance annually.

(Notes: Concrete marketing strategies are to be discussed elsewhere and the present proposal gives only a brief introduction.

SECTION 7. FINANCING

1. METHODS OF FINANCING

i. The Property Rights Buyout

80,000,000 RMB for full property right buyout (The investment reaches 50,000,000 RMB. With the location at a central area of the International Logistic Base, the present project has a foreseeable immediate appreciation of value and is ready for instant operation.)

ii. The Joint Stock Partnership

Both parties are to join in the development of the surrounding land in addition to cooperation in the hot springs project. The real estate project, as a supporting project for the hot springs project, requires an investment of over 1,000,000,000 RMB and has great potential for appreciation of value. (The present price for land acquisition is as low as about 300,000 RMB per *acre*, but with the estimated increase to over 1,000,000 RMB per *acre* after the establishment of the Nanning Regional International Logistic Base, which brings generous profit potential to the project.)

2. THE USE OF FINANCE

To satisfy the steady rise in market demand, the Green Hot Spring Resort Hotel needs a large-scale expansion. The goals of the project after the financing are as follows:

i. The Short-Term Goal

7,000,000 RMB is to be invested into an indoor hot spring water park, which is to occupy about 6 *acres* of land with 5,000 m² of building size. The project includes a multi-functional conference hall for 300, a gymnasium, a multi-functional court for ball games, and a center for sauna and massage. Water recreations are to be added, which include rock therapy, surfing and

massaging pools, ice springs, milk bathing and beer bathing. Services are greatly increased with the completion of the project, which also promote the hotel's level of operation. In addition, due to the increase of summer recreations, especially those for women and children, the revenue for the summer low-peak is expected to increase greatly.

Furthermore, with the increase in recreations, customers are likely to stay longer and the customers who stay overnight are also likely to increase. The adding of service facilities prolongs the time for customer recreations, which allows the 50% rise in ticket price from 45 RMB to about 98 RMB, on par with Jiahe Town and Jiuquwan. After the completion of the project, services of the hotel will see an increase in number of double to triple, with the expected monthly revenue of from 1,500,000 to 1,800,000 RMB, which means a monthly profit of 560,000-700,000 RMB.

ii. The Mid-term Goal

(i). The national spa town of the world

The region is to be built into a world-class scenic spot, which is a combination of tourism and real estate, utilizing the hot spring cultures from Japan.

(ii). The top nursing care center for the aged of Guangxi

It is proposed that a nursing care center for the aged to be built in cooperation with Guangxi Senior Citizens' Work Committee, which will mainly be aimed at servicing the retired high officials of various levels and the retired intellectuals of Guangxi, and, if possible, to be built into an example base for the whole country. Meanwhile, the center is also to receive health tourism teams from ASEAN, European, North and South American countries, Japan, Korea, etc.

According to the plan, a 5-star international conference center with videophone and other advanced business functions is to be built, with an electronic security system of high level. This project is also intended to be a partner to the China–ASEAN Expo for the reception of foreign guests. It is also intended to become the top hot spring business resort village in the world, which is a site for the some of the unofficial political and economic conferences. The center is to be built in accordance with the standards of 4 or 5-star hotels. The charge is 700 RMB a night for a standard room, 1,200 RMB a night for the luxurious one, and 1,500 RMB a night for the business suite.

The Hot Spring Business Resort Village is to hold the Foreign Trade Forum for the ASEAN Economic Circle and become its permanent site. Top executives for various countries are to be invited to participate in the common efforts to establish a business platform for Southeast Asia and to the world, in order to bring into acquaintance top business executives. Those who participate in the first conference become the natural members of the Southeast Asia Business Elites' Club. The club is to recruit members whose qualification is set as the top officials of the business groups. The members, with a membership fee of 100,000 RMB a year, are entitled to 10 days of free residence each year and invitations to the conference. They are also to share the business opportunities brought about by the interconnection among themselves, which benefits all parties with their success in the markets of China, Southeast Asia and the whole world.

iii. The Long-Term Goal

The present project, with its location in the Beibuwan Economic Circle and the ASEAN countries as its supporting areas, is to develop into a destination which includes hot springs resorts

with the combination of facilities for leisure tourism, business gatherings and summit meetings. To fulfill the goal, we are:

(i). To develop the hot springs economy in order to promote real estate development projects in the surrounding areas.

(ii). To establish a strategic alliance with the Bali Island Resort, the Starwood Hotel and the International Association of Resorts, which will help us to become a top resort in the world.

(iii). To buy in the shares of similar companies in this District including Jiuquwan, Jiahe Town, and the Longsheng Hot Spring, with the ultimate aim of absorbing some of them through acquisitions. The Ludu Business Group is to be established to merge all the resorts, hot spring towns, and hotels for the final goal—to be listed in the stock market.

(iv). To occupy the resorts and hotel market of South China after the acquisition of finance through listing on the Hong Kong Stock Exchange. Once this is complete, a nation-wide resorts association is to be organized to set the criteria for the industry, thus increasing visibility and profitability in the Chinese market. It will then extend to the real estate industry with real estate development in tourist economic circles formed under our group throughout the country.

(v). To acquire finance overseas, especially in the European and American markets, in order to build Ludu Business Group into an international enterprise. The company will gradually transform into an investment group, which operates at multiple levels, including tourism and real estate development.

SECTION 8. THE FINANCIAL FORECAST

1. REVENUE FORECAST IN 3 YEARS

Year	Month(s)	Revenue
2017	1~6	6,000,000 RMB
2017	6~12	7,000,000 RMB
2018	1~6	6,600,000 RMB
2018	6~12	7,700,000 RMB
2019	1~6	7,200,000 RMB
2019	6~12	8,400,000 RMB
<p>Notes:</p> <p>1. Incomes for tickets, catering, hotels, and hot springs are included in the revenue.</p> <p>2. The profit from the real estate project is not included in the present forecast.</p>		

2. ROE

Above projections assume an average net profit margin of 30% in revenue in the form of equity buyout investment of 80 million RMB plus 20 million to account for the amount reinvested. Shares should be based on the amount of shares to count. 200 acres of land resources are for the project.

The Formula of Accounting:

$$\text{ROE} = (\text{net profit} + \text{appreciation in land value}) / \text{total investment}$$

Year	The ROE Formula (in RMB)	The Final Rate
2017	$[(6,000,000 + 7,000,000) \times 30\% + 4,000,000] / 10,000,000$	7.9%

2018	$[(6,600,000 + 7,700,000) \times 30\% + 5,000,000] / 10,000,000$	9.29%
2019	$[(7,600,000 + 8,400,000) \times 30\% + 6,000,000] / 10,000,000$	10.68%

SECTION 9. RISK MANAGEMENT

1. RISK ANALYSIS

i. Market Risks

There are various factors that cause sudden changes in the hot spring market. They include: changes in policies, fierce competition, inflation, capital insolvency, the decrease in the consumers' purchasing power and supplies and demands shifts, etc. Most of these are not likely to be forecasted in advance and are likely to lead to a sharp fall in the market share of the present project.

ii. Management Risks

If there are problems with the management of the new investors, the following dilemmas are likely to emerge: the chaos in internal management, the withdrawal of investments, high asset-liability ratio, difficulties in fund flows, debt chains, slow returns of funds, assets precipitations, insolvency and even capital losses. The problem includes the non-cooperation between shareholders and the failure of the project due to the changes in environment.

iii. Personnel Risks

If the new investors do not treat the members of board, supervisors, managers and other managing personnel in the company properly or do not grant them adequate authority, the possible

consequences include: the loss of elite workers, the lack of qualified workers and the mass resignation of workers. And since it's a cultural orientated business plan, dealing with culture shock and hiring right persons could also be a potential risk based on the relationship between two countries and make sure if stuffs are qualified enough to deliver omotenashi to Chinese customers as expect.

iv. Natural Disaster Risks (Force Majeure)

These include the losses caused by the following: environmental deterioration, earthquakes, floods, fire, typhoons, rainstorms, sandstorms, snowstorms, traffic accidents, leakage of dangerous substances, geological changes, etc.

v. Public Relation Risks

The sharp downturn of public credibility and reputation of the project may be caused by many reasons. They include: the unqualified services of the hotel, the disputes between capital and labor, legal disputes, major security accidents revealed by public media.

vi. Policy Risks

These risks include: the changes in the laws, rules, regulations, policies, management system, planning, tax rates, and interest rates. They also include the risk from industry specific rectifications. Other risks including the joining of WTO, bilateral or multi-lateral trade frictions.

vii. Marketing Risks

These include the mistakes in marketing strategies and ineffective promotions, which

may have major negative impacts on the operations of the project and the image of the brand.

2. RISK MANAGEMENT

i. The avoidance of the risks:

Avoiding risk or taking preventative measures by factoring in major risks. For instance, refuse the interactions with untrustworthy suppliers; and cancel new projects if problems arise at the preliminary stages.

ii. The Reduction of Risks:

Management should reduce the risks if unavoidable. For instance, make various plans and choose alternatives if necessary; communicate with the government agencies to acquire the information about policy changes in time; and conduct adequate market research before the launch of new services.

iii. The Assumption of Risks

New investors are expected to assume the risks in their specific capacities. The new company is to assume the risks with a fixed amount of funds deposited monthly.

iv. The Transference of Risks

The following business insurance types are to be bought:

(i). Property insurance and liability insurance: the property insurance for the enterprises, fire insurance, workers' accident insurance, and third party (public) insurance;

(ii). Health insurance: serious illness insurance, medical insurance, female maternity insurance, and occupation disease insurance;

(iii). Unemployment insurance;

(iv). Life insurance: basic old-age pension insurance, complementary pension insurance.

(v). Special insurance: property expropriation insurance.

CHAPTER VI. CONCLUSION

Based on my personal enjoyable experience during my staying in Japanese ryokan, I am inspired to introduce Japanese ryokan to China due to the increasing interests in Japanese product and culture among Chinese customers and also due to the fact that ryokan business is going down recently in Japan. Therefore, I believe it is a good timing to expand ryokan business overseas. Ryokan business is still very new in China, to make sure its success to its most I use three benchmarks to help me with ryokan business analysis. Based on my studying on three different ryokans, Radium-Kagaya International Hotel, GuanShanGe and Einichika Japanese Cuisine Ryokan. Trough the analysis, I found that the three ryokans are different in the way of implementing omotenashi to customers. Radium-Kagaya International Hotel keeps everything original, the same way of providing omotenashi and Japanese style decoration as in Japan. Customers feel like being in Japan while staying in Radium-Kagaya International Hotel. On contrast, GuanShanGe is a new ryokan in Dalian city and it provides customers with luxurious Japanese atmosphere with authentic Japanese decoration but also with some Chinese cultural factors involved. Due to its lack of considering of Chinese customers' needs, however, Chinese customers are not hundred percent satisfied with GuanShanGe's omotenashi. On contrast to Radium-Kagaya International Hotel and GuanShanGe, both of which have large business scale, Einichika Japanese Cuisine Ryokan has a very small business scale even without onsen available in its business. However, Einichika Japanese Cuisine Ryokan is still getting more and more popular in China among young generation due to its affordable price as well as extreme impressive

omotenashi it provides. Customers who have stayed in Einichika Japanese Cuisine Ryokan post a lot of comments on their blogs about Einichika Japanese Cuisine Ryokan's heart touching omotenashi and customers have willing to go back again. Based on those three case studies, I found that the key to be successful for ryokan business in China is to deliver the omotenashi to impress Chinese customers.

As my target to implement a business plan, I select an existing hotel, called Green Hot Spring Resort Hotel because it has potential to be successful by the method of property rights hotel. Guanxi government has launches online movement to promote tourism and as well as made tourism and real estate development regulations so much less intense for investors. There are a lot of focuses on making core business model in this business plan project, since there are another two hot springs hotels nearby this area. Also, Chinese hot springs are always considered as "lack of specialty".¹¹ To make green hot spring hotel different from other competitors, one must have its own management rule and core business model, which is hard to be imitated by other competitors. Therefore, green hot spring hotel should send top stuffs to Japan to get the most professional training and then, bring Japanese omotenashi culture back to China.

Of course, there are several major potential risks in this business plan, for instance, market risks, management risks, personnel risks, and policy risks, etc. In order to minimize the risks on the changing of business environment, backup plans and reliable connections should

¹¹ [Nippon Omotenashi Academy]

always be available. It takes experienced managers and staffs in human resource department, who have connection with local government to avoid or minimize the potential risks as well. Since one of the most important things to make business run in China is to have connections with many other people in different departments. Building good connections with people in other fields like government, local inspector general, and so on.

In summary, if all the parties involved can cooperate under the principles of equality and mutual benefit; and, in view of future development, the present project, with its unique advantages in resources, one will achieve success in hot springs tourism and real estate development in China. This in turn means the generous social and economic profit for all investors.

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