

# **STEPS TO SUCCESS FOR RURAL ENTREPRENEURS: STARTING A BED AND BREAKFAST**

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### ***Other titles in the Steps to Success for Rural Entrepreneurs series***

- Writing Your Small Business Plan
- Starting an Ecotourism Business in Alaska
- Starting a Fish Processing Plant
- Starting a Rural Alaska Lodge
- Starting a Small Rental Business
- Starting a Small Restaurant
- Starting a Small Engine Repair Shop

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## **INTRODUCTION**

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*Starting a Bed and Breakfast* is a practical and easy-to-use guide to opening a bed and breakfast (B&B) business in rural Alaska. One of a series of handbooks developed to start new Alaska entrepreneurs on the road to success, this handbook takes you step-by-step through the process of assessing the feasibility of your business idea and developing a business plan. While this handbook should be useful to anyone starting a bed and breakfast in Alaska, it focuses specifically on developing a plan for a B&B in a community off the road system.

This handbook tells you what to consider in the process of setting up your B&B, and provides an outline for developing your business plan. By following these steps, you will be able to decide whether or not opening a B&B is right for you.

This handbook helps you to define your business goals and to develop your strategy for achieving success. Topics covered include:

- How to determine if this is the right business for you
- What your start-up and supplies needs will be
- How to assess local markets, estimate demand, and attract guests
- What licenses and permits you will need
- How to project your annual revenues, expenses, and break-even point.

For a more detailed explanation of writing a business plan, see *Steps to Success for Rural Entrepreneurs: Writing Your Small Business Plan*.

## **DEFINITIONS AND BUSINESS PLAN BASICS**

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You may be reading this handbook to learn more about bed and breakfast operations and how to write a business plan, or you may simply want to learn more about this type of business. In either case, you should first consider the different types of B&Bs.

A bed and breakfast is generally defined as a private residence where a guest is provided a bed for the night and then breakfast prior to departure the following morning. The host is primarily interested in making some extra money by renting an extra bedroom or two. The host is usually the owner of the B&B, but can also be someone hired by the owner to operate the business. (Throughout this handbook, “host” refers to the owner or operator of the B&B, unless otherwise specified.) Guests who choose a B&B are usually looking for lower cost accommodation, a more personal experience, and the opportunity to learn about the area from a local resident.

## What types of Bed and Breakfasts are found in Alaska?

There are several types of B&B. The type you choose to develop will depend on your unique circumstances. Common types include:

- **A bed and breakfast “home-stay”** with no more than four guest rooms. This type of B&B is usually started in the host’s own home to help pay the bills or to generate another source of income.
- **A bed and breakfast or small lodge** with five to 12 guest rooms. Most of these B&Bs or small lodges are the owner’s primary or significant source of income.
- **A bed and breakfast consisting of a primary or common house** where the host typically stays and provides guests with use of the bathroom, and living and dining areas, while guests sleep in smaller one-room cabins. These properties range from small accommodations offering space for a few guests at a time to larger properties with multiple smaller cabins. Sometimes the common house may also have a room for rent.

## What do Bed and Breakfasts provide?

The key components of a B&B are lodging, hospitality, breakfast and other services. In each of these areas, there are specific expectations of you as the host.

- **Lodging:** B&B hosts must be comfortable sharing their home with paying guests. Hosts should follow the same rules they set for their guests. If the no-noise time for guests is 9:00 p.m., the host family should not make noise past that time either. The living quarters of your guests should be as good as, if not better than your own. This means keeping the rooms clean and attractive. It is customary to provide fresh sheets and towels every day, but some B&Bs offer a discount (around \$5 a night) to guests who want to forgo this service.
- **Hospitality:** As the host, you must be hospitable to your guests at all times. You should have a warm personality and provide your guests with all services advertised. Many guests choose a B&B because of the personal hospitality. Falling short of these expectations can result in the loss of future customers.
- **Breakfast:** This standard service is included in the cost of the room. It can be a simple continental breakfast (coffee, milk, an assortment of bagels or muffins or yogurt) or a gourmet meal, if the host is a talented chef or has the means to hire one. The host sets a time in the morning during which breakfast is available.



- **Other Services:** Some B&Bs have a gift shop, restaurant, or café, or provide all terrain vehicle rental and other services. Depending on your income goal and the amount of time you wish to work, you could consider offering these additional services. Extras such as hot tubs, private baths, private decks, and internet should be factored into pricing. When the bed and breakfast is the only source of income for the host, more services tend to be offered.

## **What is a business plan and why do I need one for my B&B?**

A business plan is a tool that helps you think through the many aspects of starting up and running a B&B. Writing a business plan helps you define why you are starting a B&B and keeps you focused as you go into operation.

Developing a business plan:

- Takes you methodically through various elements of the business
- Helps you decide if a B&B is worth your time and financial investment
- Identifies alternatives and strategies for achieving success, improving your probability of success.

This handbook walks you through the steps of preparing to write your business plan:

1. Conducting a personal and family assessment
2. Developing your B&B concept
3. Understanding regulatory requirements
4. Assessing your market and conducting research
5. Developing your organizational plan
6. Developing your marketing and customer service plan
7. Developing your financial plan.



## **STEP 1 – CONDUCTING YOUR PERSONAL AND FAMILY ASSESSMENT**

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A good B&B owner has several qualities. You need to be social and outgoing. You must also be well-organized and manage guest bookings and B&B supplies efficiently. This ensures your guests will have a positive and well-planned experience. Answering the questions below will help you define your personal goals and understand your reasons for starting a B&B business.

Before writing your business plan, you should know what your goals are, what skills you bring to a B&B business, and what resources are readily available. It's important to understand your reason for starting your own business, because this affects the decisions you will make. It's also important to define what success means to you, so you know when you have achieved your business vision.

Some of the benefits of being a bed and breakfast owner include:

- Earning additional income
- Incorporating a potentially interesting business into your life
- Meeting new people from around the world
- Updating or remodeling your home to support the business.

Although starting a B&B might be appealing for these and other reasons, this business is not ideal for everyone. An important first step is to evaluate your potential as a B&B host. You need to examine your personal strengths and weaknesses, describe what success would look like, and determine if you have the right business and personal skills to achieve your vision of success. As with other home-based businesses, success depends on the personal traits, skills, and work attitudes of the individual or family.

### **What are the characteristics of successful B&B operators?**

Successful B&B operators like interacting with a variety of people and enjoy entertaining others. They are self-motivated, have good organizational skills, and keep good business records. Above all, they have a strong commitment to the success of their business.

There are several advantages to running a B&B as a family. It provides your children the opportunity to learn important life skills, such as interacting with others, operating a business (taking reservations, meeting customer needs, taking responsibility for tasks), and working as a team member to accomplish a common goal. Research consistently

finds that prior experience working in a small business is a predictor of future small business success.

A B&B affects everyone living in the home. Not only does it impact family privacy, it also places higher demand on the telephone, television, kitchen and common areas of the home. A family must sometimes postpone or end activities due to B&B guests entering the home. Running a B&B can create tensions within a family, and some hosts have had to discontinue their business because their family was unhappy being part of it.

It is important, therefore, to assess the aptitude of your whole family. What are the ages, personalities, attitudes, and work styles of each member of your family, and would they conflict with or enhance your B&B business?

### **Are you ready to run a successful B&B?**

To help you decide whether or not this line of work is the right fit for you and your family, consider the following questions. Are you and your family able to:

Self-motivate and communicate well with each other to avoid tension, resentment, and misunderstandings?	Y	N
Provide hospitable and courteous service – always going the extra mile?	Y	N
Work long hours with frequent interruptions and changing demands?	Y	N
Answer the same question with enthusiasm many times over?	Y	N
Talk in a courteous and friendly manner with guests with whom you may have a conflict or difference of opinion?	Y	N
Clean bedrooms, bathrooms, and common areas, do laundry, cater to each guest individually, and handle yard and building maintenance needs?	Y	N
Plan menus and purchase, prepare, and serve food, while following health department standards and licensing requirements?	Y	N
Develop brochures, advertisements, and promotional materials?	Y	N
Become proficient in bookkeeping and accounting – develop and monitor a budget, understand financial statements, and business tax requirements?	Y	N
Make decisions, plan, learn from experience, and adjust behavior as necessary?	Y	N

If you answered ‘yes’ to the majority of these questions, hosting a B&B business may well suit you and your family. As you plan your B&B, think about which areas of your home would be designated for family use only and what house rules you need to establish for both your family and B&B guests.

If you are still unsure about opening a bed and breakfast, consider visiting one. If you do not like staying in one, you probably will not like owning one. On your visit, note what you like and do not like about the amenities and service, and think about how you would make your B&B a guest's first choice.

## **Assessing your business skills – are you and your family ready?**

Many B&B hosts burn out after a year or two. A B&B may appear to be low maintenance and easy to operate, but running one is hard work. B&B hosts manage reservations and billings, keep the books, update the website, entertain guests, clean the house, deal with local authorities, and prepare breakfast, while remaining friendly and welcoming. As the host, it is your responsibility to make sure everything gets done. When things break or go wrong, you must find a way to repair or rectify the damage.

The successful B&B owner is energetic, confident, open to risk, goal-oriented, accountable, innovative, and hard working. Being a small business owner typically means working long hours to ensure customer needs are met, while also handling business accounting, marketing, and reporting (e.g. filing business tax payments).

Small business owners in rural Alaska say they face common challenges:

- Planning and setting up the business
- Having enough capital to finance the business
- Finding trained and motivated employees and managing operations
- Knowing how to identify and attract customers
- Managing finances effectively, and
- Coping with regulations, paperwork and reporting.



### **Why do you want to start a B&B?**

It is important to understand why you want to open a B&B. Answering the following questions should help you make an informed decision. Having your reasons written down can also remind you on particularly hard days why you entered the business.

- 1. What is your personal reason or goal for starting a B&B? Does this goal mesh with your family goals, both short-term and long-term?*

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2. *What is your definition of success for your B&B?*

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3. *What yearly income (net profit) must you have if you are to run a B&B?*

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4. *How many hours a week are you and/or your family members willing to devote to running your B&B?*

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5. *Will you operate the B&B seasonally or year-round?*

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6. *Will you be working another full-time or part-time job while running your B&B?*

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7. *What are your strengths (skills, disposition, passions, and interests) and how can you capitalize on these? What are the strengths of your family members?*

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8. *What are your weaknesses (skills, disposition, limitations, dislikes) and how will you overcome these? What are the weaknesses of your family members?*

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9. *How will you maximize your strengths and minimize your weaknesses? Are you really prepared to run a B&B? Do you have the skills to develop accounting systems, manage your finances, and host guests? Are you able to take care of marketing, housekeeping, food preparation, and ongoing business planning?*

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*10. How will you manage your time and set priorities so that you can “have it all”?*

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Good responses to the question why you want to run a B&B include:

- I love cooking and entertaining.
- I enjoy decorating and remodeling.
- I have a background in the hotel/lodging/hospitality industry.
- I have a history of managing a small business.

Generating new income and taking advantage of unused space within your home are acceptable answers as well, but on their own are probably not enough.

Small business ownership often becomes a question of time invested versus money generated. Running your own business may give you control over how you spend your time, but many small business owners underestimate how much time they must invest in a business. Often they find themselves working more hours and making less money than when they were employed. Start by determining how much money you need to make, and then compare your financial projections to this goal. B&Bs are not typically a high profit business, so your expectations must be realistic. Understanding why you want to start a B&B, defining success, and setting clear goals are critical early steps.

Since many B&Bs in rural Alaska receive the majority of their guests in the summer, it is possible to work a second job while managing the B&B during the off-season. Running a B&B during the summer demands long hours and hard work, and creates potential conflict with subsistence activities. Do not underestimate the amount of time you need to commit to your business. It is also important to keep in mind the cyclical nature of a B&B business, and plan for reduced revenues at certain times of the year.

To be successful in the hospitality industry you must accommodate the needs of your customers. Your primary job as host is to satisfy your guests' needs. Providing a clean room and a good breakfast is a good start, but may not be enough to ensure client loyalty and referrals. To better understand what it takes to run a successful B&B, book a stay with a popular competitor. First-hand experience can be even more informative than networking or interviewing other B&B operators.

Reaching out to others can increase your overall chance for success. Consider consulting an accountant, lawyer, banker or your insurance agent to answer questions raised in

this handbook. You may also want to seek the support of technical assistance providers (see “Additional Resources” on page 70).

Small business owners throughout rural Alaska have identified the following success factors<sup>1</sup>:

- Do what you love.
- Do what you know.
- Do seek family support – it is essential.
- Do understand that community readiness and support of the business is important and, for some businesses, essential.
- Do seek out training and technical assistance – it is often necessary.
- Do start small, building up your business success gradually.
- Don’t underestimate the role hard work plays in success.

If you keep this advice in mind, you will increase your chance of success significantly.

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<sup>1</sup> Viable Business Enterprises for Rural Alaska, University of Alaska Anchorage, Institute of Social and Economic Research, 2008



## STEP 2 – DEVELOPING YOUR B&B CONCEPT

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This step helps you develop and describe the bed and breakfast concept that best fits your home and your family. Your business concept should also be compatible with your local community and distinguish what you offer from what existing competitors offer.

Your B&B concept explains how you conduct business to deliver a unique and positive experience to your guests. Take the time to write out as full a description as you can. It is important to explain the unique aspects of your B&B so you can mention these qualities later in marketing materials and differentiate your B&B from others. Describe any intangible aspects such as charm, ambiance, quaintness, and atmosphere in concrete terms. What is it that contributes to the charm of your B&B experience? Why would a guest like the atmosphere? In other words, explain why a guest would refer someone else to your B&B.

Key aspects of what you are selling include your location, facilities, guest amenities, and guest expectations.

### ***Location***

It is important to evaluate your location and its ability to support a profitable B&B. There needs to be a basic demand for a B&B in your community. If there are few visitors who want to stay overnight, then opening a B&B may never be profitable. If your community already has several established and well-run B&Bs, you may not be able to get a cut of the business for yourself without having some edge over your competitors. Use the Location Evaluation worksheet on page 51 to get a better understanding of your community and its ability to support a B&B.

### ***Facilities***

As you develop your B&B concept, you need to evaluate your facilities and their suitability for use as a B&B. A basic dining room, bedroom, and bathroom should be accessible to visitors. The dining room and all common rooms should be large enough to seat all guests and the host family at one time. The bedrooms should be clean, neat, and comfortable. The bathroom facility should be extremely clean and well ventilated. Fresh towels should always be available, along with a supply of toilet tissue and soap. The bathroom should have a wastepaper basket, soap dish, drinking glasses, and an electric outlet. In addition to the guest rooms, you will need an area to do paperwork – perhaps at the registration desk close to the entrance of the house – and a storage area for equipment, supplies, and linens.



Ideally, the host family will have a separate entryway, family room, and bathroom facilities. The separate family area is not necessary, but makes it easier to keep guest facilities clean. Parking is another aspect of the B&B to consider. Although this is not as important in rural Alaskan communities, you should provide and maintain enough off-street parking spaces for your guests.

Do not overlook the water and sewage capacity of your home. As a rule of thumb, one person uses 50 to 65 gallons of water a day. Your sewage system should be able to accommodate the estimated usage and increased demand.

### ***Facility - Kitchen***

If you are serving breakfast only, your production equipment start-up costs will be substantially less than if you offer full-service dining. If you offer two or more daily meals to house guests or the public for a price, you will need a complete service kitchen with at least the following and possibly more, depending on what you serve:

- Ventilation system
- Prep and steam table
- Heat lamp
- Utensil rack
- Roll warmer
- Fryer
- Griddle top range with an oven
- Refrigerator/freezer
- Dishwasher
- Three-compartment sink
- Microwave oven
- Dry storage shelving
- Coffee-making equipment
- Garbage disposal
- Sink-sprayer unit
- Toaster
- Other kitchen appliances as needed

The needs for a B&B that serves only a simple breakfast are very basic, and most houses will already have them. Start-up costs for this type of operation are generally low.

- Large refrigerator/freezer
- Dishwasher
- Sink
- Microwave oven
- Dry storage shelving
- Coffee-making equipment
- Garbage disposal
- Toaster
- Pot, pans, and other dishware

### ***Facility - Remodeling***

Your home may need some additional work to prepare it to be a B&B. This could be as simple as replacing a flimsy railing, or as costly as adding a new bathroom to one of your existing rooms. Remodeling might also mean repainting, replacing carpet, or installing new light fixtures. Review your house thoroughly and decide what large scale changes you would need to make if you were to open up a B&B. You may also want to bring in someone you trust to offer an opinion about what remodeling would make your home more inviting to a guest.

### ***Guest Amenities***

A B&B owner should be attractive, warm, and inviting. You may want to adopt a theme for each room or even the entire house, based on the color scheme or the type of art on the walls. If you are targeting tourists, consider wildlife photography and an “Alaskan lodge” atmosphere. If you are focusing on one-night stays between flights in an airport hub, you may just want to focus on the warm and cozy ambience.

Include special touches, such as a variety of books and current magazines of general interest, local sightseeing guides, and a well-tended plant or a vase of fresh flowers. Provide an alarm clock or offer a wake up service. If you expect business professionals, consider hook-up for a computer, fax service, etc.

As a B&B you will likely have increased furniture and amenity requirements beyond your regular family home. Use the Furniture Checklist on page 54 to determine what you will need to furnish for each room of your B&B.



### ***Guest Expectations***

It is important to establish clear expectations for guests from your first contact with them. When guests know what to expect and what is expected of them, they have a better experience. If your guests have clear expectations, they are less likely to become upset unnecessarily. Prior to starting your B&B, you need to decide the following:

- **Operating hours:** A B&B should be open at least during scheduled hours and, if possible, 24 hours a day. Be sure the hours are clearly posted for guests.
- **Meal times:** Post breakfast, lunch, and dinner (if served) hours. Is breakfast available during a limited time frame or will you provide breakfast at any hour?
- **Payment:** When do guests pay their bill? On arrival or departure?

- **Types of payments accepted:** Will you accept credit cards, checks, or cash as payment? Will you accept out-of-state checks?
- **Hospitality:** How will you create a hospitable environment? This is the key ingredient to a successful guest business.



### ***House Rules and Polices***

When setting house rules, remember you and your family will need to live by what you request of others. Focus on those things you feel strongly about or are important for you to run your business. Communicate the rules in a positive manner and provide information on any unusual rules upfront, when your guest makes the room reservation. Post the rules at the front reception area and in guest rooms.

Setting house rules that work for you, your family, and your guests is an important step in preparing to open your B&B. You may want to consider the following:

- Will you allow guests to bring their pets?
- Will you allow children?
- Will you allow alcohol for social drinking?
- Will smoking be permitted?
- How do you feel about guests bringing non-guests into your home?
- Will you allow guests to play their own music, watch TV, and make other noise?
- Will you set an evening curfew or quiet hours?
- Will you set specific check-in and check-out times?
- Will you have specific requirements for reservations and cancellations?
- Will you have a specific breakfast hour or just serve as guests awake?
- Will you allow guests to use the kitchen or laundry facilities on their own?
- Will guests have full use of the house and grounds?
- Will you provide a shuttle service around the community?

Some B&B hosts, while making their guests comfortable, do not provide hotel-type services. Others offer extra services which may increase guest satisfaction, such as airport pick-up, advance dining and recreation reservations, or laundry service. You may decide to offer these services and charge your guest for the provision of the services.



## STEP 3 – UNDERSTANDING REGULATORY REQUIREMENTS

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The next important question to address is “What regulations do I need to comply with?” If you have no previous experience in the hospitality industry, you are unlikely to know the legal, health, and safety requirements. Even if you plan to start a simple B&B, it is important to familiarize yourself with the regulatory requirements.

Bed and breakfast facilities in Alaska have few regulations. This makes their start-up more straightforward than other businesses. Most of the regulations relate to health and safety, taxes, and building zoning codes.

In Alaska, bed and breakfasts come under three state definitions:

- ***B&B Private Residence*** – This has five or fewer rental rooms and is owner occupied. These facilities do not require an Alaska State Fire Marshal plan review and are not considered commercial properties.
- ***B&B Public Accommodation*** – A B&B that is not owner occupied and has more than five rooms is considered a commercial property or public accommodation. These properties are required to have an Alaska State Fire Marshal plan review.
- ***B&B Public Accommodation (No food permit)*** – A B&B public accommodation has 12 or less guest rooms and accommodates 24 or fewer guests a night. Additionally, only a complimentary continental or cook-and-serve breakfast is provided. These properties must have an Alaska State Fire Marshal plan review.

Depending on the type of B&B you plan to operate, you may need to comply with health and safety regulations and/or permits, including:

- Food service permits
- Fire and safety requirements – plan review (state fire marshal or municipality)
- Alaska Administrative Code - 18 AAC 30.400
- Pool and spa regulations
- Americans with Disabilities Act (federal)

### ***Regulations and Permits***

B&Bs that serve only breakfast do not face the same rigorous guidelines and regulations as restaurants, although there are still health codes you must consider. You should also take precautions to guarantee customer satisfaction and limit liability issues.

### ***Health Standards***

You must consider general health and safety standards. A preliminary site investigation conducted by the health inspector (state fire marshal) could be requested, followed by a final inspection and license application. You must have an approved water supply and sewage disposal system. Your water supply must meet the purity standards for bacteria and nitrates. Any existing septic tank and drain field must be adequately sized to handle additional use. Some other examples of health standards are: facility cleanliness, including floors, walls, and ceilings; no sleeping accommodations in areas where food is stored, prepared, or served; changing and laundering bed linens after each guest; and various other health-related regulations.

### ***Food Service Requirements***

First you must determine if you need a food service permit. If your B&B has: 1) 12 guest rooms or less; 2) accommodates 24 or fewer guests per night; and 3) serves only a complimentary continental or cook-and-serve breakfast, you do not need a food service permit. A *continental* breakfast includes ready-to-eat commercial products such as pastries, cold cereal, dairy products, juice, hot beverages, and cut fruit. A *cook-and-serve* breakfast includes foods prepared immediately before they are served to the customer (such as hot cereal, bacon and eggs, fresh made bakery products and quiche).

The entire state of Alaska, except for the Municipality of Anchorage, comes under the jurisdiction of the Alaska Department of Environmental Conservation (DEC), Division of Environmental Health Food Safety & Sanitation program. Chapter 31 of the Alaska Administrative Code (AAC) deals with the operations and permit requirements for a bed and breakfast that serves food to the general public. For additional information, visit the DEC website at <http://dec.state.ak.us/eh/fss/>.

Specific food service requirements include the use of either an automatic dishwasher in which the plate temperature reaches 160 °F during a full cycle or hand washing in a three compartment sink using approved chemical sanitizers and air drying.

You must observe safe food handling practices and obtain all your food from an approved source. You cannot use locally harvested products you have canned or frozen yourself in food preparation. A B&B should serve food manufactured, produced,

prepared, packaged, stored, transported, and served according to the EPA and FDA regulations, so as to be pure and free from contamination, adulteration, and spoilage.

To prevent food contamination, food handlers should wash their hands and arms with cleansers and warm water before coming into contact with food, immediately after using restroom facilities, and as otherwise necessary. All employees should wear suitable coverings to confine hair (including facial hair) when preparing food, to prevent the contamination of food or utensils. No workers may use tobacco in any form in any area where food is prepared, served, or stored, or where utensils are cleaned or stored. No live animals should be allowed into the area of food storage, preparation, or serving.

### ***Commercial Recreation on State Lands***

If your B&B offers any commercial tours or activities (in addition to lodging) on state land, you will need to register and/or obtain a commercial recreation permit with the Alaska Department of Natural Resources (<http://www.dnr.state.ak.us>).

### ***Fire Safety***

Fire code for a B&B is very similar to proper home fire safety. Each room should have a working fire alarm and working carbon monoxide detector. Large objects should not block building exits, and fire extinguishers should be available and accessible at several convenient and visible locations. Sleeping rooms should have an escape window.

Fire code requirements differ depending on the size of the business. The requirements specify the number and type of exits for sleeping rooms, smoke detectors, and fire alarms. The fire codes identify types of unsafe conditions as well.

You also need to address other basic safety issues. Sidewalks, walkways, and entrances should be in good repair. Electrical service and wiring should be up-to-date. Exterior and interior stairs should be safe and appropriately lit. Carpeting should be secure with no scatter rugs or loose edges creating hazards. All interior plumbing should be in good working order, and shared baths should have provisions for night lighting.

### ***Zoning Requirements***

Zoning classifications for a B&B vary from community to community. In some cases, a B&B is classified as a commercial business and a zoning exemption must be obtained to operate one in a residential area. Make sure you know what zoning restrictions, if any, apply to your community, and take steps to address them immediately.

### ***Building Codes***

Anyone operating a B&B in Alaska must comply with state of Alaska and local building codes. The Alaska State Fire Marshal (<http://www.dps.state.ak.us/fire>) requires that construction, repair, remodel, additions, or change of occupancy of any building, structure, or installation or change of fuel tanks be approved prior to work beginning. When considering the purchase of a property or before pursuing a remodel for an existing property, seek professional advice from an architect or building contractor experienced with state and local building codes.

### ***Insurance Requirements***

The state of Alaska does not have specific insurance requirements for a B&B, but your home insurance carrier probably does. An insurance company may not allow a homeowner's policy to cover operations that rent more than two rooms to paying guests. Consult your insurance carrier for details and to negotiate coverage. Make sure your carrier has experience insuring hospitality businesses and is skilled in determining appropriate liability limit and other coverage needs.

The two major types of insurance commonly purchased are property and casualty (or property and liability) and life and health. Property and liability are the most important and expensive for a business. Property coverage includes insurance on your buildings and other property in case of fire, theft, and other losses. Liability insurance protects you against claims of injury or property loss resulting from negligence. The law requires some types of coverage, but acquiring other types might make good business sense.

The amount of insurance needed will depend upon the size of your operation. If there will only be a couple of people in the home at one time, a rider on the homeowner coverage may be adequate. However, if there will be three or more guests lodged in the house at one time, you should consider a commercial lodging policy. To determine your specific insurance needs, contact your insurance agent or an agent with hospitality experience. Be prepared to address the following questions:

- How many rooms will you rent and to how many people?
- Will you be transporting guests?
- Will you be serving food to guests?
- What is the square footage of your home and average ceiling heights?
- When did you last upgrade your heating system, roof, plumbing and wiring?
- What is the estimated replacement cost of all contents – business & personal?

### ***Reporting Requirements***

A B&B host needs to keep good accounting records. This is important for IRS and borough or community tax requirements, as well as for planning and management of your bed and breakfast. A B&B owner or host is required to keep records for at least three years showing the true name and residence of each person occupying a room, so it is critical to have an up-to-date guest register. Some communities charge a transient occupancy tax. Contact your city offices to find out if a local occupancy tax exists.

### ***Income Taxes***

A B&B business can be an income tax advantage for some and a disadvantage for others. Consult a qualified accountant to find out the tax implications for your situation. An accountant will tell you:

- What forms you need to file
- How much you can depreciate certain items in your home
- What deductions you may take (such as laundry, cost of food served, repairs to furniture and fixtures, advertising, insurance, etc.)
- What taxes you will have to pay
- What records you need to keep.

All income derived from a B&B is considered self-employment income and is subject to Social Security tax. Ask your accountant for details of the tax rules related to business space in the home. These rules are strictly applied and change frequently.

### ***Business License***

A B&B must have an annual State of Alaska business license. This costs \$100 a year and is obtained from the Department of Commerce, Community and Economic Development (DCCED). For more information, call 907-269-8173 (Anchorage office) or 907-465-2550 (Juneau office). Applications are also available online at <http://www.commerce.state.ak.us/occ/home.htm>. You will need to provide your name and address along with the name of the business and the appropriate NAICS business code, available on the DCCED website. The current NAICS code for a Bed and Breakfast is 72119, but verify this information to make sure it has not changed.

If you are operating more than one line of business – for instance big game guiding as well as lodging – you will likely need more than one business license and maybe even a professional license. No professional license is required to operate just a B&B. Some villages and communities require a separate business license, so be sure to find out if this applies to your B&B business.





## STEP 4 – CONDUCTING MARKET ASSESSMENT AND RESEARCH

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The first step in assessing your market is to find out who is already traveling to your community. It is unlikely that one market will be large enough for you to focus on exclusively. Market assessment and research is about understanding the various markets, knowing whom to attract, and identifying ways to better understand and communicate with your market.

In conducting market assessment and research, your goal is to understand your potential customers better. This step helps you answer key questions, such as:

- What potential visitors are already coming to your community?
- Why are these visitors traveling to your community?
- What amenities, services and price sensitivity do these visitors have?
- Who is your typical visitor (age, gender, education, income, occupation)?
- How does your B&B compare to the competition?

### ***Who are your potential customers?***

The B&B market can be broken into different market segments according to your business location. Rural Alaska communities with large summer tourism industries will have a much different market segment than a B&B located in smaller, more remote rural community. B&Bs in larger communities might concentrate on tourists, while B&Bs in small, remote communities might need to target other market segments, such as seasonal and construction workers. The most common market segments are:

- Pleasure travelers
- Business travelers (government agencies, service providers, construction crews, and seasonal workers)
- Special occasion or event travelers (Native celebration, dance or regional event)
- Visiting friends and relatives
- Specialty markets (foreign travelers, sports fishermen, hunters, birders)

Potential B&B guests travel for many reasons: business, change of scenery, recreational activities, sports, cultural events, or a chance to see new communities or sites. The strongest market segment in many rural Alaska communities is the business traveler. This segment includes construction workers, education professionals, government agencies, service workers, and geological and social surveyors. Although most Alaska

Natives traveling for council meetings, training, and cultural events stay with local friends and relatives, they could be an additional market.

If your B&B is near a national park or an area with multiple recreational opportunities (rafting, hiking, fishing, and hunting), has strong local commercial fisheries, or is relatively low cost to reach from Anchorage, your available market may be larger and more diverse. However, for the same reasons, you might also have more competitors, including lodge owners. If your B&B is in an airport hub community (even a smaller one like Aniak or Chevak) there are potential guests traveling on business that need lodging and breakfast prior to flying out the next day.

Each rural Alaska community will have a slightly different market mix. Contact your local city and tribal offices, store owners, and the local airport to find out the type and volume of visitors you might expect over the course of a year. Discuss any upcoming projects that might bring in a construction crew or other longer term workers. Talking about your B&B with community members may help you identify other visitors too.

To obtain the information you need to analyze your market, consult local lodging providers, the purchasing department of your business travelers, and – if applicable – other organizations such as the Department of Fish & Game, the Bureau of Land Management, the University of Alaska, the US Economic Development Administration, or your school district, depending on who is traveling to your community. Consider contacting your nearest chamber of commerce, regional development organization, and other economic development and planning groups to see if they can provide any data on visitor trends and patterns for your area. Unfortunately, in the case of small rural communities, the relevant visitor industry statistics may not be very detailed.

### ***Seasonality of Market***

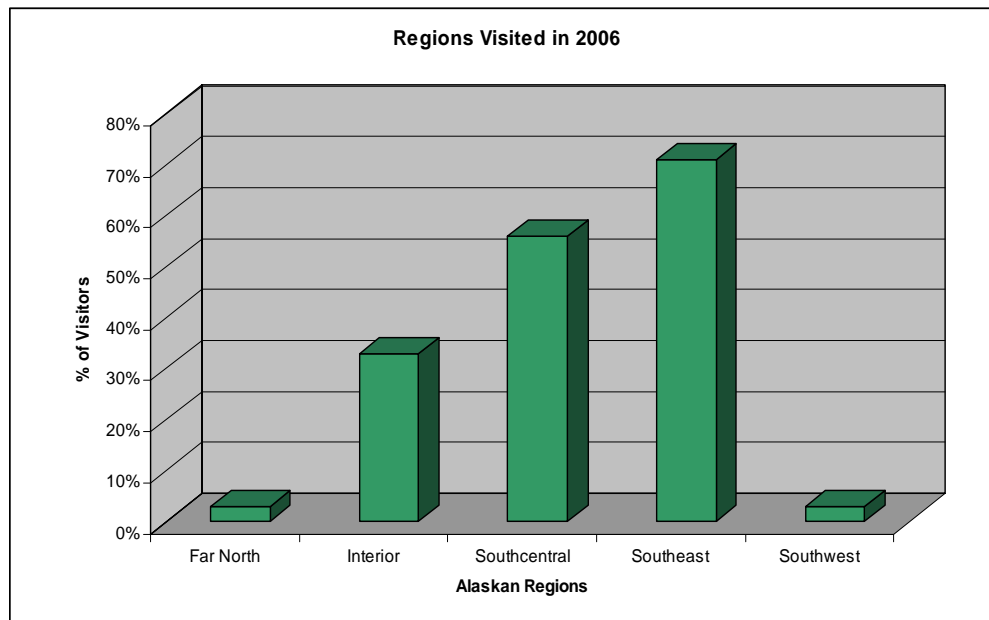
Market demand for lodging in Alaska tends to be seasonal. Generally, visitor activity is greater in the summer, when some communities are more accessible. This season sees increases in construction, cannery, and commercial fishing work. Also, Alaska's tourism industry has been strongest during the summer months (between May 15 and September 15). According to some visitor industry experts, there is an untapped winter tourism market. For now, however, most demand comes in the summer months.

## Statewide Visitation & Trends<sup>2</sup>

Alaska has experienced a steady growth in visitors since the 1980s, other than a slight decline immediately after the September 11, 2001 terrorist attacks. Since 2001, the number of summer visitors to Alaska has increased, with a slight (500 people) drop between 2005 and 2006. In 2006, 1.63 million visitors came to Alaska in the summer. Of the 1.63 million visitors, 82 percent were visiting for vacation/pleasure, nine percent were visiting friends or family, and five percent were visiting on business. The good news for a rural operator is that visitors to Alaska often decide to return for a rural Alaska experience on their second visit.

Alaska visitor demographics provide interesting and useful information to a potential B&B operator. The typical visitor to Alaska:

- Is 51.6 years old
- Spends \$934 per visit
- Stays 9.1 days
- Is well-educated
- Comes from all over the world, but mostly from the lower 48, Canada, and the United Kingdom
- Has made a previous trip to Alaska (34 percent).



<sup>2</sup> Alaska Visitor Statistics Program, Alaska Office of Economic Development,  
Website is: <http://www.commerce.state.ak.us/oed/toubus/research.htm>

The graph on page 21 shows the percentage of tourists visiting each region of Alaska in 2006. (Many people visit more than one region, so percentages total more than 100.)

The top ten most visited towns in the summer of 2006 in the state of Alaska were:

- Juneau
- Ketchikan
- Skagway
- Anchorage
- Denali
- Glacier Bay/  
Gustavus
- Fairbanks
- Seward
- Sitka
- Whittier

Trends over the last few years are a slight increase in the average age of visitors and an increase in the number visiting by cruise ship. As more people visit by cruise ship, the percentage of visitors entering the state for leisure and vacation has also increased.

### ***Pricing (Room Rates)***

The nightly room rate for B&B lodging varies by region. If you offer only the basics in your own home in a large community, you not will be able to ask a very high price. If you add a gourmet breakfast, daily room cleaning, cable television, and internet to your services, you can command a higher price. Location is an important factor. It is more expensive to operate a business in rural Alaska, and higher prices are expected. Your B&B rates should reflect the value of the services your offer.

Rates depend on four main factors:

1. Location
2. Type of bath (private or shared)
3. Type of breakfast
4. Special amenities.

Your guests should feel they are getting good value for their money, and you should feel you can meet the financial goal of your B&B business. Before you set rates, find out what local lodging establishments charge. Compare this with rates of B&Bs like yours.



**Critical questions to answer in the market assessment and research step include:**

*Who is your target market?*

- Individuals
- Companies – what size? \_\_\_\_\_
- Government agencies or non-governmental organizations?
- Other \_\_\_\_\_

*Is your target market*

- Based in your community?
- Based in your region?
- Based inside the state of Alaska?
- Based on tourism?
- Other: \_\_\_\_\_

*What is the estimated size of your market?*

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*Demographically, who is your target customer? (profession, age, income level, etc.)*

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*Why have you chosen this target market?*

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*Why would your target customer choose to use your B&B?*

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*What is currently offered and how will you improve on this?*

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*Is the market seasonal?*

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*Have you already spoken to potential customers? Were they interested?*

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*Who are your direct competitors?*

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*What bed and breakfasts, hotels, or roadhouses already exist in or around your community?*

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*How much do your competitors charge for their services?*

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*Would your location and services be equal to, worse than, or better than these competitors?*

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*Is your community in favor of tourism and supportive of your B&B? Is there a local group working together to support tourism development?*

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*What current and future trends might affect B&Bs in your area?*

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*What is the risk of direct competitors entering the industry near you?*

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## STEP 5 – DEVELOPING YOUR MARKETING AND CUSTOMER SERVICE PLAN

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A good marketing and customer service plan for a B&B is more than producing a good rack card and brochure and establishing a website. These are necessary elements, but it is also important to dedicate time and resources to getting the word out to your target market. Good intentions are not the same as effective marketing. You need to develop a plan that details specific strategies, carry out those strategies, and regularly assess whether your plan is getting results. If not, you should make appropriate changes.

Two common assumptions made by new B&B operators are: 1) Every guest will want to stay at your B&B, and 2) Your product will sell itself. Many small rural Alaska B&Bs do little or no marketing, usually because of time and budget constraints. However, few businesses succeed without any type of marketing. Make sure you develop a budget for marketing, however small, and monitor the effectiveness of your strategies.



### ***Marketing Dos and Don'ts***

- **Don't expect immediate results from marketing.** Marketing, particularly marketing to potential visitors to your area, does not happen overnight. It can take one to two years for marketing of a new visitor accommodation to really take hold.
- **Do devote adequate time to marketing.** Marketing requires regular attention and thoughtful implementation of your strategy. It is not enough to produce a brochure or other print material and stop there. You need to get the information into the hands of potential guests and draw their attention to your business.
- **Do make the necessary financial commitment to marketing.** Make sure you budget for the ongoing marketing of your B&B.
- **Don't neglect to monitor your marketing efforts.** Ask your guests were they heard about your B&B. If you don't know what is and isn't working, you might be wasting your time and resources.

### ***Key Elements of Marketing***

- Know your product or what you are selling
- Know who your target guests are
- Promote or advertise to your target guests so they purchase your product
- Understand the needs of your target guests so you can satisfy those needs and ensure repeat business and word-of-mouth referrals.

If you took your earlier B&B concept and market assessment and research steps seriously, you should be well on your way to defining your product and knowing who your target guests are. Now you need to develop a plan and ongoing strategies to communicate effectively with those guests.

### ***Knowing your Product***

The better you can explain the features that distinguish your B&B from other lodging, the better you will be at attracting guests.

Think about different services you could offer in conjunction with your B&B to maximize potential profits. You may want to provide sack lunches or evening meals. You could sell retail products (hats, t-shirts, local artisan handicrafts, etc.). You might offer local transportation or the daily rental of a four-wheeler or snowmobile. (Remember that each of these products or services may require additional insurance or regulatory considerations, so explore those impacts fully prior to incorporating into your business.) All these offerings make up your product or what you are selling, so it is important to promote the whole package or experience.

### ***Promotion and Advertising***

A B&B operator on a limited budget must think creatively about how to get the word out. Marketing is not about spending money on fancy brochures, but figuring out how to convince a guest to stay at your B&B. Some strategies include:

- Flyers
- Internet
- Trade shows
- Newspaper ads
- Direct mail to targets
- Yellow pages
- Press releases
- E-newsletter
- Referral program

At a minimum, post your B&B fliers or place rack cards at the local airport, grocery stores, businesses, and community offices. Make sure your B&B has signage placed where it can be seen easily by everyone in the community. In many rural Alaska communities, guests who find themselves at the airport or at a local business for the day will walk to the B&B. A sign tells your guests they have arrived at the right place.

If you want to reach a broader market, consider advertising on the internet or with various bed and breakfast associations. A website that includes your rates and photos featuring the highlights of your B&B is a great way to attract and communicate with guests. Many guests do online research before booking a place to stay.



If possible, pay to get your B&B included in the most popular guidebooks. Many travelers use these books as a quick reference. Make sure you advertise your services accurately, as many guidebooks solicit feedback from customers.

Advertising is not cheap, so choose your advertising methods carefully. Consider what customers you are trying to attract, their interests and needs, and what advertising medium will reach them most effectively. Your ads and brochures are often the first impression a potential guest receives of your B&B. Make sure all your promotional pieces are clearly written and attractive in appearance. Advertising is effective only if it reaches your intended audience.

*Sales and promotion* techniques to increase business:

- Contact various government agencies, Native groups, service providers, or construction workers that are known to visit the area.
- Place fliers and rack cards in regional airports, stores, and city and tribal offices. This is very important if your community is small or has few visitor activities.
- Send out targeted mailings. This traditional approach is effective if you target the right audience. A good use of mail advertising is sending postcards or brochures to past customers, which may lead to repeat visitors or word-of-mouth referrals. You can also target business travelers you know are coming to your community. This strategy, however, depends on good contact information.

*Public relations* techniques to increase business:

- Invite the newspaper travel editor or feature writer from Anchorage, Fairbanks, or other regional hub to your B&B. Provide information and facts about the community and your product. Think through what might be newsworthy prior to sending the invitation (e.g. "An inexpensive way to travel off the beaten path.")
- Inform your local, regional and state chamber of commerce, convention and visitor bureau (CVB) and Alaska Travel Industry Association (ATIA) that you are accepting B&B guests. These agencies frequently receive inquiries and need to know where to direct prospective guests.
- Donate a free night's stay at your B&B when your community or regional corporation holds an event or raffle.

## ***Evaluating Advertising & Promotion***

Some of the best advertising is word of mouth. Sending past customers a thank you card shortly after they check out or an annual newsletter reminds them of their positive experience. This might prompt them to tell work associates or friends and family about their wonderful stay – which, in turn, might result in more B&B guests.

If you are unsure where to begin, send for brochures from established B&Bs to learn how they advertise, what they charge, and what they offer. When first starting out, being a “secret shopper” is worth the time and energy. At a minimum, visit the websites of other B&Bs, starting at the websites listed below.

- <http://www.paii.org> (Professional Association of Innkeepers International)
- <http://www.alaskabba.com> (Bed and Breakfast Association of Alaska)

Once you are in business, you will want to know if your advertising and promotional activities have been effective. Include a question in your registration or sign-in materials asking guests how they learned about your B&B. Monitor their responses, to evaluate how your advertising and promotion plan is working, and to see what adjustments you might need to make.



### ***Top-Notch Service***

Bed and breakfasts come in many shapes and sizes, but are typically very service-oriented. A host of a B&B is expected to be friendly, help entertain, provide suggestions on activities in the area, and help guests feel at home. This section will help you develop ways to increase customer satisfaction, which can lead to more return customers, word-of-mouth advertising, and even the ability to command higher rates.

Some B&Bs offer guests a room for the night and a basic breakfast in the morning. This is acceptable, but in a community with multiple lodging options you may find that your competition receives more guests by offering a little more service. Also, a basic service B&B may be easier to run, but it will not command a high room rate.

If your community does not have other lodging choices, you might think that offering low levels of service is acceptable, because your guests only have one option. This may be true, but rural Alaska business travelers have been known to plan their travel as a one-day visit if lodging options within a community are poor. These same business travelers might also opt to stay on the floor in city or tribal offices, if lodging choices are considered too expensive for the services provided. Remember that potential guests do have choices, even where there appear to be none.

- Be available to greet guests when they arrive. Showing them around the house, and helping them settle in is the first step in making guests feel welcome. Call or email your guests prior to arrival to ask what time they expect to get in, and whether there is anything you can do for them before they arrive.
- Once your guest arrives, greet him or her with a smile and a friendly welcome. First impressions are lasting impressions. Invite your guests to sign a register or guest book so you have their address for future correspondence and your mailing list. Give a brief tour of the house and grounds. Be sure to point out guest areas and any special rules you have in a positive and friendly manner.
- Following this orientation, show guests their room. Indicate which closets and drawers are available and where bathroom supplies are stored. Demonstrate how to operate shower faucets and heating or cooling appliances located in the guest room. Don't overwhelm your guests with too much information; just provide it as needed.
- If other family members or guests are in the home, make introductions. At times, guests might feel they are intruding on the family, so help them feel welcome. Invite them to chat or watch television with the family and/or other guests in the evening. The host family's children should be well mannered and considerate. Keep overly enthusiastic or bad mannered pets away from guest areas. Remember some people are allergic to house pets. Don't expect guests to be tolerant of your pet's unique habits.
- While guests are visiting, offer to take pictures for them or take pictures yourself and email guests a few of the better ones once they have departed. Small acts like this easy to do and provide a personal touch that leaves a lasting impression.
- If you receive a number of pleasure guests, set up a bulletin board of fliers from all the local attractions. If most of your guests are business travelers, you may wish to include amenities such as a computer with internet or an evening meal if food service is not available. These types of services are relatively inexpensive, and could generate additional revenue for the B&B.
- If you have employees or family members assisting with the B&B, make sure they understand the importance of providing a positive guest experience. Spend time preparing these assistants for worst-case scenarios. For example, if a customer yells at them while you are not around or demands his money back, tell your employees in advance what they should do. Taking time to consider such situations can save a great deal of time and pain in the future.

### ***Tips for Top-Notch Service***

- Think about your property as you are planning for your B&B:
  - A private bathroom for each bedroom allows you to raise your room rate.
  - Guests may need to store coats, boots, umbrellas or even leisure equipment like skis, so a large entry or mud room is a welcome touch.
  - Many bed and breakfasts properties develop themes. You could also market your B&B as a place for people to fish, ski, or hunt bears. If, for example, you decide to make your B&B fishing-centered, you could advertise in fishing magazines or the American Sports fishing Association.
  
- Be sure to ask guests about any allergies they have, and whether they are vegetarian or have other diet restrictions, and provide accordingly.
  
- Keep an eye on your supplies – you don't want to run out of toilet paper when you have guests, so be sure to keep extra on hand.
  
- Write down every reservation you make into a calendar and do not make reservations without your calendar.
  
- If you are connected to the road system, make certain you have enough places for guests to park their vehicles.
  
- Offer both tea and coffee. Be sure to have two coffeepots, one for regular coffee and one for decaffeinated.
  
- Know a great deal about all of the local attractions as well as weather forecasts, directions to other places, and the names of local doctors. You will be your guests' guide to your town, and they will expect you to tell them about the area and what they can do for entertainment or if a problem arises.
  
- Make a binder containing restaurant menus (if available), brochures to local attractions, directions to key places around town, phone numbers for doctors, seasonal weather tips, and any other information your guests might need. With experience, you know what to include, so your guests can get their most common questions answered by referring to the binder.
  
- Send a reservation confirmation letter or email to guests reminding them when they are expected, your cancellation policy, your check-in hours, and any other pertinent information or house rules, so the guest is prepared.

***Follow-up***

It is important to know if you have met your guest's expectations. One way of getting this information is to send a survey to recent guests with a stamped, self-addressed envelope inside. Another, lower-cost approach is to email the same questions to them. Many people will not fill out this survey, but those who do will provide you with valuable feedback. Consider offering a discount as an incentive to people who return the survey (see page 62 for a sample mail survey).



## **STEP 6 – DEVELOPING YOUR ORGANIZATIONAL PLAN**

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Your organizational plan details the ownership, management, and staffing of your B&B. Your first step should be to list all necessary activities and assign responsibility for each task. This exercise will pinpoint what skills you do and don't have. If there are skills you don't possess, you will need to make a plan to acquire them.

The following is an overview of ownership considerations and typical B&B management and staffing activities.

### ***Ownership Considerations (Legal Structure)***

A primary planning decision is the legal structure of your B&B business. You must choose to operate either as a sole proprietorship, a partnership, a limited liability company, or a corporation. The majority of B&Bs are organized as a sole proprietorship, likely due to simplicity, but this may or may not be the best form of organization for your unique situation.

As a first step, you need to become better acquainted with your options. It is tempting to just organize, but there are clear pros and cons to each form of organization. Because the focus of this handbook is to assist you in writing your business plan, you will need to conduct your own research. There are resource guides, classes and individual opinions regarding each form of organization. You should consider consulting a lawyer and even an accountant to decide on the best form for your unique situation. This is a critical step, and you should devote as much attention to laying the foundation for your business as you do to planning and starting your business.

### ***Manager (Owner)***

The manager plans, organizes, directs, controls, evaluates, and carries out the ongoing activities of the B&B. Since most B&B's are too small to support a paid manager, the owner usually performs all the management functions in addition to the employee functions. Specific activities of the manager include:

- **Financial Accounting** – Ensuring funds are available to operate the B&B. Activities include developing systems to track revenue and expense items (cash flow statement), evaluating the information, and developing a financial plan.

- Marketing – Ensuring guests come to your B&B. Activities include developing and distributing marketing materials to attract customers to your B&B, and then providing a memorable experience so that guests want to return.
- Food Service – Ensuring that food is provided to guests as promised, and in a way that meets health, safety and licensing requirements. Activities include developing menus, preparing a food budget, making food purchases, preparing food, serving food, and meeting other guest needs.
- Facility Maintenance – Ensuring the entire property (interior and exterior) is properly maintained. It is particularly important to address health, safety and licensing items. Activities include keeping electrical, plumbing, heating, ventilation, fire protection and smoke control systems in proper working order. Additional activities include snow removal, mowing or other yard care, painting and repairing fixtures and amenities, and maintaining heavily used items such as kitchen appliances and laundry equipment. If you are good at home maintenance, these responsibilities may not be daunting. If not, contracting out many of these responsibilities makes good business sense.
- Housekeeping – Ensuring a clean, well kept B&B, as well as addressing fire safety and health needs. Activities include developing cleaning procedures and schedules for all areas of the B&B, purchasing and keeping all cleaning supplies stocked, and performing regular heavy cleaning tasks such as shampooing carpets, painting rooms, and refurbishing if necessary. An inventory of all supplies and items such as bed linens and towels should be maintained to ensure that items are purchased and replaced as necessary. In many rural Alaska communities, procuring supplies and equipment can take time, and be costly if not well planned. Develop systems to document your B&B housekeeping needs and to make purchases in bulk orders to save on shipping.

### ***Building Your B&B Team***

Hiring employees in rural Alaska can be difficult. If you are in a small community, you may be dealing with a very small pool of applicants and employees that need training in the skills necessary for a B&B. If you have lived in the community for any length of time, you face the further complication of hiring your friends and/or relatives as employees. The recommendations below should make this process easier.

- Do not underestimate the importance of training. If you hire a person for a position for which they do not already have the skill set, do not assume he or she will pick it up as they go. Plan to spend extra time training your employees yourself or budget for outside help, online classes, or computer software to help them learn the skills they need. AlaskaHost is a statewide customer service

training program for employees in the hospitality and visitor services industry. Training is available through the local convention and visitors bureau or from the State of Alaska, Office of Economic Development:  
<http://www.commerce.state.ak.us/oed/alaskahost/home.htm>.

- It may be worth paying a little more for an employee who is responsible or who already has the needed skills. An irresponsible or ill-equipped employee can slow down your business operation or even affect its reputation. In the end, this can cost much more than paying a marginally higher wage for a better employee.
- Perform a criminal background check. This provides peace of mind in hiring employees and protects you from potential threats. This is a cheap and convenient process. The following organizations will conduct criminal background checks on potential employees:
  - The Alaska Department of Public Safety  
<http://www.dps.state.ak.us/Statewide/background/>
  - Motznik Information Services  
<http://www.motznik.com/>
- If you hire friends and/or family members, make sure you discuss expectations with them. As an employee, he or she will need to show up for work on time, obey the B&B rules, and act professionally. If not, they will be fired just like any other employee. This can lead to complications and strife between family and friends. If you do not think your friend or family member will be able to follow the set rules or if you anticipate trouble enforcing them, do not hire that person.

### ***Ensuring the Right Skills and Aptitude***

A basic knowledge of the following is essential:

- Service and hospitality: You will be expected to be welcoming, suggest ideas for guest activities, and (in case of planning failures) entertain guests. Service and hospitality are very important. Hospitality that meets or exceeds expectations leads to free advertising through word of mouth referrals. As well as the above skills, a B&B operator should have knowledge of local history, culture, and events.
- Cleaning: Many people are very particular about cleanliness. If you want to look professional, your B&B should be a clean environment
- Cooking: The level of cooking skills needed will vary according to the range of food services you decide to offer.



- Bookkeeping: If you, the business owner, are not comfortable keeping the books or using bookkeeping software, you should consider hiring a company to keep your books and file your taxes.
- People skills: As the host, you must have a positive attitude at all times, even when things are not going well.

**Hiring Professional Assistance**

- Attorney – You should hire an attorney at start-up to check over paperwork and legal issues before beginning operations. This will save you money later and give you a working relationship with a local attorney, should problems ever arise.
- Accountant – It is advisable to get an accountant if you have no experience with business accounting, although you can use one just for tax filing purposes.

Remember to think about your own skill set when considering management and training needs. If you lack a certain skill, you may need to hire somebody who has it. Do not underestimate the value of investing in your own education. It may be worth flying to Anchorage for a hotel management seminar or class, if it helps you to complete tasks you would otherwise not be able to do.



**Critical questions to answer in this step include:**

*What tasks will need to be completed on a daily basis?*

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*How many staff do you plan to employ? What will you pay them?*

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*Are your staffed positions seasonal?*

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*What skills do your manager and employees need to be successful at their jobs?*

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*How will you train them to learn these needed skills?*

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*What professional relationships have you established? (lawyer, accountant, etc.)*

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## STEP 7 – DEVELOPING YOUR FINANCIAL PLAN

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This section guides you through the process of determining whether or not your B&B will be profitable. To effectively manage the finances of your B&B, you must have a firm grasp of your projected start-up and operational costs, as well as your anticipated revenue. The steps involved are:

1. Determine how much money you need to open your business (start-up costs);
2. Determine your pricing and sales projections for your product or service and estimate your revenues; and
3. Calculate what it will cost to deliver your product or service (operational costs). Operational costs are typically broken down into fixed costs and variable costs.

Your projected revenues should be sufficient to cover your operational costs and provide some profit. You may find it useful to calculate a break-even point, so you know exactly how many sales you need to make to cover your start-up and fixed costs.

If you are uncomfortable developing budget projections and managing finances, you could always contact one of the many resources listed on pages 70-73 of this document or hire a small business accountant/consultant.

### ***Start-up Costs***

Start-up costs usually include significant one-time costs. Some, such as the purchase or remodel of a home, are significant, and some, such as the purchase of equipment, utility deposits, down payments, and various one-time fees, are minor.

If you own your B&B building, and it has less than five guest rooms, there will likely not be much in the way of start-up costs, unless the facility requires significant remodeling. Although B&Bs with fewer than five bedrooms are exempt from fire and safety requirements, cleanliness and safety is still an important consideration. You should ensure your guests are protected from harm and feel safe, as well as providing a pleasing ambience.

You must comply with the Americans with Disabilities Act (ADA) but, if it creates a hardship, there are some exemptions and allowances for small businesses and small communities. For more information, visit the website of the Alaska ADA Coordinator's Office (<http://labor.state.ak.us/ada/home.htm>) or call their toll-free number (800-478-2815).

Start-up costs will differ for each property, but common B&B start-up expenses include:

- State of Alaska business license (\$100 a year)
- Office equipment
- Minor house modifications
- Furniture, such as beds and dressers

You could finance your start-up costs with a small loan paid back over a term of three to five years. However, due to the difficulty of micro-lending in rural Alaska, do not assume such a loan will be readily available. Many small business owners finance their start-up with personal savings or a long-term loan. You should also consider that business revenues may not support a loan payback immediately.

*For the purpose of the following example scenario, assume a low start-up cost of \$600.*

### ***Estimating Revenues***

To help you estimate your B&B profits, we will take you through the following scenario of a B&B located in a rural Alaska community off the road system. *Our sample B&B has two bedrooms and serves a simple breakfast. Its target market is a combination of business travelers (government agencies, construction workers, and service providers) and a smaller percentage of people traveling to visit friends or relatives or to attend a community event.*

1. Estimate an average room rate per night to stay in your B&B. Remember that B&B rates should reflect the value of the product and service offered. Your guests should feel they are getting good value for their money and you need to earn enough to meet your financial goal. Before you set rates, survey local lodging establishments to see what they charge. Compare this with rates of B&Bs similar to yours. In most rural Alaska communities, there are few lodging options, making price sensitivity less of a factor, particularly for business travelers. Ultimately, your room rate will be influenced by location, facility amenities, and your ability to provide superior service. *For the purpose of this exercise, estimate a nightly room rate of \$75.*
2. Determine your occupancy rate. This measures how many guests will stay in your B&B on a monthly basis throughout the year. A first-year average occupancy rate will range between 10 to 25 percent. B&Bs in rural areas are known to run higher-than-average occupancy rates, if the community has no other lodging options. Promotion, positive word-of-mouth, and repeat customers may increase occupancy by 10 to 15 percent each year.

Ask around the community to find out how many people are expected to travel there for business purposes. Observe the patterns of visitors to your community, even approach visitors find out if they would overnight if lodging were available.

3. Calculate your revenue. *Our scenario B&B receives business travelers and people visiting friends and relatives. There is only one other bed and breakfast in the community.*

i. *Revenues from Summer Construction Projects*

If the community has five projects during the summer, and two construction workers for each project choose to stay in the B&B for ten days, the following calculation projects revenues of \$7,500.

$$5 \text{ projects} \times 2 \text{ guests} \times 10 \text{ days} = 100 \text{ room nights @ } \$75 = \$7,500$$

ii. *Revenues from Miscellaneous Work Related Visitors*

If 30 service providers visit the community throughout the year (government entities, school-related workers, and nonprofit service workers) and 20 spend approximately three days each at your B&B, these visitors would generate revenues of \$4,500.

$$20 \text{ people} \times 3 \text{ days} = 60 \text{ room nights @ } \$75 = \$4,500$$

iii. *Revenues from Visitors Traveling for Special Events*

If 50 visitors travel to the community annually for winter festivals, dance events, or sports events, and 20 stay five days each at your B&B, these visitors would generate revenues of \$7,500.

$$20 \text{ people} \times 5 \text{ days} = 100 \text{ room nights @ } \$75 = \$7,500$$

Even if there are events in your community town that attract large crowds, you can still only fill your two rooms for each day of the festival.

*Total Revenue*

Add up the estimated room nights for each market segment (100 nights + 60 nights + 100 nights) to arrive at a yearly total of 260 room nights. In this B&B scenario, the total yearly revenue would be \$19,500. If the B&B was full every night, the total possible room nights would be 730 (365 days x 2 rooms). In this scenario, the estimated occupancy rate is around 35%.

Revenues will vary by community. Factors influencing occupancy/sales include competition, marketing, pricing, knowledge of the service by potential users, and types and number of people visiting.

The table below shows what revenues would be generated at different occupancy rates.

**Revenues at Different Occupancy Rates**

Occupancy Rate	Number of Room Nights	Revenues Generated
10%	73 (.1 x 730)	\$5,475 (73 nights x \$75)
15%	110 (.15 x 730)	\$8,250 (110 nights x \$75)
20%	146 (.2 x 730)	\$10,950 (146 nights x \$75)
25%	183 (.25 x 730)	\$13,725 (183 nights x \$75)
30%	219 (.3 x 730)	\$16,425 (219 nights x \$75)

### ***Estimating Costs***

Effective management of your finances begins with the development of a realistic budget (profit plan) for all phases of your operation. Once you determine the actual amount of money needed to open your business (start-up cost) and the amount needed to keep it open (operating costs), you will then be able to forecast your financial needs and budget your expenditures accordingly.

The table below provides an estimate of what percentage of your B&B revenue will go towards which expenses. This table is a general guideline only – the percentages will change depending on the B&B.

For example, an average B&B will spend 50.89% of its revenue on employee wages. This is a variable cost, because the number of employees needed varies according to the number of guests.

**Percentage Breakdown of a Bed and Breakfast with 2-4 Bedrooms**

Variable Expenses	
Food	18.95%
Room & Housekeeping Supplies	8.69%
Wages	50.89%
Utilities	16.60%
Towels & Linens	4.87%

### **Fixed Costs**

Fixed costs are those relatively stable items that you will pay yearly, regardless of the number of guests. These include items such as rent or mortgage payments, insurance, and any interest on loans. Other examples are professional association fees and property maintenance fees.

*For the purpose of our scenario, assume a fixed cost estimate of \$400.*

#### **Percentage Breakdown of a Bed and Breakfast with 2-4 Bedrooms**

<b>Fixed Expenses</b>	
Marketing	5.71%
Commissions	1.27%
Office supplies	1.42%
Telephone	3.14%
Travel and entertainment	2.40%
Dues and subscriptions	1.06%
Auto expense	1.38%
Maintenance expense	8.15%
Outside service	4.13%
Insurance expense	4.64%
Legal and accounting	3.65%
Business taxes	3.55%
Interest expense	37.08%
Salaries	4.43%
Owner's wages	4.17%
Other expenses	13.82%

**Source:** Small Business Resource Guide 2000 (Publication 3207 from the Department of the Treasury, Internal Revenue Service)

### **Variable Costs**

Variable costs are expenses incurred only when a guest visits. As your occupancy increases, your variable costs also increase. These expenses include food, staffing, utilities, telephone, laundry, and office supplies. If you offer transportation to and from the airport as a B&B service, vehicle fuel would also be a variable cost.

Our scenario assumes that each guest will consume \$7 in food, coffee, and tea each day, use \$4 in gas, water, and electricity, and require \$1 worth of cleaning products. This makes your variable cost per guest \$12 a day.

If your variable cost per guest is \$12 a day, your annual variable cost would be \$2,472.

$$206 \text{ night stays} \times \$12 \text{ nightly charge} = \$2,472$$

This calculation is based on 35% occupancy, although occupancy and variable costs rise and fall together.

The table below summarizes the estimated variable costs at different occupancy rates.

**Cost at Different Occupancy Rates**

Occupancy Rate	Number of Room Nights	Estimated Cost
10%	73	\$876 (73 night stays x \$12/night)
15%	110	\$1320 (110 x \$12)
20%	146	\$1752 (146 x \$12)
25%	183	\$2,196 (183 x \$12)
30%	219	\$2,628 (219 x \$12)

### ***Estimating Break-Even Point***

A tool often used in business planning is called a “break-even analysis”. A break-even analysis tells you how many guests you need to make to cover all your costs (fixed and variable). This is your “break-even point.”

To calculate a break-even point:

1. Determine the sales price of your product or service
2. Calculate the total variable costs
3. Subtract the variable costs from the sales price – the remainder is called the “unit contribution” or amount you have to cover fixed costs
4. Total your fixed costs (insurance, licensing, utilities, mortgage)
5. Divide your total fixed costs by your “unit contribution” to determine your break-even point.



In the above example, you are charging each guest \$75 a night. Your variable cost is \$12 per guest per night. The unit contribution per guest is \$63. Your fixed costs total \$400 a year. When you divide fixed costs by unit contribution, ( $\$400/\$63$ ), you get a break-even point of 7 guests.

### Break-Even Analysis

$$\begin{aligned} \text{Average price per guest (per night)} &= \$75 \\ - \text{Variable costs per guest (per night)} &= \$12 \\ \hline \text{Unit contribution per guest} &= \$63 \end{aligned}$$

$$\frac{\text{Fixed costs (per year)}}{\text{Unit contribution per guest}} = \frac{\$400}{\$63} = 7 \text{ guests}$$

Your first seven guests pay for your fixed costs. With your eighth guest, you start making money. A break-even calculation is useful in several ways. When you are starting your business it gives you a minimum target. If you can't realistically hit this target you had better reconsider. If you have been in business for a while you can use a break-even analysis to identify how many additional guests you would need to attract to generate enough revenue to purchase equipment, or to expand.

### Estimating Gross Profits

Gross profits are the total revenues from room stays minus the fixed costs and variable costs. The table below shows the expected gross profit (not including rent or mortgage payments) at different occupancy levels, if all other variables are constant.

**Gross Profit at Different Occupancy Rates (Year 1)**

Occupancy Rate	Revenues	Costs	Gross Profit
10%	\$5,475	\$876	\$4,599
15%	\$8,250	\$1,320	\$6,930
20%	\$10,950	\$1,752	\$9,198
25%	\$13,725	\$2,196	\$11,529
30%	\$16,425	\$2,628	\$13,797

This example is simplified for clarity. When you are making these calculations for yourself, remember to account for all expenses fully, and to be conservative when estimating revenues.

### ***Bank Loan***

If your property requires remodeling or you want to purchase a different property that has more room for a B&B operation, you may need a bank loan. In most cases, unless the loan is obtained through a second deed of trust on your home, a banker will require a loan proposal and a business plan. At a minimum, your business plan should address these critical elements:

- How much money you will need?
- What will you use the money for?
- For what length of time will you need the loan (when will you pay it back)?
- How will you repay the loan (gross profit projections)?
- What are you offering as collateral?

## CONCLUSION

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A bed and breakfast is a simple and inexpensive business to start up and run. However, most B&B business in Alaska is seasonal, unless your community has a high number of visitors who travel for business purposes year round. In Alaska's rural communities, summer business operations can conflict with subsistence activities or compete with employment in higher-paying activities such as commercial fishing. Consider carefully whether this type of business fits well with your other interests and revenue-generating activities.

It takes a certain type of person to make a success of this type of business. As a B&B host, you should be willing to take the time to share your knowledge of the local area and its people with guests. You need to be good at both listening and interacting with people, and have a sincere desire to help others understand and learn the ways of your community. In short, you must be flexible and willing to meet the needs of your customers.

As a B&B host, you should be able to respond to business opportunities as they present themselves. You may be requested to provide lodging to someone who is snowed in or delayed at the airport. Sometimes visitors who do not understand rural Alaska might show up without any lodging plans. Whatever the situation, you must be ready to offer hospitality at short notice.

While a demand for lodging exists in most rural Alaska communities, the market mix will vary from village to village. To accurately gauge the market potential in your community, pay attention to who is visiting the area. Initiate fact-finding conversations with city officials, airport workers, government agencies, construction workers, and others in the community. Once you have assessed the potential market, make contact with these visitors to offer them lodging.

If you already own a suitable house, you can enter this business with minimal start-up costs. Unless you take on a loan for remodeling or to purchase start-up items, the fixed operating costs will be nominal. A B&B operation also has minimal legal requirements.



# **APPENDICES**

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## B&B Resources

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- B&B Requirements  
[http://www.commerce.state.ak.us/oed/toubus/pub/B&B\\_Requirements.pdf](http://www.commerce.state.ak.us/oed/toubus/pub/B&B_Requirements.pdf)
- B&B Terminology  
[http://www.commerce.state.ak.us/oed/toubus/pub/tourism\\_glossary.pdf](http://www.commerce.state.ak.us/oed/toubus/pub/tourism_glossary.pdf)
- Bed and Breakfast Association of Alaska  
<http://www.alaskabba.com>
- The Alaska Travel Industry Association  
<http://www.alaskatia.org/>  
907 929-2842 (phone)  
907 561-5727 (fax)
- Convention and Visitors Bureaus – Chambers of Commerce  
<http://commerce.state.ak.us/oed/toubus/visinfo.cfm>
- Alaska Office of Economic Development, Office of Tourism Development  
<http://www.commerce.state.ak.us/oed/toubus/home.cfm>  
907 269-8100
- Alaska Office of Economic Development, Small Business Assistance Center  
<http://www.commerce.state.ak.us/oed/smallbus/home.cfm>
  - *State of Alaska Requirements for Bed and Breakfasts* (PowerPoint)
  - *Important Bed and Breakfast Safety Practices* (PDF)
- *Opening Your Doors: A Guide to Opening and Operating a Bed and Breakfast*  
Published by the Small Business Development Center
- Professional Association of Innkeepers International  
<http://www.paii.org>  
805 569-8653
- Other Websites:
  - <http://www.bedandbreakfast.com>
  - <http://www.bbonline.com>
  - <http://www.bbjournal.com>

## Sample Activity Timeline for Opening a B&B

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Activities	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
1. Collect information	*	*								
2. Examine your lifestyle		*								
3. Evaluate your home and surroundings		*								
4. Identify your market			*	*						
5. Develop a business plan				*	*	*				
6. Comply with regulations					*	*	*			
7 Prepare a budget						*	*			
8. Prepare a marketing plan						*	*	*		
9. Set up business systems							*	*		
10. Refurbish and decorate								*	*	
<b>OPENING DAY!</b>										*



## Location Evaluation Worksheet

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This exercise narrows your focus from your entire region to your immediate area, and examines how this will affect your business. This worksheet should help you determine what type of business may be successful in your area.

1. What is the population of your community? \_\_\_\_\_

2. Are you located on the road system?    Yes \_\_\_\_\_ No \_\_\_\_\_

3. If yes, how close are you to the nearest commercial center, tourist destination, or large urban area? \_\_\_\_\_

4. If no, how many people fly to your town annually? \_\_\_\_\_

5. Is your town a popular tourist destination? \_\_\_\_\_

6. What is available in your town to encourage tourism and stopovers?

- Wildlife viewing         No     Yes \_\_\_\_\_
- Fishing                     No     Yes \_\_\_\_\_
- Hunting                     No     Yes \_\_\_\_\_
- Boating                     No     Yes \_\_\_\_\_
- Shopping                   No     Yes \_\_\_\_\_
- Restaurants               No     Yes \_\_\_\_\_
- Scenery                     No     Yes \_\_\_\_\_
- Eco-tourism               No     Yes \_\_\_\_\_
- Cultural attractions       No     Yes \_\_\_\_\_
- Historical attractions     No     Yes \_\_\_\_\_
- Skiing                       No     Yes \_\_\_\_\_
- Fairs, festivals, and other special events     No     Yes \_\_\_\_\_

• Other \_\_\_\_\_

7. What other lodging facilities exist in your area?

- Hotels \_\_\_\_\_
- Motels \_\_\_\_\_
- Roadhouses \_\_\_\_\_

- Bed & Breakfasts \_\_\_\_\_
- Hostels \_\_\_\_\_

8. How many government projects are currently active within your community?

- Short-term \_\_\_\_\_
- Long-term \_\_\_\_\_

9. How long does the average visitor stay in your community? \_\_\_\_\_

10. Are you a transportation or service hub for surrounding communities?

- Yes \_\_\_\_\_
- No \_\_\_\_\_

11. Do you have any of the following?

- Commercial Mining  Yes  No
- Government Centers  Yes  No
- Medical Services Hubs  Yes  No
- Retail Centers  Yes  No
- Oil and Gas Exploration  Yes  No
- Commercial Fishing  Yes  No
- Other  Yes  No

12. Does your community have any special taxes or restrictions on bed and breakfasts?

- Yes \_\_\_\_\_
- No \_\_\_\_\_

13. Does your community experience seasonal influxes of visitors?

- Yes \_\_\_\_\_
- No \_\_\_\_\_

14. Are your typical visitors:

- Government contractors \_\_\_\_\_
- Tourists \_\_\_\_\_

Locals seeking services \_\_\_\_\_

Industry Workers \_\_\_\_\_

15. Are housing and food provided on site by employers?

Yes \_\_\_\_\_

No \_\_\_\_\_

Your answers to this questionnaire will be very useful in determining what type of B&B you should open, what other services you should offer, how many people a year you should expect, and who your target market should be. Using the tools and advice given in this document, only you can identify what your actual circumstances are, and you should plan accordingly.

## Furniture Checklist

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### Common Areas

- Sofa
- Love seat
- Front desk
- Chairs
- Writing table and chair
- End tables
- Lamps
- Hat/coat rack
- Card/game table
- Books, magazines, playing cards, and games
- Mud mat or other place to remove dirty shoes and clothes

### Guest Bathroom

- Well lit mirror
- Small soaps and shampoos
- Bath towels, hand towels, and wash cloths
- Bath mat
- Bubble bath or bath salts
- Extra toilet paper
- Tissues
- Trash can
- Bath robes

### Guest Rooms

- Bed with mattress and box spring
- Closet or armoire
- Night stand
- Reading light
- Alarm clock
- Dresser
- Armchair
- Ceiling light
- Blinds and/or curtains
- Extra pillows, sheets, and blankets

### Kitchen and Dining

- Large sink
- Large dinner table with chairs
- Ample dishes plates, bowls, and silverware
- Tablecloth and placemats
- Large coffee maker
- Tea kettle
- Serving cart or counter
- Guest refrigerator
- Candles/centerpiece

## **Basic Bathroom Upkeep Checklist**

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- Working plumbing and sewage disposal
- Lit, large mirror at sink
- Clean tub/shower
- Nonskid bath/shower mat
- Trashcan
- Toilet paper with an extra roll in bathroom
- Two water glasses
- Shower curtain
- Hooks on the back of the door
- Window covering (if applicable)
- Lock on door (from inside)
- Hot water
- Liquid soap in shower/tub/sink
- Soap dishes (if bar soap used)
- Bar soap (unused)
- Bath towel (one per guest)
- Washcloth (one per guest)
- Towel rack
- Air freshener
- Ventilation system
- Bath rug
- Working plugs for hair dryer/razor/etc.
- Plunger

## Basic Bedroom Upkeep Checklist

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- Bed with mattress and box spring
- Good sturdy bed frame
- Mattress pad and cover
- Clean sheets
- Two pillows with slipcovers and pillow cases per bed
- Bedspread or quilt
- Extra sheets/blankets/pillows available
- Window locks (first floor)
- Alarm clock
- Tissue
- Two glasses
- Fan/air conditioning/heat
- Night table(s) next to bed
- Reading lamp
- Chair
- Bureau with drawers
- Trashcan
- Closet with hangers
- Hooks on doors
- Suitcase rack
- Ashtray (if smoking permitted)
- Stationery with pen
- Doors that lock from inside
- Smoke detector

## Cleanliness Checklist

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### Guest Rooms

- Floor cleaned/vacuumed
- Walls clean
- Windows clean
- Under bed tidy
- Trashcan empty
- Paint/wallpaper in good shape
- Clean bedding and linens
- Lights clean
- Lights bulbs working
- Mirrors clean
- Furniture clean and polished
- Remove clutter

### Guest Bathroom

- Floor mopped
- Scrub down grouted areas
- Paint/wallpaper in good shape
- Mirrors clean
- Shower curtain clean and in good shape
- Clean rug
- Clean bathmat
- Scrub tub/sink
- Clean towels/wash cloths
- Windows clean
- Clean sponge (visible)
- Clean medicine cabinets
- Clean mirror

### Common Areas

- Paint
- Wallpaper
- Lights clean
- Lights bulbs working
- Vacuumed
- Floors cleaned
- Curtains/windows clean
- Furniture cleaned and polished
- Walls clean

### Kitchen and Dining

- Floor mopped/polished
- Cabinets/shelves/counters washed/polished
- Refrigerator cleaned (inside and out)
- Paint in good shape
- Lights clean
- Lights bulbs working
- Trashcan empty
- Clean dishes/pot and pans

### House Exterior and Yard

- Grass cut
- Flower beds free of trash
- No litter
- Leaves raked
- Paint in good shape
- Snow shoveled from sidewalk/porch
- Windows washed

## **General Health & Safety Checklist**

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The following is a list of the health and safety checks you should make before having guests at your bed and breakfast. Not all may be required by law, but addressing them will increase safety and limit risks to guests.

- Evacuation procedures posted in all guest rooms
- Fire extinguisher on each floor
- Smoke detectors in each guest room
- Fire alarms in each guest room
- Telephone in each guest room with emergency contacts
- Handrails on all staircases
- Clutter free stairs and hallways
- Railings on all porches and balconies
- Lit parking area
- Night lights in hallways and bathrooms
- Enclosed staircases, fire doors, sprinkler system (if required)
- Fire inspection (if required)
- Good wiring
- Water, sewage, plumbing all in good shape and inspected (if required)
- Water from safe and approved source
- Locks on all exterior doors and guest rooms
- Hazardous materials inspection (asbestos, etc.)
- Carbon monoxide detectors
- Hooks on doors above eye level
- Insect extermination



## **Health & Safety Checklist – Bathroom & Kitchen**

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### **Bathroom**

- Cleaned prior to each new guest
- Daily clean-ups
- Towels changed with each new guest
- Glasses to be unbreakable or plastic
- If bar soap is used it should be changed with each new guest
- Well grounded electric outlets
- Safety bars next to tub/shower

### **Kitchen**

- Very clean
- Inspected and licensed (if required)
- No pets
- Toxins and chemicals kept in closed area or cabinets
- Trashcans covered and changed regularly
- Clean utensils
- Perishables refrigerated at 45 degrees or below
- Food wrapped until served
- No smoking
- No eating during food preparation
- Wash and clean hands often
- Food prep surfaces cleaned regularly
- Two sinks, or sink and basin, and rack used for hand washing dishes
- Dishes sanitized in bleach solution after washing and then air dry
- Microwave cleaned daily

## Office Equipment Budget Worksheet

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<input type="checkbox"/> Current Windows-based Pentium-class PC with SVGA monitor, modem, and CD-ROM	\$ _____
<input type="checkbox"/> Inkjet printer	\$ _____
<input type="checkbox"/> Fax machine	\$ _____
<input type="checkbox"/> Software: Innkeeping	\$ _____
Word processing	\$ _____
Desktop publishing	\$ _____
Accounting	\$ _____
List management	\$ _____
Total Software:	\$ _____
<input type="checkbox"/> Phones, at least two lines with voicemail	\$ _____
<input type="checkbox"/> Answering machine	\$ _____
<input type="checkbox"/> Cell phone	\$ _____
<input type="checkbox"/> Uninterruptible power supply	\$ _____
<input type="checkbox"/> Surge protector	\$ _____
<input type="checkbox"/> Calculator	\$ _____
<input type="checkbox"/> Miscellaneous office supplies	\$ _____
<i>Not critical, but useful:</i>	
<input type="checkbox"/> Digital camera	\$ _____
<input type="checkbox"/> Scanner	\$ _____
<input type="checkbox"/> Copier	\$ _____
<input type="checkbox"/> Desk	\$ _____
<input type="checkbox"/> Desk chair	\$ _____
<input type="checkbox"/> Filing cabinet	\$ _____
<input type="checkbox"/> Bookcase	\$ _____
TOTAL COSTS:	\$ _____

## Sample Evaluation Form

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Your opinions are very important to us! We try hard to ensure that all of the needs of our guests are fulfilled and that your stay was pleasant. To help us meet your future needs, we would appreciate any suggestions that you might have to help us better serve you. Please take a few minutes to answer the questions below upon check out. Thank you for staying with us. We hope you enjoyed your visit!

What did you like most about our Bed and Breakfast?

Was there anything you would like to see done differently?

If you were to change one thing, what would it be?

Feel free to add any other comments:

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## Sample Follow-up Survey By Mail

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Hello! We wanted to take a moment to thank you for choosing to stay at \_\_\_\_\_ Bed & Breakfast. We hope your stay was enjoyable and that you will consider us if you visit this area again. We were hoping you would be willing to fill out this short survey and mail it back in the included preaddressed, prepaid envelope. This survey helps us offer better services and cater to our guests' needs.

1. On a scale of 1 to 10 (with 10 being highest), how would you rate your stay?

- Service                    1 2 3 4 5 6 7 8 9 10
- Cleanliness            1 2 3 4 5 6 7 8 9 10
- Breakfast              1 2 3 4 5 6 7 8 9 10
- Location                1 2 3 4 5 6 7 8 9 10
- Convenience          1 2 3 4 5 6 7 8 9 10
- Friendliness          1 2 3 4 5 6 7 8 9 10
- Amenities              1 2 3 4 5 6 7 8 9 10
- Reservation service   1 2 3 4 5 6 7 8 9 10
- Price                    1 2 3 4 5 6 7 8 9 10

2. Would you consider staying with us again? \_\_\_\_\_

3. What was the favorite part of your stay? \_\_\_\_\_

\_\_\_\_\_

4. What was the least favorite part of your stay? \_\_\_\_\_

\_\_\_\_\_

5. How did you hear about us? \_\_\_\_\_

\_\_\_\_\_

6. If you could change one thing about your stay, what would it be?

\_\_\_\_\_

\_\_\_\_\_

7. Would you recommend us to a friend? \_\_\_\_\_

8. Comments: \_\_\_\_\_

## Estimated Start-Up Costs Worksheet

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Start-up costs are expenses you need to make as you prepare to open your B&B. Examples of typical B&B start-up costs are provided. If you are going to quit another job before you start your business, include a salary or living stipend in your start-up costs. Use the table below to list all your start-up expenses. Make sure your estimate is as complete and accurate as possible.

START-UP EXPENSE	Estimated Cost
Licenses	
Office equipment	
Legal services	
Insurance	
Advertising	
Professional association fees	
Phone	
Home improvements/renovations	
Website design services	
Postage	
TOTAL:	

## Estimated Revenue Worksheet

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Estimating your revenue can be difficult, but it is essential for planning the success and scope of your B&B. Follow these steps to come up with your estimate:

- A. Check other hotel, motel, roadhouse, or lodge options in your community and find out their capacity and pricing. Pricing should be competitive with similar establishments, although you can charge higher prices if you are offering better accommodations and services.
  
- B. Estimate the number of guests who will stay with you each year.
  
- C. Estimate the average number of days each guest will stay. These estimates need to be reasonable, or you may enter into an unrealistic business venture. Remember that if you only have two bedrooms, even if hundreds of people flock to your town for a winter festival every year, you can only accommodate visitors up to your capacity.

Take your three estimated variables to come up with your revenue estimate:

- A. Price Per Night: \_\_\_\_\_
- B. Number Of Guests: \_\_\_\_\_
- C. Average Days Stayed: \_\_\_\_\_

Now  $A \times B \times C = \text{TOTAL REVENUE}$

$$\text{Total Revenue} = \underset{\text{A}}{\quad\quad\quad} \times \underset{\text{B}}{\quad\quad\quad} \times \underset{\text{C}}{\quad\quad\quad} = \underset{\text{Total}}{\quad\quad\quad}$$

## Estimated Fixed Costs Worksheet

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Fixed costs are monthly or yearly expenses you must pay and remain relatively constant, no matter how many number guests you receive each year. You must pay these “fixed” expenses, regardless of how many guests stay at your B&B.

FIXED EXPENSE	Estimated Yearly Cost
Professional association fees	
Accounting fees	
Booking agent fees	
Insurance	
Advertising	
Phone	
Cable or satellite TV	
Loan payments	
Postage	
Bills	
Maintenance	
Miscellaneous	
TOTAL:	

## Estimated Variable Costs Worksheet

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You incur variable costs only when you have guests. These costs increase when you have more guests, and do not exist without guests. Examples are food, and room cleaning expenses. Variable costs are more difficult to estimate, because you need to estimate the cost per guest, rather than the yearly cost.

VARIABLE COSTS	Estimated Cost Per Average Guest Stay
Breakfast	
Tea and coffee	
Room cleaning	
Laundry	
Bathroom cleaning	
Supplies (soap, toilet paper, etc.)	
Booking agent commission	
TOTAL:	

This total gives you the variable cost per guest for your bed and breakfast.

Now for the total variable cost per year we take the TOTAL from above and multiply it by the estimated number of guests per year to estimate total yearly variable cost.

$$\begin{array}{rcccl}
 \underline{\hspace{2cm}} & \times & \underline{\hspace{2cm}} & = & \underline{\hspace{2cm}} \\
 \text{TOTAL} & & \text{Estimated Guests per Year} & & \text{Estimated Yearly Variable Cost}
 \end{array}$$



## Profit and Loss Statement

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Revenue:

Gross Sales	\$ _____
Less Returns and Allowances	- \$ _____
Net Sales	\$ _____
Cost of Sales	\$ _____
Gross Profit	\$ _____

Operating Expenses:

Salaries	\$ _____
Payroll Taxes	\$ _____
Employee Benefits	\$ _____
Insurance	\$ _____
Advertising	\$ _____
Depreciation	\$ _____
Transportation Expenses	\$ _____
Dues and Fees	\$ _____
Legal & Accounting	\$ _____
Office Supplies	\$ _____
Telephone & Internet	\$ _____
Utilities	\$ _____
Rent/Mortgage	\$ _____
Taxes and Licenses	\$ _____
Other	\$ _____

Total Operating Expenses	\$ _____
Operational Profit (Loss)	\$ _____
Other Income and Expenses	\$ _____

Net Income (Loss) Before Taxes	\$ _____
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Income Tax	\$ _____
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Net Income (Loss)	\$ _____
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## Balance Sheet

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Once your business is up and running, your balance sheet will tell you the financial status of the business. Since your business has not yet started, this is what is called a *pro forma* balance sheet – it predicts what will happen to your business in the future. In this way, you can see where your money will be going and whether to expect a profit or a loss.

Year: \_\_\_\_\_

### Assets

#### Current Assets

Cash and equivalent	\$ _____
Accounts receivable	\$ _____
Inventories	\$ _____
Prepaid expenses	\$ _____
Total Current Assets	\$ _____

#### Fixed Assets

Land	\$ _____
Buildings	\$ _____
Equipment	\$ _____
Furniture	\$ _____
Vehicles	\$ _____
Less total depreciation	- \$ _____
Net Total Fixed Assets	\$ _____
TOTAL ASSETS (Total Current + Total Fixed)	\$ _____

### Liability

#### Current Liability

Accounts payable	\$ _____
Short-term debt	\$ _____
Current portion of long-term debt	\$ _____
Income tax payable	\$ _____
Accrued expenses	\$ _____
Total Current Liabilities	\$ _____
Long Term Debt	\$ _____
TOTAL DEBT AND LIABILITIES	\$ _____

## Cash Flow Statement

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Beginning Cash Balance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Cash Receipts:						
Cash sales	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Accounts receivable collections	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Cash Receipts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Cash Disbursements:						
Inventory	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Salaries and wages	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fixed assets	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rent	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Interest	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other payments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Cash Disbursed:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Operational Cash Surplus (Deficit)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Additional Funding (Repayment)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Ending Cash Balance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

## Additional Resources

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### FREE PUBLICATIONS FOR ALASKA SMALL BUSINESS OWNERS

- **Alaska Economic Development Resource Guide** (19<sup>th</sup> Edition, October 2007) – An inventory of programs and services which can provide technical and financial assistance to Alaska communities and businesses. Published by the Alaska Department of Commerce, Community and Economic Development, Division of Community Affairs. Available at <http://www.dced.state.ak.us/dca/edrg/EDRG.htm>.
- **Alaska Small Business Resource Guide** – Offers advice, contacts, and information to help Alaska business owners succeed. Available at any First National Bank Alaska branch or the Alaska Small Business Development Center.
- **Establishing a Business in Alaska Reference Guide** (13<sup>th</sup> Edition, March 2006) – Provides information regarding critical steps to take before starting a business, such as: license, regulatory, tax and labor law requirements; business assistance information; financial institutions; and environmental protection requirements. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. Available on CD-ROM or download at <http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf>.
- **Starting Your Small Business** (Spring-Summer 2007) – A general guide to starting a small business in Alaska, including lending resources. Published by the Alaska Department of Commerce, Community and Economic Development, Office of Economic Development. See [http://www.commerce.state.ak.us/oed/small\\_bus/pub/StartingaSmallBusiness.pdf](http://www.commerce.state.ak.us/oed/small_bus/pub/StartingaSmallBusiness.pdf).
- **The Small Business Resource Guide** – A reference guide for small business and self-employed taxpayers. Available from the Internal Revenue Service on CD-ROM or download at <http://www.irs.gov/businesses/small/article/0,,id=101169,00.html>.

### OTHER PUBLICATIONS

- **Alaska Business Monthly** <http://www.akbizmag.com>  
907-276-4373 ◦ [editor@akbizmag.com](mailto:editor@akbizmag.com)  
501 West Northern Lights Boulevard, Suite 100, Anchorage, AK 99503
- **Alaska Journal of Commerce** <http://www.alaskajournal.com>  
907-561-4772 ◦ [jeff.jones@alaskajournal.com](mailto:jeff.jones@alaskajournal.com)  
301 Arctic Slope Avenue, Suite 350, Anchorage, AK 99518

## ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS (ARDORs)

The Alaska Legislature established the ARDOR program in 1988 to stimulate economic development. The ARDORs:

- Enable communities to pool their limited resources and work together on economic development issues
  - Develop partnerships among public, private and other organizations
  - Offer a technical, nonpartisan capacity to develop and implement an economic development strategy
  - Often have extensive experience with federal/state programs
  - Provide needed technical assistance via direct links with local citizens.
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- **Anchorage Economic Development Corporation** <http://www.aedcweb.com>  
907-258-3700 ◦ [aedc@aedcweb.com](mailto:aedc@aedcweb.com)  
900 West Fifth Avenue, Suite 300, Anchorage, AK 99501
  - **Bering Strait Development Council (Kawerak)** <http://www.kawerak.org>  
877-219-2599 ◦ [webmaster@kawerak.org](mailto:webmaster@kawerak.org) ◦ P.O. Box 948, Nome, AK 99762
  - **Copper Valley Economic Development Council** <http://www.alaskaeconomicdevelopment.org>  
907-822-5001 ◦ [cvedc@cvinternet.com](mailto:cvedc@cvinternet.com) ◦ P.O. Box 9, Glenallen, AK 99588
  - **Fairbanks North Star Borough Economic Development Commission**  
<http://www.co.fairbanks.ak.us/mayorsoffice/economicdevelopment>  
907-459-1309 ◦ [kdodge@co.fairbanks.ak.us](mailto:kdodge@co.fairbanks.ak.us)  
809 Pioneer Road, Fairbanks, AK 99707
  - **Kenai Peninsula Economic Development District** <http://www.kpedd.org>  
907-283-3335 ◦ [info@kpedd.org](mailto:info@kpedd.org)  
14896 Kenai Spur Highway, Suite 103A, Kenai, AK 99611
  - **Lower Kuskokwim Economic Development Council** <http://www.lkedc.org>  
907-543-5967 ◦ [carl\\_berger@ddc-alaska.org](mailto:carl_berger@ddc-alaska.org) ◦ P.O. Box 2021, Bethel, AK 99559
  - **Mat-Su Resource Conservation and Development Council** <http://www.matsurcd.org>  
907-373-1062, extension 108 ◦ [matsurcd@mtaonline.net](mailto:matsurcd@mtaonline.net)  
1700 East Bogard Road, Wasilla, AK 99654
  - **Northwest Arctic Borough Economic Development Department** <http://www.nwabor.org/edu>  
800-478-1110 ◦ [dhamilton@nwabor.org](mailto:dhamilton@nwabor.org) ◦ P.O. Box 1110, Kotzebue, AK 99752
  - **Prince William Sound Economic Development District** <http://www.pwsedd.org>  
907-222-2440 ◦ [pwsedd@alaska.net](mailto:pwsedd@alaska.net)  
2207 Spenard Road, Suite 207, Anchorage, AK 99503

- **Southeast Conference** <http://www.seconference.org>  
907-523-2310 ◦ [info@seconference.org](mailto:info@seconference.org)  
612 West Willoughby Avenue, Juneau, AK 99802
- **Southwest Alaska Municipal Conference (SWAMC)** <http://www.swamc.org>  
907-562-7380 ◦ [admin@swamc.org](mailto:admin@swamc.org)  
3300 Arctic Boulevard, Suite 203, Anchorage, AK 99503

### OTHER SMALL BUSINESS RESOURCES

- **Alaska Department of Commerce, Community & Economic Development, Office of Economic Development** <http://www.commerce.state.ak.us.oed/home.htm>
  - *Small Business Assistance Center*  
<http://www.commerce.state.ak.us/oed/smallbus/home.cfm>  
907-269-8104 ◦ [michael.hanzuk@alaska.gov](mailto:michael.hanzuk@alaska.gov)  
550 West 7<sup>th</sup> Avenue, Suite 1770, Anchorage, AK 99501
  - *Made in Alaska (MIA)* <http://www.madeinalaska.org/mia/>
- **Alaska Manufacturing Extension Partnership (AMEP)** <http://www.ak-mep.org>  
907-279-2637 ◦ [info@ak-mep.org](mailto:info@ak-mep.org)  
701 Sesame Street, Suite 200, Anchorage, AK 99503
  - *Ecommerce program: Alaska Manufacturing, Business, Industrial, and Technology Projects (AMBIT)* <http://www.ambit.cc>
- **Alaska Small Business Development Center (SBDC)** <http://www.aksbdc.org>  
907-274-7232 430 West 7<sup>th</sup> Ave, Suite 110, Anchorage, AK 99501  
907-456-7232 604 Barnette Street, Suite 220, Fairbanks, AK 99701  
907-463-3789 3100 Channel Drive, Suite 306, Juneau, AK 99801  
907-260-5629 43335 Kalifornsky Beach Road, Suite 12, Soldotna, AK 99669  
907-373-7232 201 North Lucille Street, Suite 2A, Wasilla, AK 99654
  - *BuyAlaska* [www.buyalaska.com](http://www.buyalaska.com)  
800-478-2332 ◦ [ansj@uaa.alaska.edu](mailto:ansj@uaa.alaska.edu)
  - *Procurement Technical Assistance Center (PTAC)* <http://www.ptacalaska.org>  
800-478-7282 (Anchorage)  
800-478-1701 (Fairbanks)
  - *Rural Outreach* 907-274-7232
- **Alaska Village Initiatives** <http://www.akvillageinitiatives.com>  
800-478-2332 ◦ [cparker@akvillage.com](mailto:cparker@akvillage.com)  
1577 C Street, Suite 304, Anchorage, AK 99501

- **Americans with Disabilities Act (ADA)** <http://www.ada.gov>  
800-514-0301
- **Kauffman Foundation, EntreWorld** <http://eventuring.kauffman.org>
- **Occupational Safety and Health Administration (OSHA)** <http://www.osha.gov>  
907-271-5152 ◦ 222 West 8<sup>th</sup> Avenue, Room A14, Anchorage, AK 99513
- **SCORE** – Free small business counseling. <http://www.akscore.org>  
907-271-4022 ◦ [score558@pci.net](mailto:score558@pci.net) ◦ 510 L Street, Suite 310, Anchorage, AK 99501
- **Small Business Administration (SBA)** <http://www.sba.gov>  
800-827-5722 ◦ [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- **University of Alaska Center for Economic Development** – Feasibility analysis, market research, business planning, and business implementation assistance for nonprofits and municipal and tribal governments. <http://www.ced.uaa.alaska.edu>  
907-786-5444 ◦ [ancab5@uaa.alaska.edu](mailto:ancab5@uaa.alaska.edu)  
4500 Diplomacy Drive, Suite 507, Anchorage, AK 99508