

STRATEGIC ALLIANCE BETWEEN A BED & BREAKFAST INN AND
A RESTAURATEUR: IMPACT ON NET INCOME OF THE BED &
BREAKFAST INN

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This study was conducted to investigate the impact of restaurant facilities, belonging to a B&B and leased to a professional restaurateur, upon the revenue of the B&B. This study assessed the physical demands placed on the B&B operator by an on-premises restaurant.

Lack of sufficient data precluded proving the premise that an on-premises restaurant leased to a restaurateur would increase the income of the B&B without placing undue physical demands on the B&B operator. However, many contributing factors support the importance of a B&B having an on-premises restaurant that is leased to a professional restaurateur.

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CHAPTER 1

INTRODUCTION

Statement of Problem

The number of bed & breakfast inns (B&Bs) in the United States has grown from about 3,000 in 1982, when Bob Newhart opened the Stratford Inn in Vermont in the sitcom *Newhart*, to over 12,000 in 1990 (Yovino-Young, 1990) and to almost 15,000 in 1995 (Washer, 1995). According to the 1996 survey conducted by Professional Association of Innkeepers International (PAII, pronounced “pie”), the average B&B has 7.34 rooms available for rent (Vallen & Rande, 1997). Because of such a small scale, B&B owners and operators work with a limited sellable product base. Though their net income per occupied room may be good, they must constantly search for ways to better market available rooms to increase their occupancy rate as well as their annual net income.

Economic survival of a B&B requires that the operator take advantage of every available avenue of income. Many B&B owners and operators may be overlooking a valuable tool for increasing their occupancy rate and their net profit. Offering dinner can add to a B&B’s bottom line, but runs the risk of over-extending the B&B operators (Lanier & Johnson, 1996). It is necessary first to determine what type of food service will complement the inn’s existing operation (Lanier & Johnson, 1996). This added service may be provided by the B&B operator personally, or the restaurant facility may be leased to a professional restaurateur.

Special events, such as weddings, receptions, rehearsal dinners, graduation receptions, meetings, etc., which can be an extra source of income for a B&B, can become more attractive to the potential client with the option of serving food to their guests. Dinners catered by the restaurant and served in the charming setting of the B&B add another dimension to the experience of the event.

Rationale

Hoteliers interested in providing food and beverage accommodations for guests, while increasing their market share, are initiating strategic alliances (liaison or venture partnership between two business entities in which the presence and success of each business compliments and enhances the other business) with name brand restaurants. This practice is also called co-branding. The concept of a strategic alliance between a hotel and a restaurant started with Trader Vic's, founded by Victor Bergen in 1937 (Strate & Rappole, 1997) and the Westin Hotels, formerly Western International (Anonymous, 4/15/99). The number of partnerships seems to be increasing recently because of the focus on food-and-beverage outlets as profit centers (Hall, 1997).

Despite the recent rise in the popularity of co-branding, or strategic alliances, between hotels and restaurants, research documenting its success is limited. However, one Best Western hotel manager cited a 10% increase in occupancy when the property's self-operated restaurant was replaced with a Country Kitchen (Boone, 1997). When a Holiday Inn franchisee replaced the hotel's existing restaurant with a TGI Friday's, restaurant sales growth was termed exponential (Boone, 1997).

In a confidential study where no hotels or restaurants were named, Boone (1997) reported increases in hotel average daily rate and occupancy after co-branding, that ranged from five percent to 31 percent, with an average of 13 percent; annual net income increased an average of 3.4 percent. The impact of co-branding on restaurant operating performance was also impressive. Growth in restaurant revenues ranged from 25 percent to 84 percent, averaging 57 percent increase.

Forecasts for 1999 business performance by hotel managers seem to reflect exciting changes in the foodservice offered in hotels. According to a PFK Consulting survey (1999), management expects food revenue to increase 5.6 percent and beverage revenues to rise 2.9 percent, although they expect only a 2 percent rise in occupancy (Anonymous, 1999).

A strategic alliance between a hotel and a restaurant creates a synergy which stimulates the volume of business and also the net profit of each entity. Therefore, similar results should be observed when a B&B offers a foodservice which agrees with the desired atmosphere of the B&B and compliments the tastes of the B&B's guests.

Purpose of the Study

The purpose of this study was to investigate the impact of restaurant facilities, belonging to a B&B and leased to a professional restaurateur, upon the revenue of the B&B. This study assessed the effect of the physical demands made upon the B&B operator after the addition of the restaurant.

Limitations

1. This study was limited to B&B inns offering no foodservice other than breakfast.
2. The sample used was obtained from the membership lists of professional organizations of US Bed & Breakfast inns and country inns.

Assumptions

- A. The researcher assumed that respondents would answer truthfully and accurately.
- B. The mailing list which was purchased and used was assumed to be a representative sample of the overall population of B&Bs and country inns in the United States.

Operational Definitions

Average Daily Rate

Hotels and inns customarily have rooms of different size and quality, which are rented for different rates. To arrive at the average daily rate, add the amount charged for all rooms rented for the 24-hour period and divide by the number of rooms rented.

Bed & Breakfast or B&B

A bed & breakfast is a small inn with typically 3 to 7 guest rooms, offering a non-commercial, homelike setting. The only meal served is breakfast, but the innkeeper may offer refreshments (Zane, 1997). A bed & breakfast is usually a large, turn-of-the-century house or older, which has been restored. They are usually historic accommodations, which are nostalgically appointed, with a quiet, private atmosphere, and extraordinary personal service. B&Bs appeal to a segment of the population which is affluent, well educated, somewhat free-spending, and has a high degree of control over his or her personal time (Zane, 1997).

Bed & Breakfast Inn or B&B Inn

A bed & breakfast inn is larger than a simple B&B and more commercial in nature. A B&B inn does not necessarily offer a homelike setting and typically offers eight to 15 guest rooms. Breakfast is the only meal served, although refreshments and snacks may be available (Zane, 1997).

Co-branding

Co-branding is a term given to a strategic alliance between two prominently recognizable business names, such as Houston Holiday Inn Intercontinental and Good Eats Grill (Strate & Rappole, 1997).

Country Inn

A country inn is an inn where meals other than breakfast are served (PAII, 1996). When a B&B adds a restaurant or begins serving lunch and/or dinner to guests and others, it becomes a country inn.

Modified American Plan

The Modified American Plan (MAP) denotes that the cost of the room includes two meals, breakfast and dinner (Gray & Ligouri, 1994). This plan is used by some B&Bs offering foodservice provided by the B&B operator. The room, priced without any meals, is referred to as the European Plan.

Occupancy Rate

The occupancy rate is the dividend of the number of rooms rented during a 24-hour period divided by the total number of rooms available for rent during that period.

Professional Restaurateur

One whose field of expertise and chosen profession are operating a commercial restaurant. A restaurateur is experienced in all facets of the restaurant business.

Special Events

Special events is defined by Dr. Joe Jeff Goldblatt, Founding Director of The Event Management Program at George Washington University, as, “A unique moment in time celebrated with ceremony and ritual to satisfy specific needs” (Goldblatt, 1997, p. 2). It is a term used by the hospitality industry to denote weddings, wedding receptions, showers, graduation receptions, club meetings, banquets, etc., for which the hosting business provides space, necessary equipment, foodservice, decorations, entertainment, etc., and coordinates the entire affair. Event management is a large segment of business for large hotels, which are equipped to accommodate events with several hundred guests.

Victorian B&Bs are especially attractive for smaller special events because of the ambiance created by the historic setting. The B&B usually charges a flat rate for the use of a portion of the house, as the parlor and the dining room, for the special event. Sandwiches, desserts, fruit trays and drinks are provided for an added charge, or a meal may be catered by the restaurateur. Special event is not a term that is normally used by a restaurant.

Strategic Alliance

A strategic alliance is a liaison or venture partnership between two business entities in which each business operates separately, yet the presence and success of one

increases the customer potential and potential sales of the other, and vice versa. A strategic alliance between a B&B owner and a restaurateur is created for the purpose of working together to increase the customer potential of each and to jointly provide accommodations and food for special events. The cooperative effort by the two businesses maximizes the marketing synergies, which has a direct impact on profitability (Hall, 1997).

CHAPTER 2

LITERATURE REVIEW

Introduction

The purpose of this study was to determine whether there was qualitative and quantitative value created for a B&B, which leased restaurant space to a professional restaurateur, forming a strategic alliance between the two businesses. No previous formal study had been done in this area. However, studies conducted in the B&B industry and the hotel industry opened questions about a strategic alliance between a B&B owner and a restaurateur and suggested that a study of this area would produce information which would be valuable to B&B owners.

A theoretical background for research on the addition of a restaurant to an existing B&B is presented as a foundation for the review of literature. Previous research studies are then reviewed. First, previous research on strategic alliances in the hotel industry is discussed. Second, general studies on B&Bs are presented. Third, strategic alliances in the B&B industry are addressed. Fourth is a presentation of the double role the B&B operator assumes as restaurant manager or chef of the restaurant.

Theoretical Background

After a decade of mega-mergers and buyouts, in which strong corporations gobbled up smaller companies to gain a needed department then sold off the unwanted segments, many businesses are recognizing a simpler method of meeting their needs. A

strategic alliance between two businesses is an agreement to share assets needed by the other company for the mutual benefit of both companies.

Rather than creating a new department within a company, the company locates a second business, which has the needed assets available. A strategic alliance between the two companies is formed, allowing each business to continue operating independently, but each is allowed to use certain resources or assets owned by the other business. In this way, the business potential of each company is increased.

In a recent strategic alliance between the world's largest money transfer service, Western Union and Eurogiro, Western Union acquired access to 40,000 to 50,000 outlets in Europe. Eurogiro can now offer its customers the technology to send money around the globe in minutes rather than 24-hours, also reducing the cost to the customer (Young, 1999). The two companies remain completely independent, except for an agreement to work together.

Research alliances have become very common recently as pharmaceutical companies have found that they must access new technologies and product innovations, often developed in smaller laboratories, to expand product pipelines. Strategic alliances between pharmaceutical companies and platform technology companies are increasingly prevalent (Rule, Ross, & Donougher, 1999).

A strategic alliance between two businesses can be as relaxed and informal as an agreement and a handshake, with minimal documentation, or as formal as a classical joint venture, which involves the establishment of a separate, free-standing entity. A successful partnership requires an attitude of harmony, trust, and honesty by management

and employees in which all the involved parties strive to improve the overall performance of the joint commercial venture, rather than just their own department (Rule, Ross, & Donougher, 1999).

Deciding what type of alliance will work best is the initial step; however, finding a suitable partner for an alliance can be difficult. Networking with suppliers, competitors, customers, and trade associations is the most common way to size up and sort out potential partners. Partners should have common and mutually dependent objectives that are consistent with the aim of the alliance (Rule, Ross, & Donougher, 1999).

Recently, some hotels have begun to capitalize on the theory of strategic alliances. Traditionally the restaurant or coffee shop in a hotel was a comfortable, no-frills place that served a decent meal at a decent price; they usually blended in unobtrusively with the lobby area and often lacked character and appeal. These food-and-beverage outlets were an added department, managed by the hotel general manager, whose expertise did not include food-and-beverage management. Many hotel guests choose to visit independent restaurants or order room service. At best, hotel foodservice was a breakeven proposition (Swidler, 1998).

Now, hoteliers interested in providing food-and-beverage accommodations for their guests, while increasing their market share, are initiating strategic alliances with name brand restaurants, also called co-branding (Boone, 1997). The hotel provides the restaurant facilities and a more-or-less captive clientele; the restaurant provides food-and-beverage expertise, and draws additional customers from the city-at-large. There are at

least five reasons for creating a strategic alliance between a brand-name hotel and a brand-name restaurant: (a) create financial benefits, (b) provide customers with greater value, (c) improve a property's overall image, (d) strengthen an operation's competitive position, and (e) create operational advantages (Strate & Rappole, 1997).

A B&B owner who leases a restaurant facility to a professional restaurateur forms a strategic alliance with the restaurateur. The B&B provides a restaurant facility which reflects the charm and nostalgia of the historic house. The restaurateur provides the expertise to operate a quality restaurant which will compliment the B&B and quickly build a steady clientele. This arrangement increases the net income of the B&B in three ways. This strategic alliance:

1. stimulates word-of-mouth advertising, thus increasing room sales,
2. increases the probability of hosting special events, such as weddings, wedding receptions, rehearsal dinners, graduation receptions, etc., because of available catering from the restaurant, and
3. increases the net income of the B&B because of rent from leasing the restaurant. The B&B operator also benefits because he has no responsibility in managing the restaurant and is free to concentrate on operating the B&B.

This research endeavored to discover (a) the increase in net profit of B&Bs with restaurant facilities added after the B&B was in operation, (b) the increase in net profit of B&Bs with restaurant facilities leased to a restaurateur, and (c) the physical demands placed upon the B&B operator with the addition of a restaurant.

Review of Previous Research

Strategic Alliances in the Hotel Industry

The hotel industry has struggled with unprofitable, oftentimes unmanageable food and beverage operations (Boone, 1997). Hotel restaurants have often been managed as a secondary function of the hotel (Strate & Rappole, 1997), with the hotel manager responsible for the operation of a food-and-beverage department, an area in which he/she was not proficient. A hotel property that wants to improve its competitive position and boost overall revenues should consider some form of liaison with an established restaurant brand (Strate & Rappole, 1997). Although hotel/restaurant partnerships are not new, the number of such venture partnerships seems to be increasing because of the focus on food-and-beverage outlets as profit centers (Hall, 1997). A study by Juliette Boone (1997) met with limited response, but the responding hotels experienced increases in average daily rate and occupancy after co-branding. Co-branding is the pairing of two or more recognized brands within one space. For these hotels net income increased an average of 3.4 percent. Responding restaurants experienced double-digit growth in restaurant revenues, with an average overall increase of 57 percent. Given the right set of circumstances, a strategic alliance between hotelier and restaurateur can increase the property's overall revenues by improving its competitive position, boosting guestroom sales, increasing food and beverage sales, improving the hotel's image and enhancing customer value (Hall, 1997).

Bristol Hotels & Resorts, based in Dallas, TX, used a slightly different approach by opening a Good Eats Grill franchise in three of its locations. John Beckert, Executive

Vice President and Chief Operating Officer of Bristol, stated that in addition to attracting local patrons and guests from neighboring hotels, if customers have a memorable lunch experience, they may decide to stay at the Bristol when they plan their next trip, or may decide to hold their wedding or next banquet function at the hotel. The Bristol Hotels have created channels of interaction between the customers of the hotel and the restaurant which increase the net profit of the hotel (Hall, 1997).

General Studies of B&B

In 1995, members of the Arizona Association of Bed and Breakfast Inns (AABBI) asked the faculty of Northern Arizona University's School of Hotel and Restaurant Management to undertake a study to quantify the state's bed and breakfast operations as a means to better understand that lodging segment. This study looked at demographic, marketing-related and financial-operations data of B&Bs in Arizona, and from the information gathered, AABBI petitioned for and received a grant from the Arizona Office of Tourism (Vallen & Rande, 1997).

Of major interest in this study were several questions dealing with requests by B&B guests for recommendations about area attractions and services (e.g., restaurants, theaters, museums, stores, sightseeing spots). The study revealed that almost 90 percent of all guests at Arizona B&Bs ask for restaurant recommendations at least once during their visit (Vallen & Rande, 1997).

YBR Marketing/Research (1995) surveyed 1,400 B&B guests nationwide and from the information gathered developed a profile of the typical B&B guest. The typical traveler who chooses to stay at a B&B or country inn is affluent, well educated,

somewhat free-spending, usually holds an executive, administrative or supervisory position, and has a high degree of control over his or her personal time. Such people are drawn to B&Bs because the properties are small and personal in nature; the atmosphere is quiet and private; and typically the personal service is extraordinary. In this survey B&B guests were asked to identify the top ten inn qualities that were most important to them. “Innkeeper tells of sights, restaurants” was fourth on the list; in eighth position was “Reputation for good food.” (Zane, 1997).

Strategic Alliances in B&B Industry

When considering the question of offering food service other than breakfast, the inn’s identity may be the first issue to resolve. The innkeeper must consider what he or she expects of the inn, what the guests expect of the inn, and what would be reasonable to offer (Lanier & Johnson, 1996).

When John and Donna Morris, owners of the Heritage Inns, in Denton, TX, decided to include a fine-dining restaurant in their operation, they searched for a professional restaurateur, who would extend the atmosphere of comfort and grace which they had established at their inns (D. Morris, personal communication, February 5, 1999). After several months and several interviews, they decided that Giuseppe Brownell fit the profile they had devised of the restaurateur to compliment their business. Now Giuseppe’s Italian Restaurant located in the Magnolia House of the Heritage Inns is an established restaurant offering lunch and dinner, and with a growing clientele.

The strategic alliance between the two businesses has been a pleasing experience. The B&B and the restaurant work together to accommodate the client’s wishes for

special events, such as weddings and receptions, rehearsal dinners, meetings, etc. After three years, the annual net profit of the B&Bs has increased 25.7%, occupancy has increased 13%, and the number of special events has increased 55% (D. Morris, personal communication, February 5, 1999).

B&B Operator/Restaurant Manager/Chef

While offering dinner can add to a B&B's bottom line, it runs the risk of overwhelming the proprietor, if the operator of the B&B also operates the restaurant (Lanier & Johnson, 1997). Crescent Dragonwagon and her husband, Ned Shank, successfully operated the Dairy Hollow Bed & Breakfast near Eureka Springs, AR. After nine years they added a restaurant, which they managed, and in which they were the chefs. They delighted in preparing and serving very special meals for their guests; however, the constant drain of managing both the B&B and the restaurant took a toll on them physically. After six years of offering dinner nightly, the restaurant is open now only for quarterly seasonal feasts (Shank & Dragonwagon, 1996).

Meri Hern, owner of the Hilltop Inn of Sugar Hill, NH, experienced a very similar situation. Although after adding the restaurant the net income of the B&B rose 25%, after six years of serving dinner nightly, Meri knew she must cut some of the demands on her time. She chose to close the restaurant, but continues to do catering. (M. Hern, personal communication, February 28, 1999).

Most innkeepers take pride in offering fine, personal service to their guests. If the lodging business already involves "25-hour" days, the innkeeper probably has little personal time to devote to food service (Lanier & Johnson, 1996). Each of these

owner/chefs loved the foodservice experience, but gave it up after about six years because of physical exhaustion.

Summary

The concept of strategic alliance between two businesses has been proven to be advantageous to both businesses. Each retains its individuality and autonomy; yet by combining certain assets of each business, a synergy is created which causes each business to flourish.

Hotel restaurants have often been the industry's stepchild--a necessary, but marginally profitable, service for guests (Brumback, 1997). The recession of the early 1990s, forced hotels to explore ways to make food-and-beverage departments into profit centers. One option, which has gained momentum in recent years, is co-branding between a hotel and a restaurant. The hotel leases its restaurant facility to a successful restaurant chain; this arrangement lets the managers of each entity concentrate on his area of expertise. Synergy is created between the two businesses.

As shown in the study of Arizona B&Bs (Vallen & Rande, 1997), guests of B&Bs seek restaurant recommendations from their hosts. If the B&B host highly recommends the restaurant on premises, chances are very good that the guest will eat there at least once during the stay.

The profile of a typical B&B guest by YBR Marketing/Research (1995) ranks food twice in the top ten qualities most wanted in an inn. It also showed that the typical B&B guest has leisure time for travel and can well afford fine dining.

Research indicates that even though a B&B owner may enjoy and be proficient at food service, operating two businesses may be a physical impossibility for an extended length of time. However, research shows substantial increases in room sales and special events hosted by the B&B as well as increases in net profit after leasing its restaurant facility to a restaurateur. This study explored the effect of a strategic alliance between a B&B and a restaurant on the room sales of the B&B, on the number of special events hosted by the B&B, and on the net income of the B&B.

CHAPTER 3

METHOD

The purpose of this study was to investigate the impact of adding restaurant facilities to an existing B&B upon the revenue of the B&B. This study investigated two possible methods of restaurant operation: (a) restaurant operated by the manager of the B&B or (b) the restaurant facility, belonging to a B&B, being leased to and operated by a professional restaurateur. This study assessed the effect of the addition of the restaurant upon room sales for the B&B and upon special events with catering for the B&B, and also the effect of the physical demands upon the B&B operator by each type of restaurant operation. This chapter outlines the procedure used to test the objectives. Contents include: (a) research objectives, (b) research design, (c) instrument development, (d) population and sample, (e) data collection, and (f) data analyses.

Objectives

The specific objectives were:

1. to determine if the addition of a restaurant to an existing B&B would:
 - A. increase the income of the B&B, in terms of annual occupancy rate, and
 - B. increase the income of the B&B through the number of special events, in terms of (a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings and (f) club meetings.

2. To determine the impact of the type of ownership of the on-premises restaurant (B&B operator vs. professional restaurateur), on:
 - A. income of the B&B in terms of annual occupancy rate,
 - B. income through the number of special events for the B&B in terms of
 - (a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers,
 - (e) business meetings, and (f) club meetings, and
 - C. physical demands on the operator of the B&B in terms of hours spent
 - (a) managing B&B, (b) managing restaurant, and (c) for free time.

Research Design

In Objective 1, the independent variable was the addition of a restaurant to an existing B&B; the dependent variable was the net income of the B&B, measured in terms of room sales (annual occupancy rate) and in terms of special events [(a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings, and (f) club meetings]. In Objective 2, the independent variable was the type of ownership of the restaurant (managed by the B&B operator, or leased to and managed by a professional restaurateur); the dependent variable was the net income of the B&B, measured in terms of (2A) room sales (annual occupancy rate of the B&B), (2B) special events [(a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings, and (f) club meetings for the B&B) and (2C) [(a) hours spent managing the B&B, (b) managing the restaurant, and (c) for free time].

Instrument Development

Prior to administering the mail survey, a preliminary study was conducted by e-mail. Using a convenience sampling, 20 B&Bs were drawn from The Innkeepers' Register (11th edition), of Independent Innkeepers' Association, a professional association of innkeepers. Criteria used to select these B&Bs were: (a) each had less than 30 rooms, (b) each had a restaurant on premises, and (c) when contacted by e-mail, the operators were willing to take part in the study. A 26-question preliminary questionnaire was sent to the 20 B&Bs to test the phraseology and effectiveness of the questions; 11 of these were returned (see Appendix A, B, & C). Using the information received from this preliminary study, a more extensive questionnaire was formulated for use as the instrument for the study.

A three-section self-administered questionnaire, containing 47 questions, was used for this study (see Appendix D, E & F). The first section was used to develop a profile of the B&B operation. The number of rooms, style of décor, the style of service, type of guest, and location of the B&B all influence room sales and the number and type of special events hosted. The second section of the questionnaire identified specific information about B&Bs with a restaurant on premises. Did the B&B operator manage the restaurant? Was the B&B operator the chef? Was the restaurant leased to a professional restaurateur? The type of management of the restaurant is a significant determinant of the restaurant style and type of service offered. Increases in room sales, number of special events, and net income of the B&B were measured in this section of

the instrument. The third section asked for demographic information about the B&B operator.

For an examination of content validity, a copy of the instrument, along with a copy of the objectives of this study, were presented to a panel of five instructors in the field of Hospitality Management at the University of North Texas. A pretest to determine reliability was made in a pilot test with a sample of 40 B&B operators. These operators were randomly selected from the initial sample of 1,000 B&B operators, selected randomly from a database of B&B operators in the United States.

Population and Sample

The population for this study included all B&B operations in the United States. A random sample of 1,000 B&Bs was obtained from Abacus Computing of Santa Barbara, CA, whose database contains the membership lists of the major B&B professional organizations in the United States. Because the percentage of B&Bs with existing on-premises restaurants is small, a convenience sample of 300 B&B operations, which were known by their professional organization to have currently operating on-premises restaurants, was added to the sample. The addition of the 300 country inns increased the integrity of the information sought concerning performance levels before and after the addition of a restaurant. Duplication between the two lists brought the total usable sample closer to 1,200. The self-administered questionnaires were mailed to each of the B&Bs selected in the sample of 1,200, along with a stamped, self-addressed envelope for returning the completed questionnaire. A raffle ticket was printed as part of the cover letter, and a cut-off date for their return was stated (see Appendix E). The raffle ticket

was for \$100 toward registration at the national convention of Professional Association of Innkeepers International (PAII) at Hilton Head, NC, in March, 2000. Participation was encouraged in this way, but remained voluntary. All respondents were assured that their responses would remain anonymous.

Data Collection

Data were compiled from responses received from questionnaires mailed to 900 randomly selected B&B operators and a convenience sample of 300 B&Bs known by their professional organization to have an on-premises restaurant. As stated in the instrument cover letter, in order to be a part of the study respondents were encouraged to return the questionnaires by 4PM (CDT) on March 8, 2000 (see Appendix E).

Data Analyses

Data collected for this study were analyzed using the Statistical Package for the Social Sciences (SPSS). Information received from the questionnaire was nominal, interval and ratio.

In Objective 1, analysis of variance and Pearson correlation were used to explain the effect of the independent variable, *the addition of a restaurant to an existing B&B*, upon the dependent variable, *total income of the B&B*. The total income of the B&B was measured in terms of *room sales* (occupancy rate), *and number of special events* (weddings, receptions, rehearsal dinners, showers, business meetings, and club meetings).

Table 1

Effect on B&B Income After Adding an On-Premises Restaurant

Variable	Measure	Type of Data
Independent (Presence of on-premises restaurant)	Addition of a restaurant restaurant to an existing B&B	Nominal
Dependent (Total income of B&B)	Room sales: 1) occupancy rate	Ratio
	Special events: 1) weddings 2) receptions 3) rehearsal dinners 4) showers 5) business meetings 6) club meetings	Ratio
	Revenue from restaurant lease	Ratio

The second objective used Pearson correlation and analysis of variance to measure the effect of the independent variable, *type of ownership of the restaurant*, upon the dependent variable, *total income of the B&B*. This was measured in terms of (2A) occupancy rate and (2B) special events. Dependent variable, physical demands on the B&B operator (2C) was measured in terms of number of hours spent managing the B&B, managing the restaurant, and for free time.

Table 2

Effect of Type of Restaurant Ownership on B&B Income

Variable	Measure	Type of Data
Independent (Type of Ownership of restaurant)	1) leased to and managed by professional restaurateur	Nominal
	2) managed by B&B operator	
A. Dependent (Increase income of B&B)	Room sales: 1) occupancy rate	Ratio
	Special events: 1) weddings 2) receptions 3) rehearsal dinners 4) showers 5) business meetings 6) club meetings	Ratio
B. Dependent (Physical demands on B&B operator)	Number of hours spent: 1) managing B&B 2) managing restaurant 3) for free time	Ratio

Table 3

Summary of Statistical Tests Used for Data Analyses

Independent Variable	Dependent Variable	Statistical Test
O ₁ Addition of a restaurant to an existing B&B (Nominal)	Net income of B&B - Occupancy rate - Special events (Ratio)	Pearson correlation and ANOVA
O ₂ Type of management of restaurant (Nominal)	A. Net income of B&B - Occupancy rate - Special events (Ratio)	Pearson correlation and ANOVA
	B. Physical effects on B&B operator - Managing B&B - Managing restaurant/ dealing with restaurant - Free time (Ratio)	Pearson correlation and ANOVA

CHAPTER 4

RESULTS AND DISCUSSION

Introduction

This study was conducted to determine if the addition of an on-premises restaurant facility to an existing bed and breakfast would increase the net income of the bed and breakfast. And, would the lease of that restaurant facility to a professional restaurateur increase the income of the bed and breakfast without physically over-extending the innkeeper. Two possible management options were compared: (a) restaurant operated by the manager of the B&B and (b) the restaurant facility, belonging to the B&B, leased to and operated by a professional restaurateur. Areas of income examined were: (a) room sales (in the form of occupancy rate), (b) special events hosted at the B&B. Physical demands upon the B&B operator from each type of restaurant operation were also examined.

A mail survey was developed which addressed issues pertinent to the research questions. Tests used to measure the data received from the questionnaires consisted of frequency counts and percentages, means, modes, and minimum and maximum values. The Statistical Package for Social Sciences (SPSS) was used to analyze the data collected, employing Pearson correlations and ANOVAs.

Characteristics of the Sample

In order to identify avenues of income used by the bed and breakfast segment of the hospitality industry and possible options that may be available, a study was

conducted, which was both descriptive and quantitative. A self-administered, mailed questionnaire (see Appendix F) was sent to approximately 1,200 bed and breakfasts.

The study examined demographics of the bed and breakfast, which could affect the client's choice of a site for holding a special event and the type of customer targeted by the B&B. The participants were surveyed to examine the issue of an existing on-premises restaurant and its effects on both the B&B operator and the net income of the B&B. Also addressed were the demographics of the B&B operator.

The population for this study included all bed and breakfasts in the United States. Roughly 900 bed and breakfasts (75%) of the sample for this study were randomly selected from a comprehensive database containing membership lists of all major professional organizations for US bed and breakfast owners. Because the percentage of B&Bs with existing on-premises restaurants is small, a convenience sample of B&Bs specifically known by their professional organization to have operating on-premises restaurants was added to the sample. This convenience sample represented approximately 300 (25%) of the questionnaires mailed. An introductory letter accompanied each questionnaire, which assured the participants of confidentiality of the information received and offered to share the findings of the study with participating B&B operators. Fifteen percent of the 1,200 questionnaires that were mailed were returned; resulting in a usable return of 163 questionnaires (14%).

Statistical Analysis

Section one of the questionnaire addressed characteristics of the B&B, which might influence the client's choice of a place for holding special events. The first seven

questions built a profile of the size and style of the B&B, including its length of existence. These questions also attempted to identify the B&B's targeted guest.

Each B&B operator who participated in the survey was asked to choose the category that best described the age of the establishment. Categories were (a) less than 1 year, (b) up to 3 years, (c) up to 5 years, (d) up to 7 years, and (e) over 7 years. Table 4 shows the varying ages of the B&B establishments. Although the mean age of the business was four years, one half (55.8%) had been in business over seven years. One-quarter (25.3%) of those who had been in business over seven years had been in business at least twenty years. Two of the properties had been in operation over one hundred years, and one property had existed over two hundred years. Seven businesses were less than one year old.

Table 4

Age of B&B Establishment (N = 162)*

Variable	Number of B&Bs	% of total
Age of B&B		
Less than 1 year	7	4.3
Up to 3 years	19	11.7
Up to 5 years	29	17.8
Up to 7 years	16	9.8
Over 7 years	91	55.8

* One respondent failed to answer

The responding B&Bs were asked to state the size of their establishment. Several were actually medium to large hotels, which operated on the format of a B&B. Almost one-quarter of the properties (22%) had fifteen rooms or more, with the largest property having seventy rooms. The most popular size of the B&Bs was four to eight rooms (41.8%); the smallest property had one room available for rent. The mean was 10.5 rooms; the mode was eight rooms. Table 5 shows the number of rooms of the responding B&Bs.

Table 5

Number of Rooms of B&Bs (N = 163)

Variable	Number of B&Bs	% of total
Number of rooms		
One to three	19	11.6
Four to eight	68	41.8
Nine to twelve (mean)	30	18.4
Thirteen to twenty	25	15.3
Twenty-one to thirty	13	7.9
Thirty-one to seventy	8	4.8

Participants were asked to give the number of private baths and shared baths. Results are shown in Table 6. Almost three-quarters of the B&Bs (72.4%) had private baths. Just over one-quarter (27.6%) of the B&Bs had shared baths.

Table 6

Baths: Private or Shared (N = 163)

Variable	Number of B&Bs	% of total
Baths		
Private	118	72.4
Shared	45	27.6

The style of the B&B could contribute to its selection as a site for special events. Participants were asked to choose between: (a) elegant, (b) traditional, (c) rustic, (d) contemporary, and (e) other. As shown in Table 7, more than one-quarter (28.8%) designated themselves as having an elegant style. This elegant style was described as richly decorated, with elegant furnishings. Almost one-half (45.4%) of the B&Bs called themselves traditional, typically Victorian, eclectic but gracious and comfortably appointed. Eight percent fell into the category of rustic, which is described as rough-hewn furniture, back-to-nature atmosphere. Few of the B&Bs were described as contemporary, having modern furniture, striking décor. One-tenth (10.4%) of the respondents designated their B&Bs as a category called other, using descriptions varying from Art Déco to South Sea Island to Funky Country.

Table 7

Style of B&B Inn (N = 158)*

Variable	Number of B&Bs	% of total
Style		
Elegant	47	28.8
Traditional	74	45.4
Rustic	14	8.6
Contemporary	6	3.7
Other	17	10.4

* Five respondents failed to answer

The location of a B&B is always important. Respondents were asked to select their location from (a) rural, (b) village, (c) urban, (d) mountain retreat, (e) ranch, or (f) seaside or lakeside resort. Table 8 shows that almost one-quarter (23.3%) of the responding B&Bs were in a rural setting. Slightly over one-quarter (29.4%) were located in a village. Just over one-tenth (13.5%) of the inns were located in a city. Mountain retreats comprised 17.8% of the B&Bs. Only 2.5% of the operations were located on ranches. Seaside or lakeside resorts made up over one-tenth (11.7%) of the B&Bs.

Table 8

Location of B&B Inn (N = 160)*

Variable	Number of B&Bs	% of total
Location		
Rural	38	23.3
Village	48	29.4
Urban	22	13.5
Mountain retreat	29	17.8
Ranch	4	2.5
Seaside/Lakeside resort	19	11.7

* Three respondents failed to answer

Participants were asked to identify the type of breakfast served to their guests. Categories offered were (a) full breakfast - served to guest, (b) full breakfast - served buffet, (c) continental and (d) none. As Table 9 shows, almost three-quarters (69.9%) of the responding B&Bs served a full breakfast to the guest seated at a dining table or in the guest's room. Just over one-tenth (12.9%) offered a full breakfast, served buffet. Sixteen percent offered continental breakfast, usually fresh baked pastries served at buffet. One B&B owner reported serving no breakfast, yet still considered the establishment to be a bed and breakfast

Table 9

Type of Breakfast Served (N = 162)*

Variable	Number of B&Bs	% of total
Breakfast served		
Full-served to guest	114	69.9
Full-served buffet	21	12.9
Continental	26	16.0
None	1	.6

*One respondent failed to answer

An important factor in attracting special events is the type of guest targeted. Respondents were asked to estimate percentages in each of the following categories: (a) business traveler, (b) special occasion, (c) visiting family, (d) tour groups, (e) getaway vacation, (f) attending weddings and graduations, (g) attending meetings at the inn, (h) attending meetings in the area, (i) tourists, and (j) other. Table 10 displays the importance of each of these types of guests to the B&Bs. For twenty-nine percent of the responding B&B operators, the business traveler comprised at least 10% of the guests. Guests celebrating a special occasion made up at least 10% of the guests for one-half of the respondents. Guests visiting family in the area created 10% or more of the business for slightly less than one-quarter of the participants. Tour groups made up at least 10% of the guests for less than one-tenth of the B&Bs. Getaway vacationers were a principal

segment of clients for bed and breakfasts. Three-quarters of the respondents reported that getaway vacationers contributed at least 10% to their occupancy rate. Weddings and graduations brought more than 10% of the guests for more than one-quarter of the responding B&Bs.

Meetings held at the inn brought at least 10% of the guests for seven of the participants in the survey. Meetings in the area attracted 10% of the guests for 14 of the B&Bs. Tourists provided at least one-tenth of the guests for over half of the respondents. Three B&Bs specified sports, such as golf, skiing, and boating, as bringing a high percentage of their guests.

Table 10

Primary Purpose of Travel for B&B Guests (N = 163)

Variable	Percent of guests	Mean Percent
Type of guest		
Business	29	9.5
Special occasion	53	12.7
Visiting family	23	5.3
Tour group	7	1.3
Getaway vacation	69	30.2
Wedding/graduation	29	6.8

(Table Continues)

Table 10 (Continuation)

Primary Purpose of Travel for B&B Guests (N=163)

Variable	Percentage of Guests	Mean Percentage
Type of Guest		
Meetings at inn	4	1.1
Meetings in area	9	2.3
Tourists	63	27.1
Other	2	.9

The results of this survey were skewed by the inclusion of establishments which, although they follow the bed and breakfast format, were larger than the typical bed and breakfast. Table 11 gives a summary profile of the typical respondent to this survey.

Table 11

Summary Profile of "Typical" Respondents (N = 163)

Variable	Typical Respondent
Years of operation	4
Number of rooms	10.5
Baths	Private

(Table Continues)

Table 11 (Continuation)

Summary Profile of "Typical" Respondent (N=163)

Variable	Typical Respondent
Style of B&B	Traditional
Location	Village
Type of breakfast	Full breakfast served to guest
Targeted guest	Getaway vacationers & tourists

ANOVAs were used to determine the significance of B&B characteristics on the number of special events held annually. The number of rooms showed a .000 significance in the choice of a location for weddings, a .027 significance in the choice of a place for hosting receptions, and .000 significance in the choice of an establishment for holding rehearsal dinners. Number of years in business showed a .078 significance in the choice for business meetings. Bed and breakfast characteristics showed no significance in the selection of a place for holding showers, club meetings, and other events.

Survey participants were asked the number of employees, excluding owner/operator, and their work designation. Twenty-one percent of the responding B&B operations were run entirely by the innkeepers alone. A significant Pearson Product Moment correlation at the 0.01 level (two-tailed test) existed between the number of

B&B employees and the number of rooms. Table 12 demonstrates the need for B&B employees.

Table 12

Number of B&B Employees (N = 163)

Variable	Number of B&Bs	% of total
Number of employees		
None	35	21.5
1 to 3	55	33.7
4 to 6	43	26.4
7 to 9	14	8.6
10 to 12	8	4.9
13 to 15	5	3.0
19 to 31	3	1.8

Since a B&B operator must be alert to every avenue of income available, operators were asked to itemize the percentage of gross annual income from specific segments of business. As Table 13 shows, over half of the respondents (51%) reported that seventy-five percent of their income came from room sales. Over one-quarter (29%) responded that one hundred percent of their income came from room sales. Income from special events had a wide variety of answers, with the heaviest concentration ranging between 5% and 10%. One B&B reported that 90% of income

came from special events. A correlation, significant at the 0.01 level (two-tailed test), existed between special events and guests attending weddings or graduations.

Gift shops in B&Bs are usually small, with most items bearing the name of the inn. These produced income ranging from 1% to 50% of total income; only 5% of respondents reported gift shop income above 5%. Income from an on-premises restaurant varied from 5% to 97%, however only thirteen percent reported fifty percent or more of their income being derived from a restaurant. The mean income derived from a restaurant was 15%. One-quarter of the respondents reported income from other sources. Other income included rental of sports equipment such as ski equipment, horses, bikes and boats. Percentages of other income ranged from 1% to 70%, with a mean of 5%. A correlation, which was significant at the 0.01 level (two-tailed test), existed between other income and guests who were tourists.

Table 13

Segments of B&B Income (N = 158)*

Variable	Mean	Maximum	Minimum
Income			
Room sales	73.7%	100%	3%
Special events	5.1%	90%	0%
Gift shop	5.1%	50%	0%

(Table Continues)

Table 13 (Continuation)

Segments of B&B Income (N=163)*

Variable	Mean	Maximum	Minimum
Restaurant	15.4%	97%	0%
Other	3.9%	70%	0%

* 5 respondents failed to answer

Questions ten through 16 asked what special events the B&B hosted without outside catering. Participants were asked to list the number of (a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings, (f) club meetings, and (g) other events held per year. In Table 14, the number of special events held per year are reported. Nearly half of the responding B&Bs (48%) hosted weddings; nineteen percent of the B&Bs hosted only one or two per year. However, one B&B hosted 200 weddings in the past year, an average of almost four weddings each week. Receptions hosted ranged from 1 to 170, with a mean of seven receptions per year. Bed and breakfasts hosting rehearsal dinners reported a range from 1 to 140; six percent reported hosting two rehearsal dinners and six percent reported hosting ten rehearsal dinners per year. The mean was six rehearsal dinners per year. Twenty percent of the responding B&Bs had hosted showers in the previous year. The range was from 1 to 80 showers per year; the mean was two showers per year.

Bed and breakfasts reportedly hosted from 1 to 260 business meetings per year. Fewer club meetings were held at the responding B&Bs. The mean was three; the maximum club meetings was 60. Other events were sparsely distributed among the reporting B&Bs. Examples given of other events were birthday parties, Christmas parties, awards banquets, and retirement parties.

A Pearson Product Moment correlation between income from special events and the number of weddings, receptions, rehearsal dinners, and showers was significant at the 0.01 level (two-tailed test).

Table 14

Number of Special Events per Year Without Outside Catering (N = 112)^a

Variable	Mean	Maximum	Minimum
Special events			
Weddings*	6.7	200	0
Receptions*	7.1	170	0
Rehearsal dinners*	6.0	140	0
Showers*	2.0	80	0
Business meetings	11.8	260	0
Club meetings	9.9	60	0
Other events	5.7	100	0

^a 51 respondents failed to answer

* Correlation was significant at the 0.01 level (two-tailed test).

Also included in the first section of the instrument were questions concerning the existence of an on-premises restaurant. Respondents were asked if their operation had an on-premises restaurant. Answers were "yes" or "no". If the question was answered no, the next question asked for the reason why there was not an on-premises restaurant. Choices were (a) do not have space, (b) not interested, (c) tried restaurant, but not feasible, and (d) other. Results of the bed and breakfasts without an on-premises restaurant are published in Table 12. Of the responding B&Bs almost half (42%) had an on-premises restaurant. Of the 58% which did not have a restaurant, one-tenth (10%) stated that they did not have the space. One-quarter (28%) were not interested in having a restaurant. Few (5.5%) had tried having a restaurant, but had not found having a restaurant feasible. Fifteen percent reported improper zoning and adequate fine dining establishment existing in their area as the reasons for not having a restaurant.

If the B&B operator answered "yes", there was an on-premises restaurant, the next pertinent question asked how long the restaurant had been in existence. Table 15 also demonstrates the results from B&Bs with on-premises restaurants.

Less than half (42.3%) of the B&Bs participating in the survey had an on-premises restaurant. Participants were asked to state the number of years the restaurant had been in existence. The mean was 20.2 years; the mode was 15 years of restaurant operation, which represented 13% of the on-premises restaurants.

Table 15

On-premises Restaurants (N = 163)

Variables	<u>n</u>	%	<u>n</u>	%
Number of B&Bs without restaurants			94	57.7
Reasons for no restaurant				
Not enough space	16	17		
Not interested	45	48		
Tried, not feasible	9	10		
Other	24	26		
Number of B&Bs with restaurants			69	42.3
Years restaurant has existed				
1 to 5	14	8.6		
7 to 15	32	19.6		
16 to 30	14	8.4		
32 to 148	8	4.8		

Section two of the instrument dealt with the B&B owner having an on-premises restaurant, its management, any changes in the amount of business for the B&B (which might be associated with the establishment of the restaurant) and cooperative efforts between the B&B and the restaurant. Instructions alerted respondents to skip this section if there were not a restaurant on premises. Over half (58%) of responding B&B owners skipped this section.

Respondents were asked to identify the type of restaurant management they had. The two choices given were (a) managed by B&B operator and (b) leased to restaurateur. Table 13 shows the difference in the two types of restaurant management. Of those innkeepers who managed an on-premises restaurant (93%), more than one third were also the chef. The sample found only five on-premises restaurants which were leased to a professional restaurateur.

The restaurant manager was asked to estimate the number of hours per day which were spent managing the B&B, hours per day spent managing the restaurant, and hours per day which were available for free time and sleep. Table 16 displays the data gathered. Estimates of hours per day spent managing the B&B ranged from two hours to 17 hours (this entry was carefully labeled, "husband - 10 hrs., wife - 7 hrs."). The mode was six hours; the mean was seven hours spent daily managing the B&B. The maximum number of estimated hours spent managing the restaurant each day was twelve and the minimum was zero (this clever individual had hired someone to actually manage the restaurant, yet still considered himself the manager). The mode was seven hours; the

mean was six hours of time spent daily managing the restaurant. Many answers regarding hours available for free time or sleep were, "Ha, ha", "Nada, nada", and "What's that?" Yet mathematically, free time ranged from minus one hour to seventeen hours. The mean was ten hours; the mode was ten hours of free time. The remaining seven percent of the sixty-nine B&Bs with on-premises restaurants had leased the restaurant to a professional restaurateur. For this group of B&B operators, hours per day spent managing the B&B ranged from seven to fourteen, with a mean of ten hours. Time spent dealing with restaurant matters each day was estimated at one to two hours, with a mean of one hour. Estimates of free time and sleep ranged from nine hours to sixteen hours. The mean was thirteen hours available for free time and sleep.

For the restaurants managed by the B&B operator, a correlation was significant at the 0.01 level (two-tailed test) between the percent of income from the restaurant and the hours per day spent managing the restaurant. There was also an inverse correlation, significant at the 0.01 level (two-tailed test), between the hours per day spent managing the restaurant and the hours per day available for free time and sleep. Lack of sufficient data prevented the tabulation of correlation between the percent of income from the restaurant and the number of hours spent dealing with restaurant matters by the B&B operator when the restaurant was leased. Table 16 also includes a comparison of the percent of the B&B's net income that was derived from the on-premises restaurant.

Table 16

Profile of Characteristics for Two Types of Restaurant Management (N = 69)^{ab}

Characteristic	B&Bs	% of total	Mean hours for restaurant	Mean income from restaurant
Managed by B&B operator	64	93.0		
Daily hours managing restaurant* **			6.5	
Daily hours for free time and sleep**			10.3	
Percent of net income derived from restaurant *				38.85
Leased to restaurateur	5	7.0		
Daily hours dealing with restaurant matters			1.0	
Daily hours for free time and sleep			13.2	
Percent of net income derived from restaurant				10.5

^a Two B&B owner-managed respondents failed to answer

^b Three leased-restaurant respondents failed to answer

* Correlation was significant at the 0.01 level (two-tailed test)

**Inverse correlation was significant at the 0.01 level (two-tailed test).

If the restaurant were leased, respondents were asked to identify the type of lease that was used. Choices were (a) square footage of restaurant only, (b) percent of sales only, and (c) square footage of restaurant plus percent of sales. Of the five B&Bs who were included in this segment of the sample, two restaurants were leased on a square-footage basis, two were leased on a percent of sales basis, and one B&B received no payment for the use of the facility. Table 17 displays the data concerning the restaurant lease.

Table 17

Basis for Restaurant Lease (N = 5)

Variable	Number of B&Bs	% of total
Basis for lease		
Square footage only	2	40
Percent of sales only	2	40
Square footage plus % of sales	0	0
No receipts from lease	1	20

Another very important consideration in the management of a restaurant is the chef. B&Bs with on-premises restaurants were asked to identify the status of the chef. Selection was made between items (a) B&B operator/owner, (b) hired by B&B operator, and (c) professional restaurateur. Of the sixty-nine respondents with restaurants, slightly less than one-half (38%) reported that the B&B operator was also the chef. Over half

(55%) had a chef who was hired by the B&B operator. In the five leased restaurants (7%) the professional restaurateur was the chef. Table 18 itemizes the distribution of the status of the chef.

Table 18

Status of Chef (N = 69)

Variable	Number of restaurants	% of total
B&B owner/operator	26	38.0
Hired by B&B operator	38	55.0
Restaurateur	5	7.0

Also considered was the type of menu offered by the restaurant. Respondents' choices were (a) full menu, (b) limited menu and (c) prix fixe. As shown in Table 19, of the 69 respondents having restaurants, over half (59%) offered a full menu. A very small number (13%) offered a limited menu, and one-quarter of the respondents (25%) offered a prix fixe menu.

Table 19

Type of Menu (N = 67)*

Variable	Number of restaurants	% of total
Type of menu		
Full menu	41	61.0
Limited menu	9	13.0
Prix fixe	17	25.0

* Two respondents failed to answer

Another important consideration for the study was the time of opening of the restaurant. Choices for the respondents were (a) opened before the B&B, (b) opened at same time as B&B and (c) opened after B&B opened. Five of the restaurants were opened before the B&B. Three-quarters of the restaurants (77%) were opened at the same time as the B&B. Ten restaurants (14%) were opened after the B&B. Table 20 depicts the results of this issue.

Table 20

Time of Restaurant Opening (N = 68)*

Variable	Number of restaurants	% of total
Time of opening		
Opened before the B&B	5	7.4
Opened at same time as B&B	53	77.9
Opened after B&B	10	14.7

* One respondent failed to answer

Questions 25 through 33 narrowed the sample even more by asking about changes in the operating performance of the B&B if the restaurant were opened after the B&B. If the restaurant were opened after the B&B, participating B&Bs were asked to estimate the number of special events that took place before the restaurant opening and after the restaurant opening. These answers were recorded as (a) increased, (b) decreased, or (c) remained the same. Although ten B&Bs reported the restaurant had been opened after the B&B, four of these ten respondents chose not to answer questions in this section. Six respondents answered these questions. Table 21 reflects any change in the volume of business based on when the restaurant originally opened.

One half (50%) of the participants reported that the number of weddings held at the B&B increased after adding the restaurant. One-third (33%) reported the number of

weddings held annually had remained the same. One respondent showed a decrease in the number of weddings.

Two-thirds (67%) of the respondents to this section answered that the number of receptions had increased after adding the restaurant. One-third (33%) reported that the number of receptions had remained the same.

One half (50%) of those B&Bs answering this section reported that the number of rehearsal dinners had increased after adding the restaurant. One respondent experienced a decrease in the number of rehearsal dinners. One-third (33%) of the respondents reported that the number of rehearsal dinners had remained the same.

The number of showers held annually increased for one-third (33%) of the B&Bs which had added a restaurant. For two-thirds (66%) the number of showers remained the same.

Business meetings increased after adding a restaurant for two-thirds (66%) of the B&Bs. One-third (33%) reported that the number of business meetings remained the same.

For one-third (33%) of the respondents the number of club meetings increased after adding the restaurant. Two-thirds (66%) of the B&Bs reported the number of club meetings remained the same.

The number of other events hosted at the B&B increased for one-third (33%) of the respondents. For two-thirds (66%) of the respondents for this section the number of other events remained the same.

Correlation between the time of the restaurant opening and the number of weddings, receptions, and rehearsal dinners held at the B&B, after the restaurant opening, proved significant at the 0.01 level (two-tailed test).

Table 21

Changes in Special Events for B&B After Adding Restaurant (N = 6)^a

Variable	<u>Increase</u>		<u>Decrease</u>		<u>Same</u>	
	<u>n</u>	% of total	<u>n</u>	% of total	<u>n</u>	% of total
Special Events						
Weddings*	3	50.0	1	17	2	33.0
Receptions*	4	67.0	0	0	2	33.0
Rehearsal Dinners*	3	50.0	1	17	2	33.0
Showers	2	33.0	0	0	4	67.0
Business Meetings	4	67.0	0	0	2	33.0
Club Meetings	2	33.0	0	0	4	67.0
Other Events	2	33.0	0	0	4	67.0

^a Four respondent failed to answer

* Pearson Product Moment correlation is significant at 0.01 level (two-tailed test).

Of significance to the study was any change in the annual occupancy rate of the B&B after the restaurant was opened. Changes in net income of the B&B provided valuable information for the study. For both questions participants were asked to select

either (a) increased, (b) decreased or (c) remained the same. Of the ten respondents with restaurants opening after the B&B, one chose not to answer these two questions.

Table 22 reflects the data received.

For half of the respondents (56%) occupancy rate increased after adding the restaurant. One B&B experienced a decrease in the occupancy rate after adding the restaurant. One-third of the responding B&Bs reported that the occupancy rate remained the same. Two-thirds (67%) of the B&Bs experienced an increase in net income after adding the restaurant. One respondent reported a decrease in net income. Almost one-quarter (22%) reported the net income remained the same after adding the restaurant. Correlation between the addition of a restaurant and changes in the occupancy rate and net income of the B&B was proved significant at the 0.001 level (two-tailed test).

Table 22

Changes in Business Factors for B&B After Adding Restaurant (N = 9)^a

Variable	Increase		Decrease		Same	
	n	% of total	n	% of total	n	% of total
Business Factor						
Occupancy rate*	5	56.0	1	11.0	3	33.0
Net income*	6	67.0	1	11.0	2	22.0

^a One respondent failed to answer

* Pearson Product Moment correlation was significant at the 0.01 level (two-tailed test).

Questions 34 through 40 narrowed the significant sample even further. The respondents were asked to estimate the number of special events hosted per year through a cooperative effort between the B&B and the restaurant. Table 23 relates the data from these questions. Of the three B&B operators who answered this question, one had hosted no weddings in the past year in conjunction with the restaurant. Two B&Bs each had hosted fifteen weddings with the cooperation of the on-premises restaurant. One respondent, with the cooperation of the restaurant, had hosted five receptions in the past year. One participant had hosted fifteen receptions per year with the assistance of the restaurant. One B&B had hosted twenty receptions in the past year in cooperation with the restaurant. One B&B hosted no rehearsal dinners in conjunction with the restaurant in the past year. Ten rehearsal dinners each were hosted by two of the respondents, with the assistance of the restaurant in the past year. One of the respondents held no showers in conjunction with the restaurant per year. One of the responding B&Bs had held five showers in the past year with the assistance of the restaurant. One B&B and restaurant combined their effort in hosting fifteen showers per year.

One responding B&B had held twelve business meetings per year, with the assistance of the restaurant. Two participants and their restaurants had hosted no business meetings per year. Two participating B&Bs and their restaurants had hosted no club meetings per year. One B&B and cooperating restaurant had hosted sixty clubs per year. Two B&Bs and their restaurants had hosted no other events per year. One B&B and cooperating on-premises restaurant had held sixteen other events per year. A

Pearson Product Moment correlation between the cooperative efforts of the B&B and the restaurant and the number of weddings, business meetings, and club meetings was significant at the 0.001 level (two-tailed test). The data are exhibited in Table 23.

Table 23

Cooperative Effort Between B&B and Leased Restaurant (N = 3)^a

Variable	Mean	Maximum	Minimum
Special event			
Weddings*	10	15	0
Receptions	13	20	5
Rehearsal dinners	6	10	0
Showers	7	15	0
Business meetings*	4	12	0
Club meetings*	20	60	0
Other events	5	16	0

^a Two respondents failed to answer

* Pearson Product Moment correlation is significant at the 0.001 level (two-tailed test).

Cooperative effort in advertising could lead to an increase in the volume of business for the bed and breakfast and the restaurant. Responding B&B operators were asked if they participated in cooperative advertising with the on-premises restaurant. Choices of answers were (a) yes and (b) no. Table 24 explains the amount of cooperative effort between the bed and breakfast and the restaurant in advertising efforts. Of the 69

B&Bs with an on-premises restaurant, over half (59%) used cooperative advertising to some degree. Less than half of the B&Bs with an on-premises restaurant (41%) did not use cooperative advertising.

Offering gift certificates for a free meal at the restaurant to encourage multiple-night stays at the B&B during slow periods is another way to use cooperative advertising. Responding B&Bs were asked if they offered gift certificates to the restaurant to encourage extended stays during slow periods. Possible answers were (a) yes and (b) no. Table 24 displays the data received from this question. Of the 69 respondents, less than half (39%) reported that they did use gift certificates for a meal at the restaurant as an incentive for longer stays. More than half of the responding B&Bs with an on-premises restaurant do not offer gift certificates as an incentive to increase occupancy rate during slow periods. A correlation between gift certificates for a meal as an incentive for longer stays during slow periods and percent of income from room sales was significant at the 0.01 level (two-tailed test).

Table 24

Cooperative Advertising Between the B&B and the Restaurant (N = 69)

Variable	Number of B&Bs	Percent of total
Cooperative advertising		
Yes	41	59.0
No	28	41.0

(Table Continues)

Table 24 (Continuation)

Co-operative Advertising Between the B&B and the Restaurant (N=69)

Variable	Number of B&Bs	% of Total
Gift certificates*		
Yes	27	39.0
No	42	61.0

* Correlation is significant at the 0.01 level (two-tailed test).

Two questions inquired about referrals of guests between the bed and breakfast and the restaurant. Apparently this information is not collected by the B&B owners. Few respondents attempted to answer these questions, and many expressed an inability to answer. These two questions were thrown out.

Section III solicited demographic information about the B&B owner/operator. Questions in this section were related to the status of the operator, the age of the operator, and the operator's attitude toward the current volume of business. Table 25 gives these characteristics about the operator of the B&B.

Respondents were asked whether the operator was (a) owner or (b) manager. Almost all (90%) of the B&Bs were operated by the owner. Ten percent of the operators were hired as managers.

Operators were asked to indicate their approximate age by choosing between (a) 39 and under, (b) 40 to 49, (c) 50 to 59, (d) 60 to 69, and (e) 70+. Less than one-tenth

(9%) of the operators were aged 39 and under. One-quarter (26%) of the respondents were between the ages of 40 and 49. Almost half (40%) of the B&B operators were 50 to 59 years of age. Almost one-quarter (21.5%) of the participants were in the 60 to 69 years of age bracket. Four had attained the age of 70+ years.

Operators were asked to indicate if they were seeking ways to increase the volume of business. Choices were (a) continuing to seek ways of increasing net profit and (b) satisfied with current level of business. Over three-quarters (81%) of the respondents indicated that they sought ways to increase net profits. Less than one-quarter (19%) of the B&B operators were satisfied with the current level of business. A correlation between the age of the operator and seeking ways to increase income was significant at the 0.01 level (two-tailed test). A correlation between seeking ways to increase income and an on-premises restaurant was significant at the 0.05 level (two-tailed test).

Table 25

Summary Profile of Responding B&B Operators (N = 163)^{ab}

Variable	Number of B&B operators	% of total
Status of operator*		
Owner	146	90.0
Manager	16	10.0

(Table Continues)

Table 25 (Continuation)

Summary Profile of Responding B&B Operators (N=163)^{ab}

Variable	Number of B&B Operators	% of Total
Age of operator**		
39 and under	15	9.0
40 to 49	43	26.4
50 to 59	66	40.5
60 to 69	35	21.5
70+	4	2.5
Business aggressiveness of operator		
Seeking to increase*** *	128	81.0
Satisfied with income	31	19.0

^a One respondent failed to answer owner/manager status

^b Four respondents failed to answer seeking increase/satisfied

** Correlation is significant at the 0.01 level (two-tailed test).

* Correlation is significant at the 0.05 level (two-tailed test).

Research Objective 1

Research objective 1(A) was to determine if the addition of a restaurant to an existing B&B would increase the income of the B&B, in terms of annual occupancy rate. In the review of literature there was no previous research found in the specific area of the combination of a bed and breakfast and a restaurant. However, several studies supported

an increase in both the occupancy rate of the hotel and the volume of business in the restaurant, when the management of the restaurant was changed to a well known restaurant brand, such as Good Eats or TGI Fridays. Two studies done on bed and breakfasts showed that quality of food and nearness of restaurants were major concerns for the B&B guest.

In this study participants were asked (a) if there were a restaurant on premises, (b) if the restaurant were added after the B&B was in operation, (c) percent of the B&B's net income which was attributable to the room sales, (d) if the annual occupancy rate of the B&B changed after the addition of the restaurant, and (e) if the annual net income of the B&B changed after the addition of the restaurant. The data for this question were analyzed by comparing the frequency of answers to the above five questions and testing for any significant correlation between these questions. The objective of this research question was to discover and evaluate any change in the annual occupancy rate of the B&B after the addition of the restaurant.

For one-half of the B&Bs, which have an on-premises restaurant that was opened after the B&B was in operation, there was an increase in the annual occupancy rate. For two-thirds of the B&Bs, which have an on-premises restaurant that was opened after the B&B was in operation, there was an increase in net income. Lack of sufficient data prohibited testing for significant correlation. ANOVAs performed on data from this section could not operate because of insufficient data.

Objective 1(B) also asked if the addition of a restaurant to an existing B&B would increase the income of the B&B through the number of special events, in terms of (a)

weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings and (f) club meetings. A review of literature found no studies that had been conducted in this area. In this study participants were asked (a) the demographics of the bed and breakfast that could affect the selection of the B&B as the site for holding a special event, (b) the type of guest targeted, (c) the percentage of the net income of the B&B that was attributable to special events, (d) the number of each type of special event, and (e) if the number of special events had changed after the addition of the restaurant.

The data for this question were analyzed by comparing the frequency of answers to the above five questions and testing for any correlation between these questions. The objective of this question was to discover and evaluate any change in the net income of the B&B through the number of special events held at the B&B after the addition of the restaurant.

For one-half of the B&Bs, which had an on-premises restaurant that was added after the B&B was in operation, the number of weddings and rehearsal dinners increased. For two-thirds of the B&Bs, which had an on-premises restaurant that was added after the B&B was in operation, the number of receptions and business meetings increased. For one-third of the B&Bs, which had an on-premises restaurant that was added after the B&B was in operation, the number of showers, club meetings and other events increased after the addition of the restaurant. Lack of sufficient data prohibited testing for significant correlation.

Research Objective 2

Research objective 2(A) was to determine the impact of the type of ownership of the on-premises restaurant (B&B operator vs. professional restaurateur) on any increase in income of the B&B in terms of annual occupancy rate. A review of literature found no studies that had been conducted in this area. In this study participants were asked (a) if the on-premises restaurant were managed by the B&B operator or if the restaurant were leased to a restaurateur, (b) the percentage of the B&B's net income that was attributable to room sales and (c) if the annual occupancy rate of the B&B had changed after the addition of the restaurant. This question was analyzed by comparing the data from these three questions and testing for any correlation. The objective of this research question was to discover and evaluate any change in the net income of the B&B through the annual occupancy rate, which might be related to the type of management of the on-premises restaurant. For the B&Bs with an on-premises restaurant that was added after the B&B was operational, there was no correlation between the type of restaurant management and any change in the occupancy rate of the B&B or any change in the net income of the B&B. However, there was a significant correlation at the 0.01 level (two-tailed test) between the type of restaurant management and the percent of income from room sales. ANOVAs performed on data from this section could not operate because of insufficient data.

Research objective 2(B) asked what impact the type of ownership the on-premises restaurant would have on an increase in net income through the number of special events held at the B&B in terms of (a) weddings, (b) receptions, (c) rehearsal

dinners, (d) showers, (e) business meetings, (f) club meetings, and (g) other events. A review of literature found no studies that had been conducted in this area. In this study participants were asked (a) if the on-premises restaurant were managed by the B&B operator or if the restaurant were leased to a restaurateur, (b) the percentage of the B&B's net income that was attributable to special events, (c) any change in the number of special events after the addition of the restaurant, and (d) if there had been a change in the net income of the B&B after the addition of the restaurant. This objective was analyzed by comparing the frequency of the data from the four questions and testing for any correlation between these questions.

The objective of this question was to discover and evaluate any change in the income of the B&B through the number of special events held at the B&B, which might be related to the type of management of the on-premises restaurant. For B&Bs with an on-premises restaurant that was added after the B&B was in operation, an inverse correlation, which was significant at the 0.01 level (two-tailed test), existed between the type of restaurant management and the number of showers held at the B&B after the addition of the restaurant. ANOVAs performed on data from this section could not operate because of insufficient data.

Research objective 2(C) was to determine the impact of the type of ownership of the on-premises restaurant on the physical demands on the operator of the B&B in terms of hours spent (a) managing the B&B, (b) managing the restaurant, and (c) for free time. A review of literature found no previous studies that addressed this area. In this study participants were asked (a) if the on-premises restaurant were managed by the B&B

operator or if the restaurant were leased to a restaurateur, (b) the number of hours spent managing the B&B, (c) the number of hours spent managing the restaurant or dealing with restaurant matters, and (d) the number of hours available for free time and sleep.

The question was analyzed by comparing the frequency of the data from the above four questions and testing for any correlation. The objective of this research question was to discover and evaluate the extent of physical demands placed upon the B&B operator by each type of restaurant management.

For B&Bs with an on-premises restaurant that was managed by the B&B operator, an inverse correlation was significant at the 0.01 level (two-tailed test) between hours per day spent managing the B&B and restaurant and hours per day spent for free time and sleep. For B&Bs with an on-premises restaurant that was leased to a restaurateur, an inverse correlation was significant at the 0.01 level (two-tailed test) between hours per day spent managing the B&B and hours spent per day for free time and sleep. ANOVA showed a significance of .005 between the difference in hours per day spent managing the restaurant by B&B operator and restaurateur.

CHAPTER 5

SUMMARY AND RECOMMENDATIONS

Summary

According to the 1996 survey conducted by the Professional Association of Innkeepers International (PAII), the average B&B has 7.34 rooms available for rent (Vallen & Rande, 1997). Because of this small scale, B&B owners and operators work with a limited sellable product base. Economic survival of a B&B requires that the operator take advantage of every available avenue of income. Offering dinner can add to a B&B's bottom line, but runs the risk of over-extending the B&B operators (Lanier & Johnson, 1996). This added service may be provided by the B&B operator personally, or the restaurant facility may be leased to a professional restaurateur.

This study was conducted to determine the feasibility of adding a restaurant to an existing B&B, its effects on the income of the B&B and its effects on the management of the B&B. Specifically, this study examined the types of restaurant management, occupancy rate of the B&B, special events held at the B&B and the physical demands on the B&B operator after the addition of the restaurant.

A three-section self-administered questionnaire containing 47 questions was developed and administered in a mail survey format to collect the data for this study. Part One of the questionnaire contained eighteen questions that described the demographics of the B&B establishment (such as size, style, location, target customer, and existence of an on-premises restaurant) which might effect the selection of the bed and breakfast as a site for special events. Section Two of the questionnaire included 26

number of special events after addition of the restaurant, (3) changes in occupancy rates and net income for the B&B after the addition of the restaurant and (4) cooperative effort between the B&B and the restaurant. Section Three was composed of three questions asking demographics about the B&B operator that might effect the aggressiveness with which new business was pursued.

The population for this study included all bed and breakfasts in the United States. Three-quarters of the sample for this research was randomly selected from the database of Abacus Computing of Santa Barbara, CA. Abacus Computing's database contains the membership lists of all major professional organizations for US bed and breakfast owners and operators. Because the percentage of B&Bs with on-premises restaurants is small, one-fourth of the sample was composed of a convenience sample of B&Bs, who were known by their professional organization to have on-premises restaurants. From a sample of approximately 1,200 B&Bs, a total of 163 usable responses (14%) was obtained for analysis. Tests used to measure the data received from the questionnaires consisted of frequency counts and percentages, means, and minimum and maximum values. The data collected were analyzed using Statistical Package for Social Sciences (SPSS), employing Pearson correlations and ANOVAs.

The results of this study were limited by lack of sufficient data in two areas: (a) the area of a restaurant added after the B&B was in operation and (b) the area of an on-premises restaurant leased to a restaurateur. All other areas were well substantiated. Because of the confidentiality of income, all questions concerning income asked for percentages, not dollar figures. This limited the results of the study to relationships between percentages of incomes.

Research objective 1 looked at how the addition of an on-premises restaurant to an existing B&B might increase the income of the B&B. This was examined in terms of annual occupancy rate and through the number of special events held at the B&B. Frequencies were calculated to determine if the occupancy rate and number of special events increased, decreased, or remained the same with the addition of a restaurant. Lack of sufficient data from B&Bs which added a restaurant after the B&B was in operation precluded proving Objective 1(A) and Objective 1(B). No significant correlation could be established between the increase in occupancy rate, special events, or increase in net income and the addition of a restaurant to an existing B&B to support Objective 1(A) & (B). Though the study was met with limited response by B&Bs that had added a restaurant after the B&B was in operation, two-thirds of the responding B&Bs in this category reported an increase in net income. One-half of these responding B&Bs reported an increase in both occupancy rates and special events. A parallel can be drawn with the results of previous studies in which hotels reported favorable results from the addition of a restaurant which was managed by a restaurateur.

A study of hotels by Juliette Boone (1997), which also was met with limited response, showed that the responding hotels experienced increases in average daily rates and occupancy rate after co-branding. Co-branding is the pairing of two or more recognized brands within one space. For these hotels net income increased an average of 3.4 percent. Responding restaurants experienced an average overall increase of 57 percent. Given the right set of circumstances, a strategic alliance between hotelier and restaurateur can increase the property's overall revenues by improving its competitive

position, boosting guestroom sales, increasing food and beverage sales, improving the hotel's image and enhancing customer value (Boone, 1997).

John Beckert, Executive Vice President and Chief Operating Officer of Bristol Hotels & Resorts, based in Dallas, TX, reported favorable results from its affiliation with Good Eats Grill. The added name recognition attracted local patrons, and guests from neighboring hotels. Mr. Beckert stated his opinion that if customers have a memorable lunch experience, they may decide to stay at the Bristol when they plan their next trip, or may decide to hold their wedding or next banquet function at the hotel (Hall, 1997).

Many responding B&B operators, who also manage an on-premises restaurant, remarked that running the restaurant was far more demanding than running the B&B. Although most of the restaurants contributed a good percentage to the net income of the total operation, some restaurants actually operated at a loss. The B&B operators felt that the existence of the on-premises restaurant was a necessary amenity for the B&B guests. It also boosted the B&B's occupancy rate.

Research objective 2 sought to determine the impact of the type of ownership of the on-premises restaurant (B&B operator vs. professional restaurateur) on the income of the B&B in terms of annual occupancy rate and the number of special events. Special events were defined as (a) weddings, (b) receptions, (c) rehearsal dinners, (d) showers, (e) business meetings, and (f) club meetings. Objective 2 also sought to measure the physical demands on the operator of the B&B in terms of hours spent (a) managing the B&B, (b) managing the restaurant and (c) in free time.

Lack of sufficient data from B&Bs which added a restaurant after the B&B was in operation precluded proving Objective 2(A), 2(B), and 2(C). A favorable correlation between the type of management of the on-premises restaurant and the increase in income of the B&B in terms of room sales supported Objective 2(A).

In an interesting configuration, a favorable correlation between the type of restaurant management and the change in the number of special events existed that supported Objective 2(B). The on-premises restaurants that were leased to a restaurateur showed a favorable correlation with an increased number of weddings, receptions and showers. Special events are also important to the income of the restaurant. After four years of operation, the on-premises restaurant, which is leased to a restaurateur, had tripled the number of rehearsal dinners hosted by the B&B earlier. The number of business meetings had grown from zero before the restaurant was opened to approximately 50 business meetings per year (D. Huerta, co-owner of Giuseppe's Italian Restaurant, personal communication, May 29, 2000). Those restaurants managed by the B&B operator showed a favorable correlation with an increased number of rehearsal dinners and business meetings.

Research objective 2(C) was concerned with physical demands placed upon the B&B operator by the additional responsibility of restaurant management. The B&B operator who also managed the restaurant showed an inverse correlation between (a) the hours spent managing the B&B, (b) the hours spent managing the restaurant, and (c) the hours spent in free time and sleep. Lack of sufficient data prohibited performing tests to analyze any relationship between (a) hours spent managing the B&B, (b) hours spent

dealing with restaurant matters, and (c) hours spent in free time and sleep for the B&B operators with an on-premises restaurant leased to a restaurateur.

No previous studies in the area of B&Bs with an on-premises restaurant leased to a restaurateur could be found. However, Pamela Lanier and Judy Johnson investigated many issues surrounding the addition of a restaurant to an existing bed and breakfast. Their research concluded that the addition of food service usually evolves into a Modified American Plan (MAP) which, with careful tailoring, can increase room occupancy and also net income without overwhelming the B&B operator. Other innkeepers opened a separate restaurant. Many found that the business absorbed far more of their time, energy, and money than they expected (Lanier & Johnson, 1996).

Crescent Dragonwagon and her husband, Ned Shank, reported nine successful years of operating a bed and breakfast. They added a restaurant and became the chefs of their restaurant, which they enjoyed immensely. After six years the toll on physical endurance became evident and the inn was closed, except for special seasonal functions (Shank & Dragonwagon, 1996).

Personal research included interviewing two other innkeepers who added a restaurant to an existing B&B. One managed the B&B, managed the restaurant, and was also the chef. Physical endurance eventually forced the closing of the restaurant (M. Hern, personal communication, February 28, 1999). The owners of the second bed and breakfast chose to lease their facility to a professional restaurateur. Their only responsibility for the restaurant was building maintenance, which is estimated at one and one-half hours per day. Creation of a contract that stipulated fair, but precise terms of

operation, and careful selection of the restaurateur gave this arrangement a good foundation. After three years of this strategic alliance between B&B and restaurateur, the B&B operator reported increased occupancy rate, increased net income, and increased number of special events (D. Morris, personal communication, February 5, 1999).

Conclusions and Recommendations

Because of the small size and limited sellable product, bed and breakfasts must be alert to every avenue of income available. Less than one-half of the B&Bs responding to this survey had an on-premises restaurant. Of the responding B&Bs which had an on-premises restaurant, 93% of the B&B operators also managed the restaurant. The average percentage of income attributable to the restaurant of those restaurants managed by the B&B operator was 38.85%. The average number of hours spent managing the restaurant was 6.45 hours per day; the average number of hours spent managing the B&B was 7.2 hours per day. With the B&B operator who also managed the restaurant averaging a 14 hour day, many of these innkeepers answered the number of hours available for free time and sleep with "ha, ha" and "What is this?" indicating possible burnout. Yet, the overwhelming comment from these innkeepers/restaureurs was the need to maintain control of the restaurant.

Burnout is a formidable possibility for people who are obligated for long hours and seven-day weeks. Tentative results of an unpublished study currently being conducted by Gary Vallen and Wallace Rande of the School of Hospitality Management at the University of Northern Arizona placed B&B operators in the highest category of burnout (Vallen & Rande, 2000). The category of highest burnout rate also included

(a) elementary school teachers, (b) school administrators, (c) firefighters, and (d) EMTs. Thus burnout, not un-profitability, may be the reason for termination of many B&B businesses after six or seven years.

Contrast this with the results of the five responding B&Bs with their on-premises restaurant leased to a restaurateur. The average number of hours spent dealing with restaurant matters was 1.0 hour per day; the average number of hours spent managing the B&B was 10.2 hours per day. With the B&B operator who leased the restaurant to a restaurateur averaging an 11-hour day, these innkeepers averaged 13 hours of free time; time enough to have some outside life and to regenerate themselves. Only two of this segment chose to give the percentage of income attributable to the restaurant: one who received no income from the lease of the restaurant and one who received a percentage of total restaurant sales each month as lease, which was 21% of the total B&B income. For the owners of this B&B, a thorough and capable lease provided the needed control, should problems arise between the B&B and the restaurateur. Since each party was aware of its assigned responsibilities and limits of authority, a very comfortable and workable strategic alliance was created.

If the data presented here are to be believed, the innkeeper who also managed the restaurant worked 60.43 hours managing the restaurant for every one percent of income attributable to the restaurant. The innkeeper who leased the restaurant to a restaurateur worked 17.33 hours for every one percent of income attributable to the restaurant. To avoid burnout, the ideal work ethic must be, "Work smarter, not harder." The innkeeper who leased the restaurant to a restaurateur spent 1/3 as much time earning one percent of

income attributable to the restaurant as the innkeeper who chose to manage the restaurant. The lease of the on-premises restaurant to a professional restaurateur increases the net income of the B&B without placing undue physical demand upon the B&B operator.

B&Bs with no restaurant reported numerous special events. Most B&Bs with an on-premises restaurant, reported that the B&B operator was also manager of the restaurant. These B&Bs reported a smaller number of special events. Seemingly, the B&B manager could concentrate on one or the other, but not both. The number of employees was also a contributing factor in the number of things the B&B was able to accomplish. One individual had hired someone to actually manage the restaurant, yet retained control in the form of upper-management. One enterprising B&B operator, who preferred to manage the restaurant reported, numerous special events. However, he also reported two full-time B&B staff at the management level.

The addition of another layer of management (mid-management) between the owner and the actual operation of many departments of a business enables each department to function at its optimum. This creates the corporate design which allows the CEO to oversee the whole business and make suggestions to each department head that will guide the direction of the operation. An individual who opts for this form of management actually has relegated himself to the position of an off-premises owner.

However, all of the B&Bs with an on-premises restaurant that was leased to a restaurateur reported increased special events and increased occupancy rate after the

addition of the restaurant. Only one B&B with an on-premises restaurant that was leased to a restaurateur chose to report a profit from the restaurant.

Two of the restaurants were leased on a square footage basis, however the income from this lease was not reported as income from the restaurant. This type of lease over-extends the restaurateur financially while the restaurant is new, when business is building, and seriously limits the possibility of success.

One restaurant was under a lease contract in which the restaurateur paid no monthly rent to the B&B, and closing the restaurant seemed to be the only way for the B&B operator to break the lease. This B&B operator should have had counsel from a good contract attorney before entering into this lease. A good lease contract will have a fair and enforceable set of checks and balances between the B&B operator and the restaurateur.

One restaurant was leased on a percentage of sales basis, however the restaurant seated only 40 people. Restaurateurs work on a small profit margin; business volume is necessary to make the business profitable. This restaurant was not large enough for the restaurateur to make a profit.

The B&B owners who reported that 21% of their total B&B income came from the leased restaurant, planned for success. They contacted the marketing department of the local university for help with a feasibility study before committing to the idea of the restaurant and before designing the restaurant facility. They had a contract attorney create a workable lease with checks and balances, so that the B&B would be protected and the restaurateur would be treated fairly. They planned the type of restaurant (fine

dining) that would compliment and enhance the atmosphere of the B&B. They patiently interviewed for a restaurateur who would fit the model they had planned and investigated the references presented by the restaurateur. They leased the restaurant for ten percent of its gross sales.

For the first year, while the restaurant struggled to build its clientele, the lease from the restaurant was very small. After four years, the lease from the restaurant alone had almost paid for the Victorian house where it is located (J. Morris, personal communication, April 15, 2000).

The findings of this study support the example of the Heritage Inns. With careful planning a restaurant added to an existing B&B and leased to a professional restaurateur can increase the net income of the B&B without undue physical demands on the B&B operator. With a restaurant facility of sufficient size and community support, a good restaurateur can earn a good income for himself and a good profit for the B&B owner as well.

Strategies for success include:

- ◆ doing a feasibility study before committing to the idea of the restaurant and before designing the restaurant facility,
- ◆ engaging a contract attorney to create a workable lease with checks and balances,
- ◆ planning the type of restaurant to compliment and enhance the atmosphere of the B&B,

- ◆ interviewing for a restaurateur who would fit the model that was planned and investigating the references presented by the restaurateur,
- ◆ leasing the restaurant for 10% of gross restaurant sales, and
- ◆ planing to avoid burnout.

Although this study must be considered inconclusive because of the lack of sufficient data in the prime area of concern, many supporting factors point toward the importance of a B&B having an on-premises restaurant that is leased to a professional restaurateur. Hence, a future study is recommended. Care should be taken to locate and secure a sample that is more representative of the subject matter studied. A convenience sample composed of B&Bs with an on-premises restaurant added after the B&B was in operation and B&Bs with an on-premises restaurant that is leased to a professional restaurateur could provide the necessary data. When analyzed, the data from this sample could assist B&B entrepreneurs with important decisions concerning the addition of an on-premises restaurant.

APPENDIX A

E-MAIL INTRODUCTORY LETTER

March 17, 1999

Dear Innkeeper,

My name is Eunice Filler. I am a graduate student at the University of North Texas Hospitality Management. It is time for me to begin gathering information for my thesis. My thesis question is: Strategic Alliance Between a Bed & Breakfast and a Restaurant: Impact on the Net Income of the Bed & Breakfast. One of my alternative courses of action is the possibility that the owner of the inn also runs the restaurant; the other is the possibility of leasing the restaurant to a professional restaurateur.

This is a new area of study that has not been researched. My basic information must come from original interviews with individuals who have experienced this business phenomenon. I need information from a minimum of 10 inns which have a full service restaurant that is open to the public and 10 inns which offer dinner for guests of the inn by reservation.

The information I would request would necessarily be in percents, not in dollars, unless you preferred me to figure the percents. Questions I would ask deal with Occupancy Rates of the inn before addition of the restaurant and after its addition, number of Special Events, such as weddings and receptions, hosted by the inn before addition of the restaurant and after its addition, and the effect of the addition of the restaurant on the Net Income of the inn.

As a student, I am on a very limited budget and cannot consider interviewing you in person. With forethought and deliberation, perhaps I can conduct a credible interview via e-mail and fax.

If you agree to my proposal your input will be vital and invaluable to the credibility of my thesis. Please e-mail me at: ejf0001.unt.edu; I will fax the questionnaire, and when it is completed, you can fax it back to me.

I found you in the Independent Innkeepers Association Register. I sincerely hope you can help me.

Thank you for your consideration of my proposal. I look forward to corresponding with you.

Sincerely,

Eunice Filler

APPENDIX B
FAX COVER LETTER

Thank you so much for agreeing to help with my research project.

A three-page questionnaire is attached. I have tried to make one instrument cover all situations; please answer all questions which pertain to your operation. I have tried to keep the requested information simple and unintrusive; only a few questions should require computation from your records.

I should have mentioned in my original e-mail that, of course, I will share the findings of my research with those who participated as soon as the results are tabulated and evaluated. I hope this will be an enlightening experience for both of us.

My fax number is 940-565-6515.

Thanks again.

Sincerely,

APPENDIX C
PRELIMINARY QUESTIONNAIRE

Eunice J. Filler, Thesis Research
-Preliminary Questionnaire for Basic Research-

- ◆ How long have you operated your Bed & Breakfast? _____
- ◆ Did you open the B&B and restaurant at the same time? _____
- ◆ If restaurant was added later, how many years has the restaurant been in operation? _____
- ◆ What is the seating capacity of restaurant? _____
- ◆ Does the restaurant serve lunch? _____
- ◆ Does the restaurant serve dinner? _____
- ◆ How many days per week is the restaurant open? _____
 - ◆ Does the restaurant offer:
 - full menu? _____
 - prix fixe? _____
 - ◆ Is the restaurant:
 - open to the public? _____
 - available by reservation only? _____
 - for B&B guests only? _____
- ◆ Is the restaurant operated by the B&B operator? _____
- ◆ Is the restaurant leased to a professional restaurateur? _____

- ◆ Is the lease based on:

Square footage of the restaurant only_____

Square footage of the restaurant plus percent of sales_____

Percent of sales only_____

- ◆ What was the Annual Occupancy Rate of the B&B just prior to adding the restaurant?_____
- ◆ What was the Annual Occupancy Rate of the B&B after the restaurant was added?_____
- ◆ How many Special Events did the B&B host annually before adding the restaurant?

Weddings_____

Receptions_____

Showers_____

Anniversaries_____

Meetings_____

Other_____

- ◆ How many Special Events did the B&B host annually after the restaurant was added?

Weddings_____

Receptions_____

Showers_____

Anniversaries_____

Meetings_____

Other_____

- ◆ How many Special Events did you host annually for which participants rented rooms?_____
- ◆ Did the addition of the restaurant increase the Annual Net Profit of the B&B?_____
- ◆ By what percent did the Annual Net Profit of the B&B increase after adding the restaurant?_____
- ◆ Is your restaurant still operating?_____
 - ◆ If not, why did you choose to close the restaurant?_____
 - _____.
- ◆ Location of the inn:
 - City with population 50,000 or over_____
 - Small city with population between 10,000 and 49,999_____
 - Small town with population between 1,000 and 9,999_____
 - Village with population 999 or less_____
 - Country setting_____
- ◆ Number of rooms in the inn_____
- ◆ Style of the inn:
 - Elegant, emphasis on exceptional décor and complete service_____
 - Traditional, emphasis on comfort and attentive, but informal, service_____
 - Rustic, emphasis on natural, country setting with informal service_____
 - Contemporary, modern décor with special service_____
 - with informal service_____
- ◆ Number of employees for B&B_____

- ◆ Number of employees for restaurant _____
- ◆ May I mention your inn by name in my thesis? _____

Thank you very much for taking the time to help me with this project which is very important to me.

APPENDIX D
INSTITUTIONAL REVIEW BOARD APPROVAL

UNIVERSITY^{of} NORTH TEXAS

Office of Research Services

February 22, 2000

Eunice J. Filler

(address placed here)

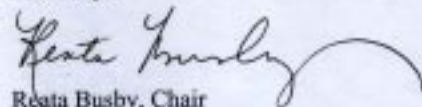
RE: Human Subjects Application No. 00-037

Dear Ms. Filler,

Your proposal titled "Strategic Alliance Between a Bed and Breakfast Inn and A Restaurateur: Impact on Net Income of the Bed and Breakfast Inn" has been approved by the Institutional Review Board and is exempt from further review under 45 CFR 46.101.

The UNT IRB must re-review this project prior to any modifications you make in the approved project. Please contact me if you wish to make such changes or need additional information.

Sincerely,



Reata Busby, Chair
Institutional Review Board

RB:sb

APPENDIX E
INSTRUMENT COVER LETTER

EUNICE J. FILLER
(Address placed here)

February 21, 2000
Dear Innkeeper,

You have been randomly selected from a database of 10,000 bed & breakfast operators nationwide to participate in the enclosed study. As a graduate student at the University of North Texas, School of Merchandising and Hospitality Management, I am conducting a study on the effect of adding a restaurant to a bed & breakfast operation. My premise is that a restaurant facility owned by the B&B and leased to a professional restaurateur stimulates the volume of business and the net income of the B&B without overworking the B&B operator. The information gathered from questionnaires that are returned will be the data with which I will develop my thesis.

Your participation in this study is voluntary; you may withdraw anytime without penalty, prejudice or loss of benefits. Your answers to the questionnaire will remain strictly confidential the detachable entry form will be separated from questionnaire response upon receipt. About 15 to 20 minutes are required to fill out the enclosed questionnaire. All of the questions are important; please do not skip any. Because time is also important, please return the completed questionnaire to me in the enclosed self-addressed, postage-paid envelope within one week, if at all possible. If you would like the results of the study, please include your e-mail address at the end of the questionnaire or check the PAII website, <http://www.paii.org>. If you have questions, please contact me at 940-387-8330 or Dr. Reynolds at 940-565-2807. This project has been reviewed and approved by the UNT Committee for the Protection of Human Subjects (940-565-3940).

To reward you for taking time to answer my questions. I am enclosing a raffle ticket for you to fill out and return with the questionnaire. The winner of the raffle will receive \$100 toward the registration fee for the PAII 2000 National Conference (Professional Association of Innkeepers International), which will be held in Hilton Head, SC, March 26 through 29, 2000. The drawing will be at 4PM (CDT) on Monday, March 8, 2000, in the office of my major professor, Dr. Johnny Sue Reynolds. The winner will be notified promptly.

Thank you for your valuable time and for the information which is so important to me and other innkeepers.

Sincerely,

Eunice J. Filler, B.B.A.
Graduate Student
School of Merchandising & Hospitality Management
Management
University of North Texas

Johnny Sue Reynolds, Ph.D.
Interim Associate Dean
School of Merchandising & Hospitality
University of North Texas



Raffle Ticket for
\$100 toward Registration Fee for PAII 2000 Conference
Hilton Head, SC

Name _____ B&B _____
Address _____ City, State, zip _____
Date entered _____
Phone _____ Fax _____

To be eligible for the drawing, this ticket and completed questionnaire must be returned and received in the office of Interim Associate Dean, Dr. Johnny Sue Reynolds, School of Merchandising and Hospitality Management, University of North Texas, by 4PM (CDT) Monday, March 8, 2000.

APPENDIX F
INSTRUMENT

A STUDY OF BED & BREAKFAST OPERATIONS

SECTION I

1. How many years in business (Check one):

_____ less than 1 year	_____ up to 3 years
_____ up to 5 years	_____ up to 7 years

If over 7 years, please give the actual number of years _____

2. Number of rooms for rent (Please specify the number): _____

3. Number of baths (Specify the number for each category):

_____ Private	_____ Shared
---------------	--------------

4. Style of B&B (Check one):

_____ Elegant – (Richly decorated, elegant furniture)
_____ Traditional – (Eclectic but gracious and comfortably-appointed)
_____ Rustic – (Rough-hewn furniture, back-to-nature atmosphere)
_____ Contemporary – (Modern furniture, striking décor)
_____ Other (Specify) _____

5. Location (Check one):

_____ Rural	_____ Village	_____ Urban	
_____ Mountain retreat	_____ Ranch	_____ Seaside resort	

6. Travel purpose of guests (Estimate percentages):

Business travel	_____%	Attending wedding or graduation	_____%
Special occasion	_____%	Attending meetings at inn	_____%
Visiting family	_____%	Attending meetings in area	_____%
Part of a tour group	_____%	Tourists	_____%
Get-away vacation	_____%		

7. Type of breakfast Served (Check one):

_____ Full breakfast - served to guest		_____ Full breakfast - served buffet
_____ Continental		_____ None

8. B&B employees excluding owner/operators (Specify the number for each category):

_____ Housekeeping	_____ Kitchen	_____ Dining room	
_____ Maintenance	_____ Grounds keeping		

9. B&B Sources of income (Percents):

_____ % of annual gross income from ROOM SALES
_____ % of annual gross income from SPECIAL EVENTS
_____ % of annual gross income from GIFT SHOP
_____ % of annual gross income from RESTAURANT
_____ % of annual gross income from OTHER (Please specify other) _____

- 10 to 16. Average number of special events hosted annually by the B&B with no outside catering (Specify number):

10. Weddings	_____
11. Receptions	_____
12. Rehearsal Dinners	_____
13. Showers	_____
14. Business Meetings	_____
15. Club Meetings	_____
16. Other	_____

17. Is there a restaurant on premises? (Check one)_____ Yes _____ No
18. If you do not have a restaurant on premises (Check one):
 _____ Do not have space _____ Not Interested
 _____ Tried restaurant, but not feasible _____ Other (Please specify)_____
 If restaurant was not feasible, please explain _____

SECTION II
 If there is no restaurant on premises, please skip to question 45

19. How many years has the restaurant been in operation? (Specify number) _____
20. Restaurant is (Check one):
 _____ Managed by B&B operator.
 Hours spent daily (Estimate the number of hours spent in each function)
 _____ Managing B&B
 _____ Managing restaurant
 _____ For free time and sleep
 or
 _____ Leased to professional restaurateur.
 Hours spent daily by B&B operator (Estimate the number of hours spent in each function)
 _____ Managing B&B
 _____ Dealing with restaurant matters
 _____ For free time and sleep
21. If restaurant is leased, lease is based on (Check one): _____ Square footage of restaurant only
 _____ Percent of sales only
 _____ Square footage of restaurant plus percent of sales
22. Chef is (Check one): _____ B&B owner/operator _____ Hired by B&B operator
 _____ Professional restaurateur
23. Restaurant menu is (Check one): _____ Full menu _____ Limited menu _____ Prix Fixe
24. Restaurant was (Check one):
 _____ Opened before the B&B _____ Opened at same time as B&B _____ Opened after B&B
- 25 to 31. If restaurant was opened after B&B, indicate the number of Special Events hosted annually by B&B (Specify number):

	Average number per year before opening restaurant	Average number per year after opening restaurant	
25. Weddings	_____	_____	
26. Receptions	_____	_____	
27. Rehearsal dinners	_____	_____	
28. Showers	_____	_____	
29. Business meetings	_____	_____	
30. Club meetings	_____	_____	
31. Other	_____	_____	(Please specify) _____

32. If restaurant was opened after B&B, *annual occupancy rate* of B&B has (Give percentages):
 Increased by _____% Decreased by _____% _____ Remained the same

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