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CASE B

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The Flandrien Hotel

On a cool but sunny Spring day in mid-March 2024 Jamie Anderson and Bernard Moerman were sitting in the Flandrien Hotel's Clubhouse and reflecting on what had been a remarkable three years. Having purchased a struggling 14-room Boutique Hotel in the middle of the Covid pandemic, the Flandrien Hotel now welcomed cycling tourists from around the world, many of whom were successful leaders, managers and entrepreneurs. The hotel also hosted many international cycling teams, and was active in supporting young cycling talent, hosting a scholarship program for female and male athletes.

In March 2024 the Hotel was recognised as the "Best Historical Hotel in Belgium" as part of the 8th Annual LUXlife Magazine International Hospitality Industry Awards. The award recognised the Hotel's excellence in service delivery, client focus, and its celebration of the history and heritage of cycling in Flanders.

But Jamie & Bernard had also had their personal and professional challenges in growing the business, with some aspects of their original strategy proving more difficult to implement than they had imagined. Looking forward, they pondered how the business should evolve. They had recently received an approach from a London-based investor interested in franchising the Flandrien Hotel concept in other geographies. Was that what they wanted for the Flandrien Hotel?

Sitting together in the Clubhouse, Bernard had just told Jamie that he would be ready to step away from his role as General Manager of the Hotel at the end of the 2024 opening season – exiting the business 18-months earlier than originally planned.

Implementing the Strategy

The Management Team received the keys to the Hotel on 15th May 2021 and set a target of opening for business on 1st of July. They immediately embarked on implementing brand activation, website build, sales and marketing activities, Property Management & POS System installation, remodelling, and adaptation of cycling facilities.

After opening their doors the hotel business immediately took off. There had been floods in the south of Belgium, so many clubs and groups who had booked accommodation suddenly decided to visit the drier north of the country instead. The founder's "hunch" that there was massive latent demand for a full concept cycling hotel proved correct, and business remained strong right through until the end of October when the weather turned cold.

The business to serve cycling teams was also going strong, with the Hotel quickly establishing a reputation with women's and youth development teams from France, the United Kingdom and Scandinavia. Many of these teams would return two or three times during the season, learning the Hotel's self-service operating approach.

But it became apparent that hosting more than one team at a time placed strain on the Hotel's facilities like parking, kitchen and the workshop, with tensions sometimes emerging between riders and staff from different groups. Teams could also vary considerably in their demands – some were completely self-sufficient for all meals, while others expected meals.

Image: Flandrien Hotel Clubhouse

The corporate segment had also been much more difficult to penetrate than expected. Many Belgian clients were reluctant to pay the kind of fees that Jamie & Bernard could command from international teaching or speaking projects, and the Management Team came to realise that the Hotel's (relatively) small number of rooms also posed a challenge.

Although having only fourteen rooms, the hotel could host around 40 guests at full capacity due to many rooms having multiple beds. While leisure guests were almost always happy to share with their friends, corporates expected single-occupancy – with the hotel having only ten rooms that were suitable for just one-person. This was too few for many companies.

So whilst Jamie and Bernard were seeing strong demand for teaching and keynote speaking at events and conferences *outside* the Hotel, it was very difficult to convince clients to book them to deliver sessions at the Flandrien itself.

The self-service bar concept had provided a big hit with guests, and the Hotel was doing well selling cycling clothing and memorabilia. The shop was expanded with the addition of more than twenty new product lines and installation of new racks and display cabinets for apparel and merchandise.

Sales of art had been almost non-existent, causing tensions with exhibiting artists. The Gallery space was refurbished, and the artworks installed ready for the opening of the Hotel. But just a week before the launch of the project, the Gallery Manager faced a personal crisis that prevented him from continuing with the partnership. So the Flandrien Hotel found itself home to a beautiful Art Gallery, but with no one on staff having experience of how to run a commercial gallery business. In early 2024 the founders decided to convert the Gallery space into a 6-bed apartment, and to move the artworks from the Gallery to other exhibition spaces in the Hotel.

Working with outsource companies for housekeeping had proved more challenging than expected due to the unpredictable nature of room bookings at different periods. Most companies demanded a set number of days or hours per week for tasks like cleaning and room changes, which meant that on some days the hotel was short of staff while on others there were not enough tasks to be done and the contractor had to be paid anyway.

The Hotel closed its doors for a "winter pause" between November and February, giving the management team a well deserved break after a hectic start. Bookings took-off again in the Spring, and by the end of 2022 revenues were well ahead of forecast. But despite robust bookings throughout the year, as well as strong food, beverage and retail sales, profitability was hit hard by a surge in energy costs due to the war in Ukraine. Belgium had become the third most expensive country in the world for electricity and the Hotel's energy bill for the year had increased almost five-fold.

The hotel's free cash flow was sufficient to cover its financing and operating costs throughout the year, as well as capital investment in equipment and some minor renovations, with a small dividend allocated to the two founders.

A few bumps in the road

Due to the profitability of the business being less than expected in 2022 Jamie prodded Bernard towards trying to generate business over the normally quiet winter months between November and February when almost 80% of the hotels and B&Bs in the area closed their doors for the Winter.

Jamie analysed the market for international riders and teams who visited Belgium for winter Cyclocross racing, and leveraging Bernard's expertise and network assembled a full support crew with a race coordinator, mechanics and other support staff. Through targeted marketing and communications efforts towards individual riders, teams and national cycling federations, the program attracted cyclocross riders from around the world but achieved (at best) 30% room utilization. In the words of Bernard:

> *"Sometimes Jamie races ahead with is ideas but forgets to look over his shoulder and bring others along with him. He had a vision and strategy for the Cyclocross program, but underestimated how much time and energy it would take to make it work. In the end we delivered a great experience for our guests, but the project absorbed too much of our attention and was loss-making once the staffing and winter energy costs were taken into account."*

With a rather stressful winter behind them, the founders entered the Spring of 2023 much less energised than they had been a year before.

Jamie's international teaching and keynote speaking responsibilities had also picked up as Business School courses and conference returned to pre-pandemic levels - so much so that he found himself working almost seven days a week. In the words of Bernard's wife Ann:

"We could see that Jamie was taking on too much, but it was hard to raise the issue with him because he was so focused on making the business a success. He started making basic mistakes, like double booking rooms or forgetting to pay our suppliers. He was becoming irritable and unhappy, nothing like the Jamie who we'd we started this journey with back in 2021. Bernard was really starting to get frustrated with Jamie's lack of listening and single-mindedness, which came to a head during the weekend of the Tour of Flanders. We were afraid that he could be headed towards a burnout."

Bernard and Ann sat Jamie down over dinner during the second week of April and shared their concerns. It was agreed that he should take a break from his responsibilities at the Hotel, effective immediately. Looking back, Jamie reflects:

"In hindsight I now realise that I was on the edge of a burnout. I had been working non-stop, was sleeping poorly, and had not been looking after my physical or mental health. I am incredibly grateful to Ann and Bernard for caring for me in the way that they did. Their intervention helped me to slow down, to reflect and to engage in some self-care strategies to get myself back on track. I took a seaside break with my wife Anne-Mie, caught up on rest and started to exercise again. This all helped me to prioritise more effectively, to put some projects on hold, and to get things back in balance. But most importantly I was making time to think again, rather than being constantly tied up in the day-to-day whirlwind."

As part of their discussions about what needed to change, it was agreed: future sales and marketing efforts would focus upon the core leisure guest segment with the geographic spread extended to Austria, Germany and Switzerland (based on the recognition of market potential in these regions by Visit Flanders); bookings would only be accepted from cycling teams that agreed to be completely self-catering and there would only be one team booked in the hotel at any one time; the hotel would stop marketing activities geared towards attracting corporate groups; the property would close completely in November and February, allowing for a proper winter break and necessary renovations; the full Cyclocross program would not be repeated in Winter 2023 – but it was agreed to host the Australian National Team on a stay basis only, with full self-catering.

Getting back on track

The remainder of 2023 saw many highlights, with the Hotel hosting an international Women's' Cycling Summit in May, the start of the Transcontinental Race in July, and welcoming individuals and groups from as far afield as China and Brazil. With robust bookings the Management Team was confident enough to increase the summer rate for a twin room from 165 euro to 185 euro per night, with rates for all other room categories adjusted upwards by between 10 and 15 percent. Room rates for the "peak" week of the Tour of Flanders in April were set in the range of 450-550 euro per night for a twin room.

The founders adapted the two-night stay requirement to allow one-night bookings in the case of reservations made 21-days or less before arrival. The aim was to boost room utilisation by offering available rooms to guests, mostly Belgian and Dutch, who tended to book at shorter notice.

Staffing had become much easier to manage via a partnership with Belgian start-up NowJobs (www.nowjobs.be). NowJobs is an application-based labour platform enabling the contracting of part-time employees, significantly streamlining Belgium's complicated labour rules. The Hotel had hired three part-time housekeeping and kitchen staff via the NowJobs platform and additional help could be booked with just a few taps of the mobile-phone based App – even at short notice. Contracting and payments for all part-time staff was fully automated via NowJobs, reducing the Hotel's administrative burden considerably.

Image: Flandrien Hotel Guest Room

At the time of opening the Hotel the founders had been advised against investing in rental bicycles. Market research shared by Tourism Flanders revealed that most international cycling tourists brought their own bicycles with them. But direct interaction with guests revealed that this was more out of necessity than desire.

Despite the tens of thousands of inbound cycling tourists to the region each year, it was almost impossible to rent a good quality race bike in East Flanders. The hotel started renting bikes in mid-2023 and a few months later launched a hire service for ex-pro team models from Jamie's collection. Stories about the pro bike hire service appeared in print & online cycling magazines in several countries.

Bicycle sales had also emerged as an opportunity, with ten classic bikes sold in 2023. The Hotel had agreed a distribution partnership with Berlin-based Steel Vintage Bikes, one of Europe's leading auction houses for rare and vintage bicycles, with a dozen bikes from the Hotel's collection listed for sale on the company's website.

Jamie's son Ries who was studying an undergraduate degree in commerce launched Flandrien Chocolate (www.flandrienchocolate.com) in November, sharing the Hotel's black and white check pattern and featuring the Flemish Cycling legend Briek Schotte. Produced in partnership with a local chocolatier, Flandrien Chocolate combined Belgium's chocolate making tradition with cycling heritage, sharing stories about Flemish cycling legends. Ries had been busy marketing

the brand over the winter, with several quick wins. It was already being sold at the hotel, as well as through around a dozen retail distribution points in Belgium and the Netherlands.

The visit by the Australian Cyclocross Team between middle of December and end of January passed off smoothly, with almost no supervision required from the Hotel's Management Team once the riders and staff had been given their orientation. It was an approach that all agreed could work in the future, and the success of the Cyclocross stay had also resulted in a contract to host the AusCycling Women's Junior Road Development squad for a four-week period in the Spring of 2024. Jamie was incredibly proud to have established the Flandrien Hotel as a base for Australia's future cycling talent.

From November through January Jamie had been at the Hotel only occasionally, spending a lot of time with his wife and children at their family home in Antwerp. It was the most time that he'd spent at home since opening the hotel in 2021, and had been a great boost to his creativity and energy:

> *"It was just great to be able to slow-down and spend some downtime with my wife Anne-Mie, as well as our three children. In January my son Charlie and I took a two-week vacation to Oman, which was just wonderful. We hiked in the desert, snorkelled with sea turtles, and watched some amazing sunsets. I returned fully recharged and buzzing with ideas."*

Revenues for 2023 were almost double that of 2022 and Bernard started to draw a monthly salary from the business – significantly more than the small dividends that had been distributed in 2021 and 2022. With strong cash flows and profitability, Jamie also decided to invest in a high-capacity solar energy system that was expected to reduce the Hotel's annual electricity costs by as much as 60%.

Flandrien Scholarship

The Flandrien Scholarship program was launched soon after the Hotel's opening in 2021. Initially for riders from Australian and New Zealand, the program had been extended to other countries in 2022. There had been more than forty female and male athletes from eight different countries hosted by end of 2023. The purpose of the program was to provide support to athletes to train and race in Belgium, providing them with fully subsidized accommodation, access to a vehicle and personal mentoring. In the words of Josh Davies, a 24-year-old scholarship holder from Australia:

> *"The program is just awesome. Not only do I get to live my dream of racing in Belgium, I've also found a home away from home in which to develop and learn life skills. I am so thankful to Jamie and Bernard for giving me this opportunity. I have made many friendships with the other Scholarship holders. Being here feels like being part of a big Flandrien Family."*

Riders could stay at the hotel for anywhere between one and three months, with several riders having returned to stay two or three times since the program's inception. Scholarship holders often volunteered to help with chores such as clearing breakfast, locking-up in the evening, servicing the Hotel's rental bike fleet, and shuttling guests from the nearby train station. Guests were invited to "donate" to the Scholarship Program at checkout, with approximately 2500 euros in guest contributions in 2023. All guest donations were shared directly with the riders in residence to help with their day-to-day living expenses.

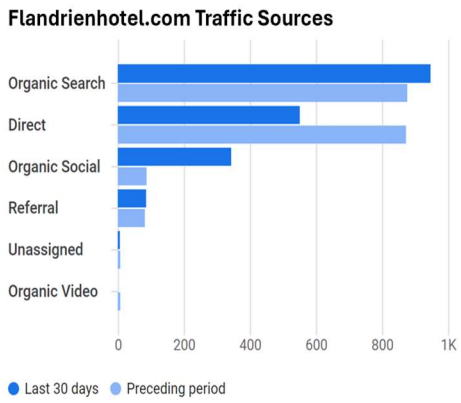
Although the Scholarship program was running relatively smoothly, there had been increasing disagreements between Jamie and Bernard about the day-to-day supervision of the riders in residence. While Jamie saw this supervision as a natural extension of Bernard's General Manager role, Bernard felt less and less desire to manage a group of young people – something he had done for many years at his Cycling Center.

Advertising is a Tax you Pay

From the time of the Flandrien Hotel's inception the founders decided to challenge more traditional approaches to both above the line and below the line marketing activities, and to focus on building robust alliances and partnerships that could lead to increased visibility– while spending as little as possible. The strategy seemed to be paying off, with more than 60% of bookings in the first year being direct rather than via channel partners such as Booking.com. This increased to around 70% direct bookings in 2022 and more than 85% direct in 2023. Guests who booked directly via the Hotel's website rather than a channel partner received free on-site parking, late checkout as standard, and a 20% discount on hire bicycles.

The Flandrien Hotel was the first listed property on the accommodation page of the Cycling in Flanders Website (www.cyclinginflanders.cc) and also the first listed Bicycle Rental service on the site's bike hire pages. As of March 2024, the Hotel's website was hosting around 2000 unique visitor per month (www.flandrienhotel.com).

As shown in the chart at right, Organic Search generated almost 50% of hits, followed by Direct Search and Organic Social. Organic search results are listings on search engine results pages that appear based on their relevance to search terms. Direct search results refer to website visits where users access a website directly by typing the website's URL into their browser's address bar. Organic social refers to website traffic generated from social media platforms through unpaid or organic means.



For the previous 12 months the website had hosted around 21,000 unique users, with the top ten sources of website traffic by geography being the United Kingdom (4.2k), Belgium (4.1k), United States (3.2k), Germany (1.5k), the Netherlands (1.2k), Australia (1k), France (0.7k), Canda (0.6k), Spain (0.5k) and Denmark (0.5k).

With a strong emphasis on tie-ups with magazines and content creators, the Hotel had been featured in many of the world's leading cycling magazines, YouTube channels and podcasts, mostly in key geographies such as Australia, The United Kingdom, USA, the Netherlands and Denmark.

Rather than paying for magazine advertising, Facebook ads, website pop-ups or other "traditional" marketing approaches, the Hotel invited magazine editors, journalists and content creators to visit Flanders and stay at the hotel. The Flandrien's bicycle collection was becoming internationally recognised and had been named "as one of the best in the world" by *Cyclist Magazine.*

In many cases magazine and content creator visits were hosted in partnership with Visit Flanders, the Flemish Government tourist authority, who shared the objective of promoting Flanders as a cycle tourism destination. The Flandrien also partnered with the Belgian Bicycle Factory to provide latest model Ridley "loaner" bikes to visiting journalists and influencers. The Hotel had been featured in three cycling documentaries, and had hosted television film crews from Australia, Belgium, the USA, Denmark and the Netherlands.

Both Jamie and Bernard were active in content creation and had a combined (and growing) LinkedIn followership of over 25,000 people, many of whom were cycling enthusiasts. Jamie's regular "Throwback Thursday" blog about his classic bikes attracted a large following, with upwards of 10,000 cross-platform views per post. Bernard's "Think, Walk, Talk" vlogs about leadership, career management and personal growth typically gained upwards of 7,000 views per episode.

In October 2023 Bernard realised the first steps towards achieving a personal dream – he was contracted to write a book which would focus on mid-career professionals who had the courage to undertake new and more fulfilling paths in their lives and careers. Titled *Escaping the Golden Cage*, the book was set for publication in May of 2024.

The book project was part of Bernard's long-term desire to grow his speaking, teaching and coaching activities, but naturally diverted a lot of his time and energy away from the day-to-day management of the hotel. This resulted in some disagreements with Jamie who had initially been fully supportive but now felt that Bernard was investing too much time into his own "personal" work at the expense of the effective and efficient management of the hotel – especially since he was also drawing a monthly salary from the business. Management roles and responsibilities, which the two had never formally written down, became an area of tension.

What Next?

With the Tour of Flanders just a few weeks away, Jamie reflected on the roller-coaster ride of the past three years. He was excited about the forthcoming season with reservations at the hotel looking even stronger than 2023 but felt that Bernard's energy and passion was starting to lean more towards his book project, coaching and speaking rather than managing the day-to-day operations of the hotel. And now that Bernard had declared his intention to exit the business 18-months earlier than planned, he had some important decisions to make.

Jamie felt no real desire to sell his "baby" so that would mean buying-out Bernard's equity stake. The founders' original equity agreement had been based on a five-year commitment, so the buyout terms would need to be renegotiated. It would also mean hiring a new General Manager. But what kind of profile would be suitable given the Flandrien brand's growth trajectory and potential? Jamie's 20-year-old son Ries was soon graduating from his commerce degree and was doing well with his Flandrien Chocolate venture. Maybe he would be interested to engage more with the hotel side of the business?

And on top of all this, what should be done about the approach that he had just received from the investor in London wanting to explore the possibility of franchising the Flandrien Hotel concept in other geographic markets?

EXHIBIT 1 - FLANDRIEN HOTEL - FINANCIAL STATEMENT

	2021	2022	2023	2024 (FORECAST)
OEPRATING CASH FLOW	44700	127000	242000	285000
OPERATING EXPENSES	18000	39500	62000	68000
FINANCING EXPENSES	27600	55200	55200	55200
CAPITAL EXPENDITURE	6500	22000	40000	16000
FREE CASH FLOW	-7400	10300	84800	145800