



**American University of Armenia**

**Հայաստանի Ամերիկյան Համալսարան**

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# ***“Business Consulting for Mirzoyan Library Foundation” Capstone Project***

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## Introduction

The Mirzoyan Library is a photo library and photo gallery founded in August 2014 by award winning documentary photographer Karen Mirzoyan. The library already has 500 photobooks, and the collection is still increasing (to compare, leading photo book libraries in the world account up to 2000 of books in their collections). The Mirzoyan Library is unique for the Armenian market and is probably the biggest private library in the country.

The Library not only provides visitors with rare photo books, but it also organizes photo exhibitions, workshops, and lectures for professionals and amateur in the photography field. On the territory of the Library, a cafe' is also functioning, which format is still not clearly understood and approved by the founder.

Throughout its existence, Mirzoyan Library has continually faced financial difficulties and the problem of developing a sustainable growth strategy. The founder applied different combinations of business models (library, library and a café; library, photo gallery, and café, etc.); however, they were unsuccessful. Either the chosen business model didn't provide enough funding, or was seen by visitors more as a cafe than a library, which is entirely unacceptable for the founder.

The objective of this Capstone project is to deliver a business consulting services, which will provide sustainable development of the Library (within the Library have to be created profit centers, which should cover all the Library costs). From initially discussed development scenarios, the three closer to the vision of the Library were chosen. The detailed information about the mentioned scenarios and feasibility analysis of each are discussed below.

## Scenario 1. The Library + a café

The scenario assumes an extension of the library and the café'. This means the empowerment of the library with modern technical equipment, the addition of minimum 15 books each month (200 books in one year), the creation of a darkroom, which will be the first professional darkroom in Armenia.

The project will also involve an establishment of a café' in the yard of the building (including space refurbishment, purchase of equipment and furniture). The café' will serve as a profit center and provide sustainability (i.e., cover the operational expenses of the library).

Workshops, trainings and exhibitions held in the territory of the café' will be other sources of income for the library.

These activities will contribute to the strategic development of Mirzoyan Library leading to the attraction of a larger audience, development of the photographic community in Armenia; contribute to the youth engagement into art projects. Meanwhile, the establishment of the café' with a big kitchen will allow generating revenue to support the operations of the Library and reach self-sustainability.

The main beneficiaries of the further development of the Library would be:

- Photographers / students from Armenia and the Region
- Photographers and art lovers
- Local artists
- Local community

**Product/Service Marketplace.** To better understand the target audience of the library and the viability of each scenario, our Capstone team has conducted a survey in the form of a questionnaire, which was prepared in three languages (Armenian, English, and Russian). One part of the survey was taken in the library; another was conducted online. We have collected answers from 188 respondents from 16 to 64 years old. Almost the half of the respondents are working as an employee (47.8%), 20.6% are studying (at school or at the university), 7.8% are running a business.

Among all respondents, 48.7% were visited the Mirzoyan library at least ones. The purpose of the visit the Library is crucial to understand customer needs. Among three main

reasons to visit Mirzoyan Library the most popular were:

- **First most important purpose:** To spend time with friends in a nice environment (31.8%); To read books (25%); To visit a gallery (12.1%).
- **Second most important purpose:** To meet interesting people (21.43%); To read books (18.6%); To spend time with friends in a nice environment (18.6%).
- **Third most important purpose:** To visit a gallery (24.6%); To take coffee and snacks (17.3%); To meet interesting people (15.9%).

Only 25% of the respondents identified reading books as a first main reason to visit the library, which indicates the low demand and interest towards the library part of Mirzoyan business concept. From the other hand, most of the visitors perceive this place as a cafe' where they can share the nice environment with interesting people (Exhibit 1).

There are several cafes similar to Mirzoyan library with their concept, atmosphere, and emphasis on art. The main competitors are the following.

1. *Bureaucrat Cafe & Bookstore*. It was founded in 2010 as a bookstore which is now not only a bookstore but a cafe', gallery and restaurant. It provides its customers with books, coffees, good wines and food.

In comparison with Mirzoyan Library, the library-cafe' offers a wide range of books, which are also sold. The variety covers all genres, even books for children. The cafe' has an attractive menu with different dishes and meal (premium quality food, mostly organic and from villages). The cafe' applies an active marketing strategy inviting famous people to advise books, heavy existence in social media.

2. *Artbridge Bookstore Café*. Café Artbridge was established in 2001 with an artistic feel, mainly thanks to its interior decorations. The cafe' has a bookstore with a variety of books by foreign and Armenian writers, as well as the tracks/CDs of various artists and DVDs. Also, it organizes both indoor and outdoor refreshments; provides custom catering for many different events, sales of handmade cards, etc.

3. *The Loft*. Loft is a self-development and leisure multifunctional center, where everything is free, except time. The diversity of activities are supported by independent halls: playroom, open

kitchen, conference-hall, white-room which can be used as a space for yoga and dance, a large hall for art and cultural activities, a stage with musical instruments and a library with the assortment of classic literature.

The center is not a crucial competitor for Mirzoyan library, having more emphasis on socialization and meeting with new people. The target market includes mainly teenagers.

4. *Aeon*. Aeon is an Anti-Café, a communal space in Yerevan where people come together to share new ideas and plan new projects; play games and play music; learn new skills and gain knowledge from classes and lectures; hang out with friends or meet new people; celebrate and have fun, or simply to work and study.

With its marketing strategy and targeting the place is closer to The Loft and still is not a vital competitor for Mirzoyan Library.

**Marketing strategy.** Initially the library had a mission to increase the interest towards the photography in Armenia. The founder, Karen Mirzoyan is very passionate about creating a photography archive in Yerevan and provides the young people interested in art and photography with the place, where they can develop new skills. Considering this fact, the project contains a social element in it and aims to target large masses of the population. From the other hand, the library streams to be a unique place, with a cool atmosphere.

The library currently avoids the usage of active marketing and advertising tools, in order to provide access only to a specific target group (intelligent, mainly famous people interested in art) and relies on the word of mouth.

**Organization and Staffing.** The existence of a very good management and staff are the most important factors for organizing the operations of the cafe' and the library. Especially, they should be able to retain a good reputation of organizing events which are the main sources of the library revenue. The founder himself is actively involved in all kind of activities and has a unique contribution and leadership, as it was revealed from the interviews with the staff.

The library staff will consist of librarians who will be very well informed about the photography art and the photo-books of the library.

The staff of the cafe' will involve bartenders, waiters that will provide a high-quality service.

**Financial projections.** To apply the scenario, the library initially needs 100,000 USD (48,000,000 AMD) financing, that will allow covering operational expenses (including space rental) for the first year, one time purchase of technical equipment, the establishment of a cafe', the creation of a darkroom.

The revenue is considered to be gained through:

- Cafe' operations;
- Min 4 workshops and trainings from invited international experts (with live streaming for bigger audience);
- Min 6 workshops and trainings from local experts;
- Min 4 exhibitions from local/international artists;
- 1 annual regional photographic contest and award.

The financial model is analyzed considering three possible scenarios (optimistic, pessimistic and realistic). In the case of optimistic scenario, the revenue is expected to reach AMD 56 mln, while the pessimistic scenario will provide only AMD 19 mln. The realistic approach is promising AMD 37 mln revenue. The cost structure is also analyzed based on the information of current expenses and estimations of costs after the expansion of the library. In order to get net income, the total expenses are deducted from the revenue that is the average of optimistic, pessimistic and realistic scenarios. With the net income of AMD 3.7 mln the profit margin is 10% (See Exhibit 5).

**Risks:**

1. Possibility of losing the vision (customers will prefer the café while the library will become a secondary place);
2. Lack of demand;
3. Direct and indirect competition.

**Scenario 2: The Library + Guesthouse outside Yerevan**

Within the second scenario, Mirzoyan Library is considering to establish a guesthouse in one of the developed and popular touristic destinations of Armenia (probably Goris). The incentive to develop this idea is to combine unique architecture and culture of the city with the business concept of Mirzoyan Library. The motivation comes also from the desire to increase the involvement of the youth in art, as there is a lack of cultural centers, events and activities in the

regions. At the same time, a lack of art oriented touristic spaces (hotels, cafes) also exists, so the guesthouse which will lead the tourists to learn more about the local history and culture.

The guesthouse will be comprised of 10 bedrooms, 2 open living areas, one kitchen, one office and an art cafe'. It will have a photo gallery with selling photo exhibitions, organize paid workshops for tourists, and provide paid services for corporate clients as well.

**Product/Service Marketplace.** The Goris city offers an attractive touristic destination with multiple sites and attractions, some of which can be experienced on a day trip from Yerevan, but a very long day. Yerevan-based Hyur Service offers a 13-hour tour to Areni, Tatev and Khndzoresk. Overnight stops for Corridor visits are usually in Goris at one of the 13 hotels listed on Hotels.am.

As for the last 5 years especially after the construction of Tatev Wings, the number of tourists visiting the Corridor has significantly increased. The number is increasing by 10-14% yearly. According to the authorized officials, from 300 to 900 tourists visit Tatev Wings and Vorotan canyon daily during the season time. Tourists visit and stay in Goris from 2 to 5 days. The 35% of the tourists prefer hotels, 47% stay at guesthouses with the average price of 6,000-12,000 AMD daily. According to the listings on TripAdvisor, Travel.am and Lonely Planet, there are about 22 hotels and guesthouses in Goris. The largest hotel has 40 rooms; the city has a total of 237 rooms.

An interview with a tour manager of Armenia Travel Agency confirmed that there is a need for a good guesthouse in Goris since tourists prefer to stay at places that have a family atmosphere and be closer to the unique culture of the city. The tour manager mentioned that they had approximately 500 tourists visited Goris in 2016. Within one group there were on average 15 tourists. They stayed at Goris from 2 to 3 days. Overall tourists are pleasant with the prices of hotels in the city. The complaints were more about the comforts of the hotels, the lack of qualified staff which fails to meet the standards of good communication.

The results of the survey, conducted by the Capstone team, also state that there is an interest towards the guesthouses, 56.9% of the respondents indicated that they will prefer guesthouses while traveling outside Yerevan (Exhibit 2). They vast majority would prefer to stay from 1 (15%) to 2 (27.2%) or 3 nights (25.8%) in such a guesthouse. However, among the preferable locations of the respondents Goris (9.35%) is the fifth choice after Dilijan (31.7%), Gyumri (19.4%), Yerevan

(12.2%), and Stepanavan (11.5%).

**Marketing strategy.** The main target group for the guesthouse will be tourists and visitors of the city, as well as the local community interested in photo-books and exhibitions. The guesthouse can differentiate itself from the existing competitors by offering a high-quality service including photo-books and exhibitions.

**Organization and Staffing.** Considering the complaints of the tourists about the staff and work ethics in hotels, it is crucial for the Guesthouse to create a team with a strong commitment to professional work. The target employees are the students of Goris State University giving them an opportunity to pursue working experience, new skills and knowledge in the art. From this perspective, the project is in line with its vision and contains social elements as well.

The workshops and guesthouses will be held by already established Mirzoyan Library team, who possess a huge expertise in the field.

**Financial Projections.** The Mirzoyan management has decided that the guesthouse will be in one of the old buildings in Goris. About 260,000 USD or AMD 124,000,000 will be needed for the project to be realized.

The revenue is considered to be gained through:

- Cafe' operations;
- Guesthouse operations;
- Workshops and exhibitions;

The following objectives will be reached during the one year of the project:

- Workshops and trainings from invited local and international experts;
- Min 8 books added to the library each month (100 books in one year);
- Min 4 exhibitions from local/international artists;
- 1 annual regional photographic contest and award.

Financial calculations show that the guesthouse will provide AMD 43 mln annual revenue in the optimistic scenario, AMD 10 mln in the pessimistic and AMD 25 mln in the realistic case. The annual costs are estimated to reach AMD 24 mln, which will be covered with a small difference in the realistic scenario and will be exceeded by 79 % in the optimistic scenario. Profit margin for



this scenarios is 8% (Exhibit 6).

**Risks.** The risks that can be associated with the business model 2 are the followings:

1. The Seasonality: the most challenging factor is the seasonality, as internal visitors and tourists visit the city from May to October, therefore, during the remaining months the guesthouse should concentrate on the work of the cafe' and exhibitions.
2. Competitors (guesthouses, hostels, hotels).
3. Management of two projects (library in Yerevan and Guesthouse in Goris), transportation of the books and exhibitions between two places are challenging.

### **Scenario 3: Modern Art center**

This is a hybrid project of commercial and noncommercial objects located in the sub-urban area of Yerevan. The main concept of non-commercial space of the center is the duplication of blocks for different domains of art. Initial chosen domains are photography, music and architecture. The building is considered to have a modular design leaving opportunity for future expansion of the center into new domains of Art. It will have several cube blocks standing side by side; each of the blocks is devoted to one art domain. In the same time, the blocks will have common spaces.

The commercial part of the center will include:

- Office spaces,
- Cafeterias,
- Guesthouse
- Open-air theatre

Domains: The photography domain will include a huge photo archive and a world class exhibition hall providing a possibility to local and international photographers to conduct exhibitions. The block will include also a public library of photography books, which will be based on the already existing collection of more than 500 books from Mirzoyan Library. The center will promote interest towards photography in Armenia with its' operations including visits of guest speakers, photography classes, exhibitions, etc. Music and architecture blocks will be modern day schools.

**Product/Service Marketplace.** In Armenia there are several art-centers; "Art Center Narekatsi", "Hayart", "Npak", "Arame", "Arev", "Valmar", "Albert and Tove Boyajyan". All the mentioned

centers provide exhibition halls and exhibition sales of works of Armenian and international artists. Narekatsi Art Center includes also an assembly hall and a recording studio. Simultaneously individual exhibitions, concerts, feature and documentary film shows are held there. In Hayart charitable actions, meetings with celebrities are held, films, fashion shows are organized as well. There is a children's studio of handicraft adjunct to the center. In Npak film shows, drama performances, as well as practical studies and discussions regarding modern art are held. Generally, these art centers cover some functionality that are part of the Mirzoyan Art center agenda, but still the overall business concept of the latter is unique and unrepeatable. There is not a public archive of photographs in Armenia. There are several organizations which possess a big number of photos of Armenia and are ready to donate to the archive if there will be one (Arab Image Foundation, American University of Cairo, etc). Moreover, the library of photography books in Mirzoyan Art Center is the only library of that kind.

The survey also has shown that there is a significant interest to the Art Center. Among respondents: 85.4% are interested in visiting it. This is considerably higher than in the case of the guesthouse (Exhibit 3).

Respondents also have provided some projections about their potential spending in such Art Center. The majority agree to spend from minimum 1500-2000 AMD per person (35.9%) to maximum 3000-5000 AMD per person (29.1%). Moreover, a significant number of respondents agree to spend even more (Exhibit 4).

**Marketing strategy.** The Mirzoyan library with its vision is more a social program rather than a profit making organization. The complex will be a visual art think lab that contributes to the development of community, cultural environment and connections among artistic activities by providing various events to the artists, citizens, academic researchers and school research organizations. So, a crucial beneficiary of the project is the local community. The project should be at the center of public attention and get donations. The targets of the project are local people and tourists interested in art, as well as young professionals wishing to broaden their skills in the offered art domains. The company can reach these target groups by an active involvement in social media and social and cultural events.

**Organization and staffing.** There is a clear picture of the organization structure of the art center.

It will have a Board of Trustees which is going to control the strategic development of the center. Executive Director of the center will be responsible for operations and sustainability of the center and will report to Board of Trustees. Curators of the blocks will be responsible for the content operation of each block and will report to the Board. All other staff will report to Executive Director.

From the perspective of the staff and team, Mirzoyan Art Center has a privilege of having well-established connections with international organizations and art professionals from the Diaspora. The domains are chosen based on the discussions with worldwide level experts, with whom there are also existing agreements (Tigran Hamasyan in the domain of music) to become the curators of the art domains. The founder of the art center, Karen Mirzoyan himself is a documentary photographer with spacious expertise and commitment. There are also some initial agreements with organizations upon the subject of providing them office spaces in the center (NOOR Foundation, Screen Foundation etc.).

**Financial projections.** The center is looking for having revenues from several operations:

- Rental of office spaces;
- Rental of a cafeteria;
- Rental of a guesthouse;
- Rental of an open-air theater;
- Rental of an exhibition hall;
- Rental of a concert hall;
- Public donations.

The initial estimation of the budget is 1,040,000 USD. This financing will allow creating two blocks, a guesthouse, a cafeteria, common spaces and office spaces.

Around 800,000 is estimated to be used for the creation of the two blocks (photography and music), office spaces for 10 offices, 8 guesthouses, space for a cafeteria, an open-air theater. The rest of the money, about 240,000 USD will be used to finance the first two years of the project.

The financial projections show that the art-center will provide AMD 104 mln annual revenue in case of optimistic approach, AMD 36 mln in the case of pessimistic approach and AMD 65 mln in the realistic case. The annual costs are estimated to reach AMD 55 mln (Exhibit 7).

Generally, the art-center is the most profitable scenario from the perspective of financials, as the profit margin would be almost 20% in comparison with the cafe' and guesthouse in Goris, that are expected to provide 10% and 8% profit margins respectively.

**Risks.** The main challenges are connected with the initial financing, as the project demands huge investments to be accomplished.

## Conclusions and recommendations

The analysis of the scenarios shows that all three are reasonable to apply from the perspective of the financial results. However, comparing with each other we see that the second scenario (Guesthouse in Goris) is less viable.

There are several reasons for that:

1. This project needs an initial investment of 260,000 USD, which is higher than in the case of the first Scenario 1(The Library + a Cafe), where 100,000 USD is needed. Meanwhile, according to the financial estimations, the Guesthouse will generate less income (2,050,000 AMD) than a Cafe (3,133,667 AMD) and an Art Center (13,693,333 AMD).
2. Based on the results of the survey conducted, we see that the Guesthouse attracts less attention of the potential customers than Art Center (57% of the respondents would prefer to stay in a Guesthouse and 85% would be interested in visiting an Art Center).
3. Compared to the Cafe, Guesthouse needs much more administrative resources and involvement of the Library's management into the completely different business, which besides all is located remotely.

Now, we have to compare two remaining scenarios:

1. Art Center is a very challenging project, which needs a significant initial investment (more than 1 million USD) and also requires from the Library's management expertise in spheres, where the management does not have competency yet.
2. The Cafe is much easier, predictable project, which needs 10 times fewer investments. Moreover, the Library team also has some experience of managing the cafe.
3. Art Center is potentially more profitable business having much more possibilities to further develop.

Taking into account all these reasons, we recommend the Library's management to concentrate first on the further development of a Scenario 1 (The Library + a Cafe). However, it is also recommended the Library's founder to have into consideration the Art Center scenario, to continue meetings with potential investors and donors. As far as he will find interested donors, he may start developing the Art Center taking into account all challenges he will face and try to avoid or neutralize them.

In order to successfully apply the first scenario, the following recommendations on further development are made.

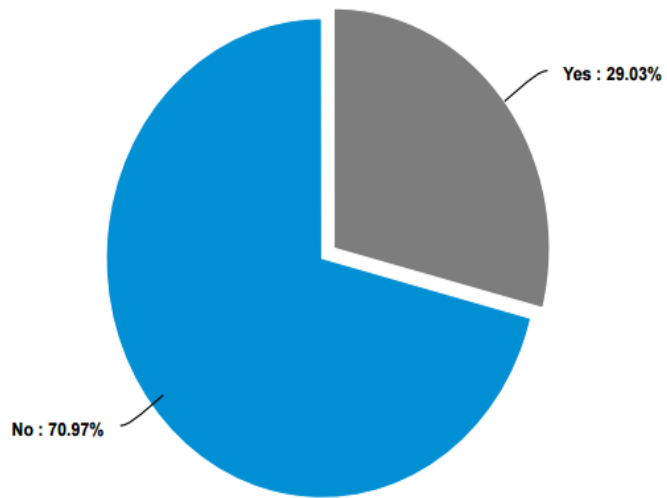
- To separate marketing strategy of the Cafe and the Library as they have two different target customers: people visit the cafe' for spending time and sharing the nice environment, while others come to the Library for the books. The Library cannot refuse the cafe's customers as they provide a profit for its existence. However, the Library management can provide them with more connected to the photography commercial activities, such as possibilities to buy photo books, souvenirs connected to the photography field. On the screens placed on the Cafe's walls should be translated videos of the Library's books.
- The Library's book collection should be extended. The menu of the cafe' should be revised having more popular and demanded dishes and drinks.
- The Library should also start an active promotion campaign at least via its webpage and social network pages. The web page should provide information about all the events, master classes, public lectures, and exhibitions taking place in the Library.
- The Library also should have a "Support us" section in the official web page and the box for donations in the library and cafe areas. It is also worth efforts to conduct a crowdfunding campaign using the Indiegogo facilities with the support of OneArmenia (<https://www.indiegogo.com/partners/onearmenia>).

We expect that implementation of these recommendations and also good management of the Cafe will provide the Mirzoyan Library financial sustainability, which is the main objective of this Capstone project.

## Appendices

### Exhibit 1 : Survey results

Have you ever visited the Mirzoyan Library in Yerevan?



How often do you visit the Mirzoyan Library?

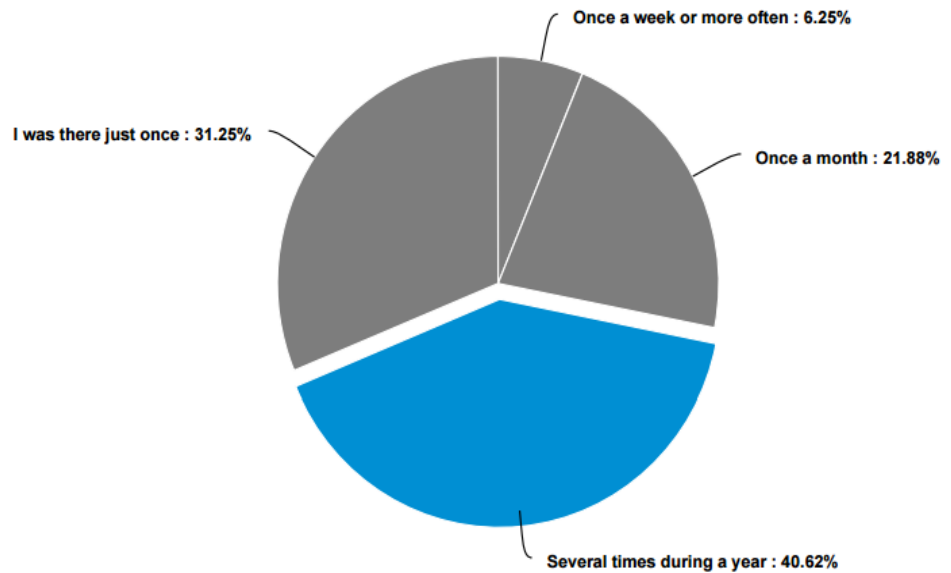


Exhibit 2 : Survey results



Would you prefer to stay in a guesthouse having photo exhibitions when you are travelling in Armenia?

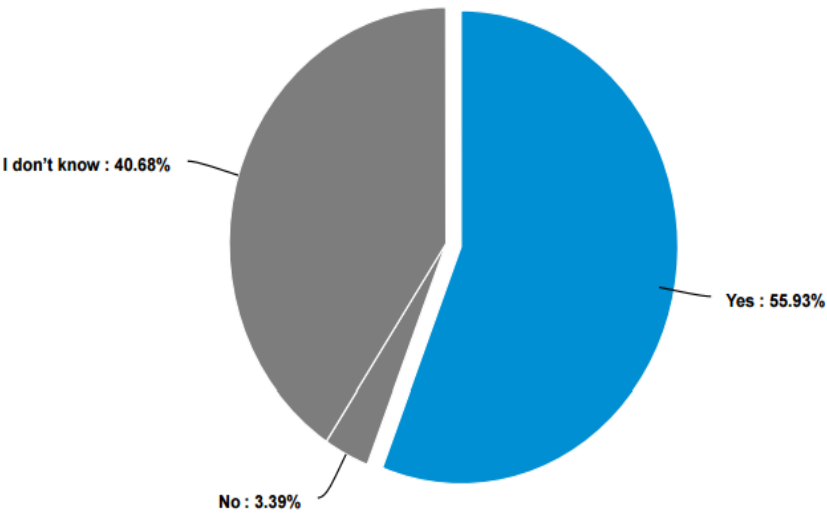
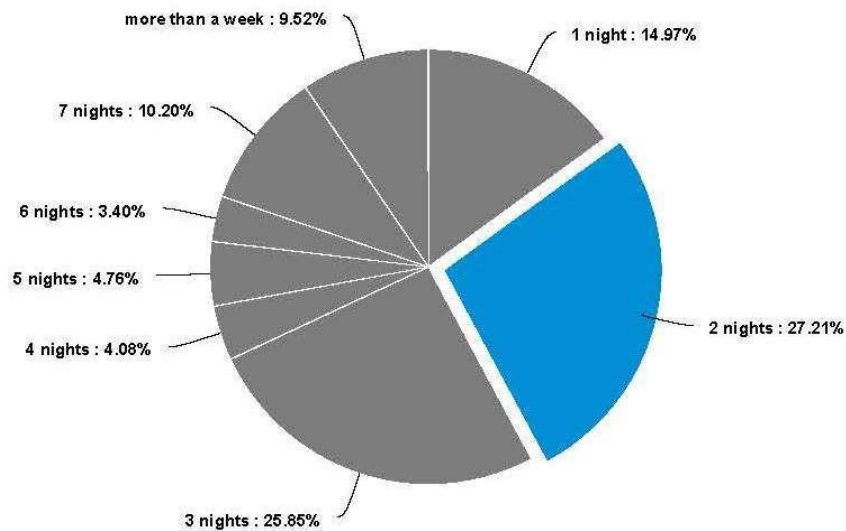
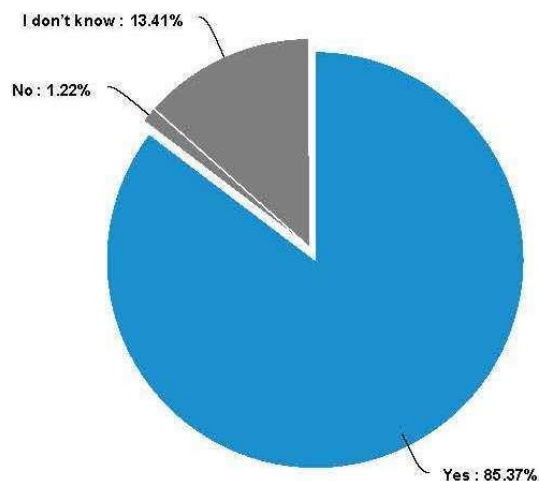


Exhibit 3 : Survey results

How many nights would you stay in such a guesthouse?



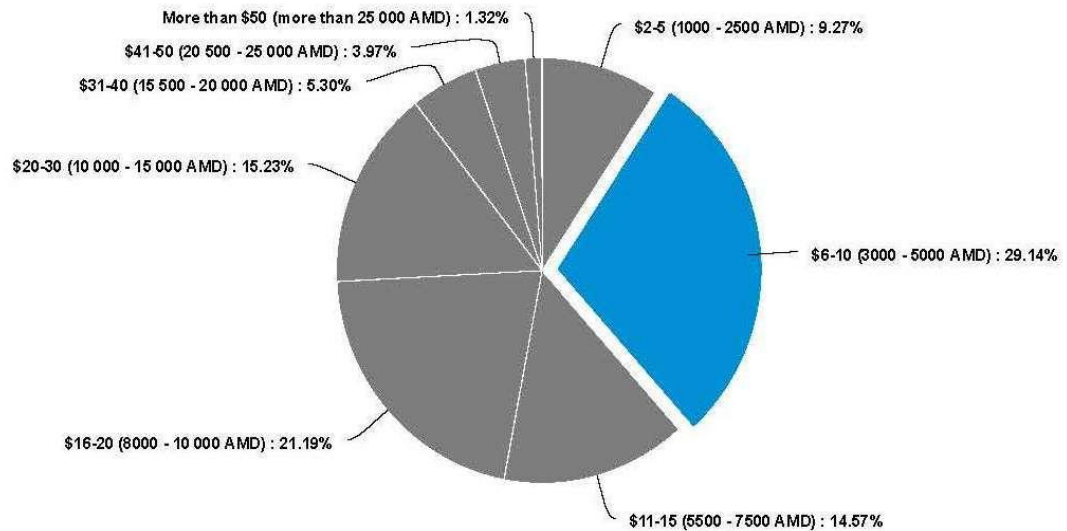
If a Modern Art center (with exhibitions, master classes, open-air theatre) presenting art-works in photography, music, dance, architecture opens in the Yerevan suburb, will you visit it (there will be some paid activities)?



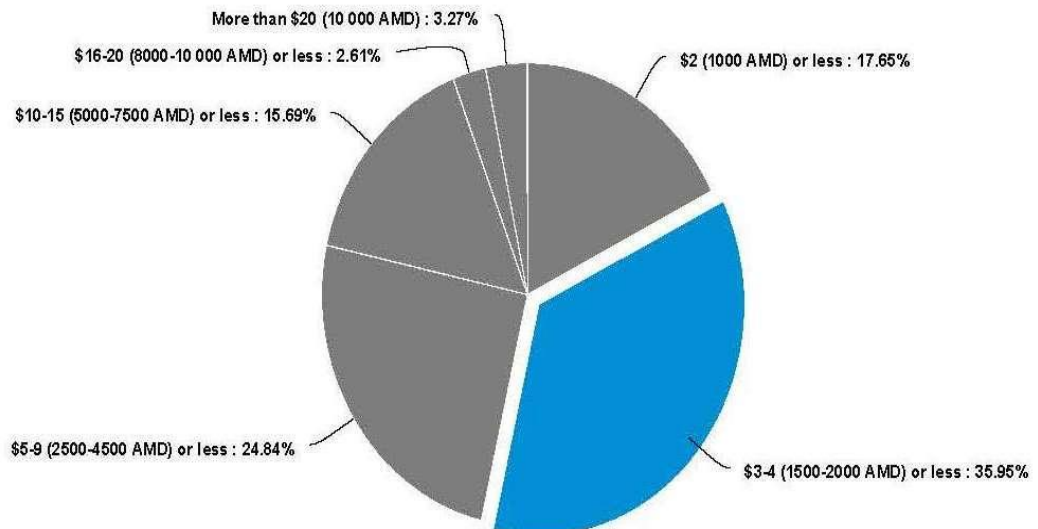


## Exhibit 4 : Survey results

What is the maximum amount of money per person you would be willing to spend in such a modern art Center (please, do not consider artworks purchasing)?



What is the minimum amount of money per person you would be willing to spend in such a modern art Center (please, do not consider artworks purchasing)?



## Exhibit 5 : Financial projections

### Scenario 1 Revenue and Net Income Forecast

Cafe Revenue Forecast (AMD)						
	Product	Current	Optimistic scen	Pessimistic scer	Realistic Scenarion	
	Cafe Sales	12,600,000	54,000,000	18,000,000	36,000,000	
	Number of Events	10	15	8	12	
	Hour rate	25,000	25,000	25,000	25,000	
	Event revenue	250,000	375,000	200,000	300,000	
	Number of Exhibithions	4	8	4	6	
	Week rate	45,000	45,000	45,000	45,000	
	Number of weeks	4	4	4	4	
	Exibithion revenue	720,000	1,440,000	720,000	1,080,000	
	Party event	600,000				
	Photo lessons	216,000	648,000	216,000	432,000	
	<b>Total revenue</b>	<b>14,386,000</b>	<b>56,463,000</b>	<b>19,136,000</b>	<b>37,812,000</b>	

Net Income Forecast (AMD)					
	Unit	Per month	Current	Forecasted	
Total Revenue			14,386,000	37,803,667	
Expenses					
Payroll			8,040,000	10,920,000	
Manager	1	140,000	140,000	200,000	
Bartender	1	100,000	100,000	100,000	
Waiters	3	90,000	270,000	450,000	
Librarian	2	80,000	160,000	160,000	
Rent	12	750,000	9,000,000	9,000,000	
Land tax	12	150,000	1,800,000	3,000,000	
cafe expenses			4,000,000	8,000,000	
Utility	12	73,000	880,000	1,000,000	
Purchase of books	200	14,520	2,904,000	950,000	
Other costs	12	100,000	1,200,000	1,200,000	
<b>Total Costs</b>			<b>27,824,000</b>	<b>34,070,000</b>	
<b>Net Income</b>			<b>(13,438,000)</b>	<b>3,733,667</b>	
<b>Profit Margin</b>				<b>10%</b>	

*For the estimation of the revenue and cost structure we took prices close to market prices and change them in optimistic, pessimistic and realistic scenarios.*

Current revenue

\* Current daily sales of the café are 35,000. Thus we initially calculated the current revenue of the café.

\* Number of events - the library has on average 10 events yearly with price of 25,000 each.

Current Net income

We have the following information about current expenses of the library.

\* Having 7 employees the overall payroll is 8,040,000.

\* The rent cost is 750,000 monthly

\* They have 4 exhibitions, the price of exhibition for one week is 45,000. And each exhibition is lasting on average 4 weeks.  
 \* There are photo lessons in the library from which they get only 18,000 monthly.

Optimistic scenario: After the expansion of the cafe and library we estimated that the optimistic revenue would be as follows

- \* The sales would increase from 35,000 to 150,000 daily
- \* Number of events increase from 10 to 15
- \* Number of exhibitions will reach to 8
- \* Photo lessons are 3 times a month

Pessimistic scenario

- \* Sales will increase only by 43% reaching 50,000 daily.
- \* Number of events 8
- \* Revenue from exhibitions and photo lessons are the same as currently

Realistic scenario

For the realistic scenario we take the factors equal to the average of optimistic and pessimistic scenarios

\* Land tax is 150,000

\* Cafe expenses are 4 mln yearly

\* Utility 73,000

\* They have bought 200 books, each costed on average 14,520

\* Other costs 100,000

Forecasted expenses

\* We estimated that the cafe would need 9 employees after the expansion overall payroll amounting 10,920,000

\* Land tax will increase to 8,000,000

\* cafe expenses will be close to 1/3 of the revenue

\* Utility will increase by 14 %

\* Other costs are the same

We take the revenue to be the average of optimistic, pessimistic and realistic scenarios

## Exhibit 6 : Financial projections

### Scenario 2 Revenue and Net Income Forecast

Guesthouse Revenue Forecast (AMD)				
	Product	Optmistic Scer	Pessimistic Scer	Realistic Scenari
	Number of Rooms	10	10	10
	Room occupancy	65%	30%	50%
	Average Room rate	16,000	16,000	16,000
	Number of Days in the period	360	180	270
	<b>Guesthouse Revenue</b>	37,440,000	8,640,000	21,600,000
	Café			
	Revenue per customer	2,000	2,000	2,000
	Number of visitors	7	3	5
	Number of days	360	180	270
	<b>Café Revenue</b>	5,040,000	1,080,000	2,700,000
	Workshops			
	Hour rate	10,000	10,000	10,000
	Number of workshops	20	4	12
	Workshop Hour	4	4	4
	<b>Workshop Revenue</b>	800,000	160,000	480,000
	Exhibitions			
	Week rate	25,000	25,000	25,000
	Number of exhibitions	5	1	3
	Number of weeks	4	4	4
	<b>Exibition Revenue</b>	500,000	100,000	300,000
	<b>Total Revenue</b>	43,780,000	9,980,000	25,080,000

Net Income Forecast (AMD)			
	Unit	Cost	Total
Total Revenue			26,280,000
<b>Expenses</b>			
<b>Payroll</b>			15,000,000
Executve director	1	300,000	300,000
Manager	1	200,000	200,000
Accountant	1	150,000	150,000
Cooks	1	120,000	120,000
Waiters	2	100,000	200,000
Librarian	1	80,000	80,000
Cleaning and maint	2	100,000	200,000
<b>Taxes</b>			5,600,000
Land tax	12		400,000
Income tax			5,200,000
<b>Other Costs</b>			3,630,000
Cafe expenses			1,000,000
Utility	12	40,000	480,000
Purchase of books	100	9,500	950,000
Other costs	12	100,000	1,200,000
<b>Total Costs</b>			24,230,000
<b>Net Income</b>			2,050,000
<b>Profit Margin</b>			7.8%

*For the estimation of the revenue we took prices close to market prices and change them in optimistic, pessimistic and realistic cases.*

\* The guesthouse will be comprised of 10 bedrooms

- \* Occupancy rate is 55% on average in Armenia. Thus we take it to be 65 % for optimistic scenario, 30% for pessimistic scenario and 50% for realistic scenario.
  - \* As the operations of guesthouse are influenced by the seasonality factor, we estimated that the guesthouse will work 360, 180, 270 days in a year for each scenario respectively.
  - \* Cafe revenue from every customer is taken to be 2000 on average.
  - \* Different amount of workshops and exhibitions is also taken for the 3 cases.
- The expenses are also calculated taking into account the market conditions.
- \* It is estimated that 9 employees should be needed for the operations of the guesthouse.
  - \* Land tax is taken 400,000 based on square meter estimations and also from the interview with similar guesthouse manager in Goris.
  - \* Income tax is the 20% of revenue
  - \* Cafe expenses are taken to be 1/3 of the cafe revenue
  - \* 100 books will be bought with average cost of each book 9500

## Exhibit 7 : Financial projections

### Scenario 3 Revenue and Net Income Forecast

Art Center Revenue Forecast (AMD)				
	Product	Optimistic Scenar	Pessimistic Scer	Realistic Scenario
	<b>Rental of</b>			
	Offices	77,760,000	17,280,000	43,200,000
	Cafeteria	8,640,000	8,640,000	8,640,000
	Guesthouse	8,640,000	8,640,000	8,640,000
	Public donations	9,600,000	2,000,000	5,000,000
	<b>Total Revenue</b>	<b>104,640,000</b>	<b>36,560,000</b>	<b>65,480,000</b>

Net Income Forecast (AMD)			
	Unit	Per month cost	total
Total Revenue			68,893,333
<b>Expenses</b>			
<b>Payroll</b>			44,400,000
Executive Director	1	500,000	6,000,000
Curator	2	500,000	12,000,000
Block Manager	2	300,000	7,200,000
Accountant	1	300,000	3,600,000
Security		100,000	4,800,000
Cleaning and maintenance		100,000	4,800,000
Sys admin	1	200,000	2,400,000
<b>Other costs</b>			
Guest speakers		300,000	3,600,000
Utilities		300,000	3,600,000
Maintenance		300,000	3,600,000
<b>Total Costs</b>			<b>55,200,000</b>
<b>Net Income</b>			<b>13,693,333</b>
<b>Profit Margin</b>			<b>19.9%</b>

*The information of estimated revenue from rent and the expenses was provided by the Library staff. For*

*discussing 3 possible cases we changed the number of rental offices for each case.*

Around \$ 800,000 is estimated to be used for the creation of two blocks office spaces for 10 offices, 8 guesthouses, space for cafeteria, an open-air theatre. The rest of the money, about 240,000 USD will be used to finance the first two years of the project.

\* We assume that the center will have 9 offices rented in case of optimistic scenario, 2 offices in case of pessimistic scenario and 5 offices in case of realistic scenario.

\* Public donations will be 9,600,000, 2,000,000 and 5,000,000 for the optimistic, pessimistic and realistic cases respectively.

## **Exhibit 8 : Survey questions**

**The aim of the current research is to help the Mirzoyan Library (the first and the biggest private photo book library in South Caucasus) to understand its visitors' needs better in order to provide them with more sophisticated and tailored service.**

1. How old are you?  
\_\_\_\_\_
2. Please, indicate your gender  
☐ Male  
☐ Female
3. What is your current occupation?  
☐ Studying at school  
☐ Studying in the University  
☐ Working as an employee in an organization  
☐ Running a business  
☐ Free lance worker  
☐ Housekeeper  
☐ Other (please, indicate) \_\_\_\_\_
4. What is your current (or future if you are a student) profession?  
\_\_\_\_\_
5. Are you permanently living in Armenia?  
☐ Yes  
☐ No
6. Where (what city) were you born?  
\_\_\_\_\_
7. Where (what city) do you permanently live now?  
\_\_\_\_\_
8. Have you ever visited the Mirzoyan Library?  
☐ Yes  
☐ No

For “Yes” answer	For “No” answer
<p>9. How often do you visit the Mirzoyan Library?</p> <p><input type="checkbox"/> Once a week or more often</p> <p><input type="checkbox"/> Once a month</p> <p><input type="checkbox"/> Several times during a year</p> <p><input type="checkbox"/> I was there just once</p>	<p>9. How often do you travel around Armenia?</p> <p><input type="checkbox"/> Once a week or more often</p> <p><input type="checkbox"/> Twice a month</p> <p><input type="checkbox"/> Ones a month</p> <p><input type="checkbox"/> Several times per year</p> <p><input type="checkbox"/> Once a year or even less</p>
<p>10. What is the most important purpose of your visit?</p> <p><input type="checkbox"/> To read interesting books just for pleasure</p> <p><input type="checkbox"/> To read books useful for my profession/occupation</p> <p><input type="checkbox"/> To meet interesting people</p> <p><input type="checkbox"/> To take a coffee and snacks</p> <p><input type="checkbox"/> To spend time with friends in a nice environment</p> <p><input type="checkbox"/> To visit a gallery</p> <p><input type="checkbox"/> To attend master class / public lecture</p> <p><input type="checkbox"/> Other (please, indicate)</p> <p>_____</p>	<p>10. Would you prefer to stay in a guesthouse having photo exhibitions when you are travelling in Armenia?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> I don’t know</p> <p>For answer No – skip the question 11 and 12.</p>
<p>11. What is the second important purpose of your visit?</p> <p><input type="checkbox"/> To read interesting books just for pleasure</p> <p><input type="checkbox"/> To read books useful for my profession/occupation</p> <p><input type="checkbox"/> To meet interesting people</p> <p><input type="checkbox"/> To take a coffee and snacks</p> <p><input type="checkbox"/> To spend time with friends in a nice environment</p> <p><input type="checkbox"/> To visit a gallery</p> <p><input type="checkbox"/> To attend master class / public lecture</p> <p><input type="checkbox"/> Other (please, indicate)</p> <p>_____</p>	<p>11. In which location would you prefer to see such a guesthouse first?</p> <p><input type="checkbox"/> Gyumri</p> <p><input type="checkbox"/> Goris</p> <p><input type="checkbox"/> Dilijan</p> <p><input type="checkbox"/> Jermuk</p> <p><input type="checkbox"/> Stepanavan</p> <p><input type="checkbox"/> Yerevan</p> <p><input type="checkbox"/> Suburb of Yerevan</p> <p><input type="checkbox"/> Other (please, specify)</p> <p>_____</p> <p><input type="checkbox"/> I don’t like the idea of opening such a guesthouse</p>
<p>12. What is the third important purpose of your visit?</p> <p><input type="checkbox"/> To read interesting books just for pleasure</p> <p><input type="checkbox"/> To read books useful for my profession/occupation</p> <p><input type="checkbox"/> To meet interesting people</p> <p><input type="checkbox"/> To take a coffee and snacks</p> <p><input type="checkbox"/> To spend time with friends in a nice environment</p> <p><input type="checkbox"/> To visit a gallery</p> <p><input type="checkbox"/> To attend master class / public lecture</p> <p><input type="checkbox"/> Other (please, indicate)</p> <p>_____</p>	<p>12. How many nights would you stay in such a guesthouse?</p> <p><input type="checkbox"/> 1 night</p> <p><input type="checkbox"/> 2 nights</p> <p><input type="checkbox"/> 3 nights</p> <p><input type="checkbox"/> 4 nights</p> <p><input type="checkbox"/> 5 nights</p> <p><input type="checkbox"/> 6 nights</p> <p><input type="checkbox"/> 7 nights</p> <p><input type="checkbox"/> more then a week</p>
	<p>13. If a Modern Art center (with exhibitions, master classes, open-air theatre) presenting art-works in photography, music, dance, architecture opens in the Yerevan suburb, will you visit it (there will be some paid activities)?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>



<input type="checkbox"/> Stepanavan <input type="checkbox"/> Yerevan <input type="checkbox"/> Suburb of Yerevan <input type="checkbox"/> Other (please, specify) <hr/>	artworks				
19. How many nights would you stay in such a guesthouse? <input type="checkbox"/> 1 night <input type="checkbox"/> 2 nights <input type="checkbox"/> 3 nights <input type="checkbox"/> 4 nights <input type="checkbox"/> 5 nights <input type="checkbox"/> 6 nights <input type="checkbox"/> 7 nights <input type="checkbox"/> more than a week	Spending time in a café/restaurant situated in the Art Center				
20. If a Modern Art center (with exhibitions, master classes, open-air theatre) presenting art-works in photography, music, dance, architecture opens in the Yerevan suburb, will you visit it (there will be some paid activities)? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> I don't know	Attending a theatre/dance/musical performance				
For answer No – end the survey	Purchasing souvenirs				
21. What is the minimum amount of money per person you would be willing to spend in such a modern art Center (please, do not consider artworks purchasing)? <input type="checkbox"/> \$2 (1000 AMD) or less <input type="checkbox"/> \$3-4 (1500-2000 AMD) or less <input type="checkbox"/> \$5-9 (2500-4500 AMD) or less <input type="checkbox"/> \$10-15 (5000-7500 AMD) or less <input type="checkbox"/> \$16-20 (8000-10 000 AMD) or less <input type="checkbox"/> More than \$20 (10 000 AMD)	Attending a special performances/activities for kids				
22. What is the maximum amount of money per person you would be willing to spend in such a modern art Center (please, do not consider artworks purchasing)? <input type="checkbox"/> \$2-5 (1000 - 2500 AMD) <input type="checkbox"/> \$6-10 (3000 - 5000 AMD) <input type="checkbox"/> \$11-15 (5500 - 7500 AMD) <input type="checkbox"/> \$16-20 (8000 - 10 000 AMD) <input type="checkbox"/> \$20-30 (10 000 - 15 000 AMD) <input type="checkbox"/> \$31-40 (15 500 - 20 000 AMD) <input type="checkbox"/> \$41-50 (20 500 - 25 000 AMD) <input type="checkbox"/> More than \$50 (more than 25 000 AMD)	Staying one or more nights in an Art Center's guesthouse				



23. How interested would you be in the following activities of the Art Center?

	Very interes ted	Intere sted	Neut ral	Not Intere sted
Visiting a photo exhibition				
Visiting a modern art exhibition				
Attending a lecture with renowned speaker				
Purchasing artworks				
Spending time in a café/restaurant situated in the Art Center				
Attending a theatre/dance/ musical performance				
Purchasing souvenirs				
Attending a special performances/ activities for kids				
Staying one or more nights in an Art Center's guesthouse				

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