

BUSINESS PLAN: HOMESTEL LISBON BOUTIQUE HOSTEL

Joana Isabel Gonçalves Gouveia

**Project submitted as a partial requirement for the degree of Master of
Science in Business Administration**

Project carried out on the Management course, under the supervision of:
Professor Pedro Fontes Falcão
Assistant Professor, ISCTE Business School, Department of Marketing, Operations and General
Management

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“If I had to define my belief in travel it’s that if you’ve been some place and stayed in the local Hilton, you’ve probably not been there (sorry Conrad). Tourists stay in Hiltons, travellers don’t. [They] want to see the country at ground level, to breath it experience it – live it. This usually requires two things the tourist can’t provide – more time and less money.”

Wheeler et al., 1992

“Home is not just a place where you sleep, is a place where you stand.”

“We travel, initially, to lose ourselves, and we travel, next to find ourselves. We travel to open our hearts and eyes and learn more about the world than our newspaper will accommodate. (...) And we travel, in essence, to become young fools again – to slow time down and get taken in, and fall in love once more”

Iyer Pico

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Finishing my thesis is accomplishing another personal goal and it feels so good, nevertheless it would never be possible without all the support and affection of my beloved ones, my family, friends and at last but not least the guidance of my supervisor.

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To my Nephew, I hope this project and my experience teaches you never to give up and to never stop believing.

Last but not least, I would like to thank all for the affection and for always being around motivating me, and indirectly contributing to this accomplishment. I am truly grateful to all.

“Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

Winston Churchill, 1942

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Abstract

Over the last few years Lisbon has been collecting numerous tourism awards, being recognized as one of the top destination cities. The present project aims to identify the feasibility of developing an accommodation establishment targeting flashpackers visiting Lisbon. For this purpose, public information available was collected from public data bases and data provided by market players and third party suppliers was analysed in order to understand Lisbon as a flashpacking tourism destination as well as how to develop a business plan and evaluate the implementation of an accommodation service establishment. After defining the business concept and strategy, all the required steps towards the Homestel implementation were performed in order to be possible to evaluate the business feasibility. Once all steps concluded, an economic and financial analysis was performed from which it was possible to conclude Homestel Project's viability.

Keywords: Business Plan; Hostel; Flashpacker; Backpacking; International Tourism.

JEL Classification: Z320 - Tourism and Development; M13 - New Firms, Startups.

Resumo

Ao longo dos últimos anos, a cidade de Lisboa tem colecionado inúmeros prémios na área do turismo, tendo sido até reconhecida como um dos principais destinos turísticos. O aparecimento de novos estabelecimentos de alojamento local, reconhecidos com diversos prémios internacionais, tem também atraído alguma atenção para Lisboa enquanto destino turístico. O projeto ora apresentado tem como principal objetivo analisar a viabilidade do desenvolvimento de uma unidade turística de alojamento local direcionado para o segmento *Flashpacking* em Lisboa. Neste contexto, foi recolhida informação pública disponível em bases de dados públicas, assim como informação disponibilizada pelos principais *players* e fornecedores contactados. A informação foi posteriormente analisada no sentido de perceber as potencialidades da cidade de Lisboa enquanto destino turístico do segmento de mercado flashpaking e por conseguinte perceber como construir um plano de negócio sustentável para a implementação da ideia de negócio desenvolvida. Após a definição do conceito de negócio e da estratégia, foram definidas todas as atividades necessárias à implementação do Homestel no sentido de avaliar a viabilidade do investimento.

Uma vez concluídas todas as fases do projeto, foi realizada a análise económica e financeira através da qual foi possível concluir pela viabilidade do projeto de investimento.

Palavras-chave: Plano de negócio, Hostel, Flashpacker, Backpacking, Turismo Internacional.

Classificação JEL: Z320 - Tourism and Development; M13 - New Firms, Startups.

1. Executive Summary

The present project's main goal is to analyse and evaluate the feasibility of opening a local accommodation establishment, ordinarily known as a Hostel, in Lisbon targeting flashpackers. The hostel is, according to the most recent Portuguese legislation, a local accommodation establishment that offers guests an accommodation service at lower prices through the sale of a bed, whether it is in a dorm or in a private room.

The location chosen for the Homestel Lisbon Boutique Hostel implementation was Lisbon due to the increased reputation that the city has gained as well as it is the city, in Portugal, that attracts the higher number of tourists throughout the whole year.

With all the above in mind and with the aim to offer a service that would give guests the impression of feeling at home, the idea to call the project Homestel Lisbon Boutique Hostel (hereinafter referred to as "Homestel") has arisen. Although Lisbon has been registering a considerable growth when it comes to the implementation of hostels, it is believed that an emerging market segment is being overlooked.

Thus the aim is to attract the emerging flashpackers other tourists may also be potential Homestel guests, such as lifestyle travellers or simply ordinary guests that are looking for a different experience at a reasonable price. Both these travellers share the same feeling, they still want to travel and share the backpacker culture though they no longer desire to sleep in noisy dorms and uncomfortable beds. Alternatively these travellers are looking for trendy accommodation service, and responsible tourism meanwhile supporting local businesses, not forgetting the twist of the technological innovations. When comparing to other Hostels in Lisbon, the present project will differentiate itself from the competition by the upper room quality and technological innovations made available as well as the feeling at home environment that all the staff will transmit and share.

The location chosen was due to several factors such as historical surroundings, short distance to the main touristic attractions and although being mostly a residential parish, it is evolving and attracting new forms of commerce, new attractions and a new day and night life.

The Homestel offers not only dorms, but also private rooms with 2 or 3 beds for guests that are looking for more privacy but still within a backpacker environment. All rooms include a TV and an iPod/iPhone dock station, meeting the expectations of the most tech savvy guests. The average price per night is of 32 Euros, ranging from 22 Euros up to 68 Euros per bed, and it was defined taking in consideration the competitor's analysis performed as well as the

Homestel guest's direct costs analysis performed. Homestel has its opening date booked to August, 1 2016 and the project feasibility was analysed for a time span of 10 years and 5 months. Due to the high investment in the building, an analysis below a ten year period was not viable. The NPV of the project is of 1.268.188 Euros and the IRR is of 37.0% with a Payback Period of two years and ten months by which it is possible to conclude that is a viable project.

With an operating margin of 21.9%, in 2016, it is possible to conclude that the profits generated from Homestel activity cover all operational expenses and results in a positive operating margin. From the analysis performed it was also possible to conclude that for every single Euro invested the return will be of 4.5 Euros (Homestel' ROI 2016: 4.5%). Regarding the investors, after computing the ROE it is possible to conclude that each Euro invested in equity, will be returned at a rate of 104.7%, by the end of the first complete year of activity.

Finally, notwithstanding being a viable project it should be noted that investing in a project of this scale requires the necessary knowledge and scrutinise all the variables and external factors that may impact the investment decision in order keep a flexible business plan as well as to be prepared to adjust and adapt the business when necessary so that it continues viable.

2. Promoter's identification

The promoter of the present business plan is Joana Gouveia, a Management graduate student, currently finishing the master program in Business Administration. As a requirement to finish the master program, the present business plan aims the development of a Boutique Hostel, located in Lisbon, targeting the emerging market segment, the Flashpackers, named The Homestel Lisbon Boutique Hostel. The Homestel' business concept was developed in order to provide a value for money option for travellers visiting Lisbon, offering an exquisite service recognized by its quality and room comfort, technological innovations and promoting the interaction between travellers, the host and also locals.

The idea behind the Homestel business plan originated due to personal travel experience and also from the ideas and experience exchange with friends and colleagues. In addition, the rise of Lisbon city as a top awarded destination and the growth of travellers visiting Lisbon throughout the year encouraged to choose Lisbon as the best location option to develop this business idea.

As the capital of Portugal, located by the Tagus River, Lisbon has plenty of activities to offer to travellers when visiting the city, from gastronomy to sports, including arts and cultural experiences, Lisbon is one of the most diversified tourist destination in Portugal. At last but not least, it is not possible to forget to mention about Lisbon light, recognized and disclosed by many, including the HuffPost Lifestyle that praises that the *“azure sky, long hours of summer sunshine and golden sunsets are factors that ensure many visitors go home with fond memories and great photographs of the Portuguese capital”* (http://www.huffingtonpost.co.uk/stuart-forster/lisbon-portugals-city-of-light_b_2723730.html).

As the accommodation service preferences are changing, where travellers are looking for more quality options even if it means a more expensive option, it seemed to be the right time to invest in the opportunity to develop this business concept. Thus, as previously mentioned the projected hostel aims to offer quality and comfort accommodation service as well as keeping the backpacker environment, characteristic of a hostel, at a reasonable price. Therefore, in addition to attract flashpackers visiting Lisbon, the present project aims to attract as well lifestyle travellers or even more traditional travellers looking for a different experience but still keeping the quality standards usually found at 3 stars hotel or comparable accommodation services

3. Introduction

The business idea behind the Homestel Lisbon Boutique Hostel Business Plan, is the development of a local accommodation business concept that enhances the traveller impression of “feeling at home” by taking in consideration factors such as freedom, privacy and comfort, social interaction, personalization and control. It aims to target an emergent backpacker tourism segment, characterized by the search for comfort, privacy and technology innovations, but still looking for the backpacker environment while traveling in style.

The purpose of the present chapter is to introduce the definition of the following keys terms and concepts for Homestel Business Plan.

Global Soul – A term created by Pico Iyer, to describe an emerging type of person who routes an fast paced changing world full of technology and information innovations, primarily by choosing a world traveller lifestyle (Iyer, 2000).

Home – A place, either physical or an ideal that enhances the sense of belonging, intimacy and connection, while offering a refuge and happiness.

Globalization – A process characterized by five categories: economic, political, cultural, ecological, and demographic factors. The currently existing borders and boundaries are becoming more and more irrelevant in the increasingly interconnected and homogenized world (Steger, 2009).

Hostel – Characterized as an inexpensive place for young people and short term travellers, providing overnight accommodation in shared-room, common areas that promote social interaction and communal facilities, such as bathrooms and sometime a kitchen.

Backpacking – An international tourism market segment and a sub-lifestyle, mainly adopted by younger travellers who exhibit a preference for unexpansive accommodation, emphasise meeting with other travellers and locals, organizes independently its own flexible travel schedule, pursue longer rather than very brief holidays and with preference for the non-institutionalized tourism (Locker-Murphy, 1995; Pearce, 1900; Slaughter, 2004, Cohen, 2010).

Flashpacking – Emerging from the backpacking, as a result of several global trends and factors, that involves the search and delight in the divergences between cultures and nations (Szerszynski & Urry, 2005; Jarvis & Peel, 2010).

4. Literature Review

4.1. The Global Soul and the meaning of Home

Pico Iyer, researched about the meaning of the word *home*, and what it means in a fast paced changing world and emerging cultural fusion, emphasising the joy of traveling and the tranquillity of standing still. In his latest book “The Global Soul” he recognizes the impatient search for a sense of home, and introduces the term *global soul*, which definition is quite flexible and refers to the “*full time citizens of nowhere*” (Iyer, 2000).

As result of the globalization and global mobility more and more people worldwide are living abroad, rather than their own country. According to Iyer, in 2013 these people living abroad accounted almost up to 220 million.

In his past TedTalk – Where is home? (2013) Iyer acclaims that contrary to our grandparents, “*nowadays at least some of us can choose our sense of home, and create our sense of community*”. Iyer (2001) defined Home as a “*nowhere and everywhere, necessary foreign and finally, only a state of mind*”, and challenges Global Souls, like him, to find the city that combines the multitude of homes each one considers most suitable to be their one.

These Global Souls, worldwide travellers in the search of “Home”, are the bottom line for the present research with the aim to understand its origins and their search for home while traveling or living abroad for a short time period and their expectations when choosing accommodation. The following chapter introduces the new demographic, social and economic trend – mobility - and the meaning of “*home*” in the contemporary world.

4.1.1. Globalization and Mobility

Firstly, and in order to understand mobility as a result of the impacts of a new globalized world, it is indispensable to understand what globalization stands for and its influences.

Over the past few decades the world has undergone numerous changes, as well as did people’s daily lives. All these changes have been commonly associated with the term globalization, resulting among others from the impacts of sociological, demographic, economic, technological and cultural trends. Globalization has been widely discussed over the last century and scholars have been emphasizing both positive (Bragwati, 2004; Woft, 2004) and negative (Kim et al., 2000; Rodrik, 1997) impacts.

Hence what does Globalization stands for? Held’s (2002:306) defined globalization as “*the widening, intensifying, speeding up and growing impact of worldwide interconnectedness*”. In

line with the above Keohane & Nye (2000:105) in their book refer to globalization as the result of the increase of globalism, where globalism stands for the “*state of the world involving networks of interdependence at multicontinental distances. The linkages occur through flows and influences of capitals and goods, information and ideas, and people and forces, (...)*” Though, globalization by no means implies homogenization or equity.

For the purpose of the present study, globalization is defined as the increased process of interaction and integration, resulting from the rise of a unique set of political, demographic, economic, cultural, technological and environmental issues that transformed daily lives in a fast-paced flow, both physical and immaterial, of people, goods and trends.

A clear sign of the global trends that societies faces nowadays, is the “international professional, highly skilled or technical migrants whose mobility is linked more to choice, professional careers and educational opportunities” (Favel, Felblum, Smith, 2007:16).

So it is possible to conclude that globalization is a result of the technological, economic, social and cultural changes in the latter 20th century that opened way to increase mobility in the 21st century.

Still, what does mobility represents nowadays? The term Mobility refers to the flow of people whether it is for personal or professional motives. Historically, since the Palaeolithic Age, humans lived in tribes and were *hunter-gatherers*¹ as well as nomads².

With reference to Cresswell (2006:43) research, he cites that “[T]he world has appeared to become more mobile, so thinking about the world has become more nomad though”. So mobility is understood as a human necessity, almost since its origins (Cresswell, 2016).

Cresswell (2006: 15-16, 20) defines mobility as the outcome of the western modernity and increased technological mobility and the resulting increased flows of people worldwide. Although mobility is also associated to a negative perspective (“*sedentarist metaphysic*”), it is also “*a positive dynamic, associated with freedom, progress and change, it is exciting and modern*” (“*nomadic metaphysic*”) (Dufty-Jones, 2012:209).

Having understood the emerging global and mobile world and the significant increase of people migrating, for the most diverse reasons, focus is now towards mobility and its impact in the concept of home, raising questions such as “*Where is home?; When does a place of residence feel like home?; How are these new mobilities of transnationalism redefining meanings of “home”?*” (Brah, 1996; Al-Ali & Koses, 2002; Blunk & Dowling, 2006; Dufty-

¹ Is an anthropological term used to describe human beings who obtain their food from the bounty of nature, hunting animals and gathering wild plants (<http://www.newworldencyclopedia.org/entry/Hunter-gatherer>).

² Nomads are people who stay on the move looking for food, without a permanent home (<https://sites.google.com/site/1ancientcivilizationsforkids/ancient-history-before-civilizations>).

Jones, 2012) It's clear that not only being a physical place, home is a *fundamental human need*, nevertheless, what does home mean and it what does really imply (Cresswell, 2006:31)?

4.2. Home

Blunt & Dowling (2006) defined *Home* as both a geographical and a social concept. Aside from the physical structure, "*a shelter*", it is an environment that emphasizes and promotes social relations and has a symbolic and ideological meaning. On the other hand Mallet (2004) research provides a complex, thus quite ambiguous, definition of Home. Mallet (2004:84) argues that *briefly, how home is and has been defined at any given time depends upon 'specification of locus and extent' and the broader historical and social context.*" Parsell (2012:159) also defines Home as "*something that people do experience, and something, moreover, held in high regard.*" According to Parsell (2012) home can have several meanings on social, emotional, spiritual and materials levels, representing both diverse *values and aspirations that societies* embrace (Hareven, 1991; Leith, 2006; Moore, 2000; Somerville, 1997; Wardhaugh, 1999; Wiles et al., 2009).

Although other researchers and scholars tried to as well define home, defining home is acknowledged to be subject to the focus and the meaning that each one attributes (Hollander, 1991). Home is both a complex and multidimensional concept, and when defining Home it is important to take in consideration both what it represents and the dynamic process through which people recognize a physical place as home (Leith, 2006). Home also illustrates practical and psychological elements of the way people live, or at least the ways people expect to live (Darke, 1994; Kellett & Moore, 2003; Peled & Muzicant, 2008)."

Dupuis & Thorns (1996) and Mallett (2004), provides a literature framework considering the meaning of home within the historical and social contexts of people's lives, namely, Home as control, as family and as a feeling. Considering home as control, researchers point out that home is a place where people can relax and enjoy leisure time (Moore, 1984); where it is expected that people feel secure, independent and free (Kellet & Moore, 2003; Carroll et al., 2009); where people feel comfortable (Wiles et al., 2009); where they feel that are in control of their lives (Daly, 1996) and also a private place (Mallet, 2004).

Alternatively several research studies indicate that when people are asked to think about what *Home* represents to them, the mostly likely answer is to describe *Family* (Dupuis & Thorns, 1996; Van der Klis & Karsten, 2009). Parsell citing Schrader & Birkinshaw (2005) and Bogac (2009), defined the correlation between home and family through the proposition that are the

family memories and emotions associated with a time and a place that represents Home (Parsell, 2012:161). Nevertheless either it is *family or control*, the meaning of Home may depend on several equally important factors such as gender, sexuality, culture, class and stage of the life cycle, and is hooked on something *individually felt* (Parsell, 2012:162).

Research indicates that Home and its meaning can also go beyond the spatial and physical meaning (Douglas, 1991; Easthope, 2004), it can be a feeling or either an experience (Bogac, 2009; Hunt, 1989; Mee, 2007). As Ahmed (1999) described it can be “*a feeling of belonging*” or as Mallet (2004) defined the feeling of “*being at home*”. Thus, even as a feeling, safety and security contributes to the development of emotional feelings and connection to a place and call it home (Newton, 2008), either it is a neighbourhood, a locality or a caravan (Twigger-Ross & Uzzell, 1996).

Hitherto it is clear that home is not “*amenable to rational justification*” (Douglas, 1991:298). Even so, it is possible to identify powerful dimensions associated with the term *Home* such as social, psychological and emotional (Parsell, 2012:162). Tucher (1994) research suggests that for some, Home and fulfilment can be a life search or as Ahmed (1999:331) indicates “*one never gets there, but is always getting there*”.

So concluding, Home is, most of the times, associated to a feeling of belonging that people develop towards a physical space. Therefore considering home as emotional, social and material significant, we are now in position to understand the importance that the concept of the present business plan represents to our target customers and how the Homestel will position in Lisbon local accommodation market segment.

4.3. Tourism

After understanding the significance of the term home for the business concept behind the Homestel business plan, it urges to understand tourism industry sector and the origin of the contemporary flashpacker tourism segment.

Tourism represents “*the activities of persons traveling to and staying in places outside the usual environment for not more than one consecutive year for leisure, business and other purposes. Tourism is a comprehensive and extensive phenomenon. Tourism is a demanded and influenced by many external factors. It generates physical and financial flows that have strong economic, social cultural and environmental impacts*” (WTO, 1993).

Influenced by the old Greece and Rome, where aristocrats enjoyed the privilege of the leisure (Guzman, 1986), tourism origins take us back to the “*humanist trip*” from the Renascimento

(15th-17th centuries) or the “*grand tours*” (18th century) where travel represented an attempt to acquire other town’s customs and manners only available for the privilege. In 1841, Thomas Cook introduced firstly the concept of trips for pleasure, but it was only in the middle of the 20th century that tourism transformed into mass pleasure trips. Likewise, nowadays travelling does not only imply to be a tourist as well as tourism is not just undertaking touristic activities.

Tourism is the temporary movement of people (Bell & Ward, 2000) either for whatever reason and is one of the greatest industry sectors, registering a steady and rapid growth over the past decades. As all other industries, tourism is no exception and has shown a clear evolution and development of its main characteristics and features (such as infrastructures, services offered, distribution channels, etc.). In addition, and in face of the considerable figures registered by the tourism industry over the past decades, it is forthright the contribution of tourists and suppliers to the economic prosperity of destinations, translated into wealth, employment and stimulation of entrepreneurship.

Due to the globalization trends and resulting increased global mobility as well as infrastructures and transport means development, traditional patterns of long holidays are being replaced with more and more frequent and shorter lengths of stay. Activities have modified, with greater interest in learning something new and individuality rather than in the simple mass standardisation of products. In addition, tourists are also placing greater emphasis and concern on environmental quality of destinations, value form money and better customer service.

According to the United Nations it is expected that international tourist visits double to 1.6 billion by 2020 (Nunes and Spelman, 2008).

4.3.1. International Tourist

Cohen (1972) identified four types of international tourists, subject to the degree of novelty and familiarly pursued: *the organized mass tourist*, *the individual mass tourist*, *the explorer*, and *the drifter* (Lepp & Gibson, 2003:609), where Drifters “*has no fixed itinerary or timetable and is almost wholly immersed in the host culture*” (Locker-Murphy & Pearce, 1995:823). For the drifters, *novelty is at a premium and they shun the regular tourist route, preferring instead the ways of the host society*” (Lepp & Gibson, 2003:609).

In line with the tourism differentiation above, Vogt (1976) distinguished “Tourist” from “Traveller”, identifying a Tourist as someone who resorts travel agents services to plan and

organize a trip, whereas a traveller on the opposite plans and arranges independently his/her own trip and travels (Locker-Murphy & Pearce, 1995:823).

With its origins in the Youth and student travel destinations and recently boosted by the economic downturn and the LCC emergence, the youth travel sector has experienced rapid growth worldwide. As this tourism segment becomes more widely known and its impacts on the destinations economy started to be recognized it is important to understand who are these travellers and which experiences they are searching for. The following chapters will focus on the contemporary non-institutionalized tourist, characterized by the search for stimulation and variety, the backpacker, in a way to introduce the emerging flashpacker.

4.4. The Backpacker and the emerging Flashpacker

The goal of the present chapter is to introduce the backpacker and define a key development in backpacker tourism, the emergence of a new tourism segment, the *flashpacker*.

It is not the purpose of the present to provide an extensive literature review of the research up to date on backpacker tourism (for that purpose please see Richards & Wilson, 2004), but it aims to provide a general framework of the flashpacker origins, with reference to the changing profile of the backpacker market segment, adoption of new means of travel, the increasing use of technology, and the creation of new spaces or enclaves.

4.4.1. Backpackers

Described as predominantly young budget-minded tourists on extend holiday or working holiday, that prefer to stay in inexpensive accommodation, urge to meet other people, either locals or outsiders, and organize independently their own flexible itinerary (Loker 1992; McCulloch 1992; Pears 1990; Murphy & Pearse, 1995), the term backpacker is today worldwide, well-known and accepted among tourism industry and travellers, and considered as part of a wider mainstream tourism industry in the 21st Century (Spreitzhofer, 2008:835). Notwithstanding, it should be noted that backpacker origins are identified between the 17th and 18th century Europe' Grand Tours³, pointed out as the starting point for backpacker theory in the literature on backpacking tourism.

Research undertaken with regard to the backpacker tourism segmentation takes us back to Cohen (1972). Firstly characterized as a fairly marginal, sometimes associated with drugs, backpacking and backpackers have been studied by the academics broadly since 1980's with a

³ Europe' Grand Tours, according to Cohen (1973) are considered the enthusiastic adventurers often voluntarily submitted to extreme hardships and adopted way of life of their hosts (Tsaur, Yen & Chen, 2010:1037)

boom in publications from the late 1990's onwards (Hannam & Diekmann, 2010). Over the past decades, this *middle-class youth* tourism segment (Uriely, Yonay and Simchai, 2002:520) has been referred in the literature by various terms with the aim to conceptualize travellers as distinguishable from tourists and assumed as the origin of the *independent travel* (Cohen, 2010). Among other it is possible to identify the *drifter* (Cohen 1972); *Nomad* (Cohen 1973); Youthful traveller (Teas, 1974); Wanderer (Vogt, 1976); Tramping Youth (Adler, 1985) and Long-term Budget Travelers (Riley, 1988). All these terms had in common the fact that all of them were considered to be at a transition time in their life, where some had experienced "*life crises*" (Ateljevic and Doorne 2000; Maoz 2006b; Riley 1988) before taking the decision to go on a trip. Back then, travel was regarded a rite of passage, as well as a form of escape and a chance for personal growth and a search for identify and meaning.

Thus "Backpacker" was the less pejorative term embraced by the academia literature and referred the most in recent literature (Loker, 1993; Loker-Murphy, 1996; Loker-Murphy and Pearce 1995; Pearce 1990a; Cohen, 2010). As Cohen (2004, 44) proposed: "*if the model for the drifter was the tramp, the drifter is the model for the backpacker*". Researchers such as Maos (2004); O'Reilly (2006); Richards & Wilson (2004 b) and Welk (2004) when tracing the development of the backpacking concept have also centred their research on the motion of the drifter as the forerunner to the contemporary backpacker.

Having understood backpacker's origins it urges to understand who the backpacker really is, and what did contribute to its evolution and contemporary characterization. According to Sorenson (2003:851) "*backpackers are most often characterized as self-organized pleasure tourists on a prolonged multiple destination journey with a flexible itinerary, extended beyond that which it is usually possible to fit into a cyclical holiday pattern*". Notwithstanding, Pearce claims that social economic or demographic terms characterizes them the best, pointing out its preferences for budget accommodation, an emphasis on meeting other backpackers, and independent flexible travel plans (Ross, 1997). Other researchers have identified that for the backpacker, the trip may sometimes represent a search for self-identity (Noy, 2004) and/or a learning opportunity (Pearce & Foster, 2007). In addition, researches indicate that backpackers pursue local lifestyle experiences, urge to meet local people and don't want to be regarded as mass tourists (Maoz, 2007). Notwithstanding, Riley (2006:1014) adds that backpacking is still considered to bear some *mystique* and *prestige*, embracing a sense of elitism.

Although, in general, youth travellers are still perceived as drifters and *socially undesirable 'hippies'*, recent research indicates that they are of diverse age, middle class, college

educated, often motivated to travel because they are in a transitional stage of life, either after finishing college and before starting to work, or perhaps in an absence leave (Moshin & Ryan, 2003; O'Reilly, 2006; Maoz, 2008), and, most of the time, they have a fixed return date (Sorenson, 2003). According to Sorenson (2003) due to legal constraints such as visas and passports, and family ties, very few travel for longer than 18 months. Accordingly, the backpacker tourism segment in Foster and Pearce' (2007:1285) research is defined as "*the activities and products of a mobile, usually younger market segment who exhibit a preference for budget accommodation, emphasise meeting other travellers, follow an independently organized and flexible travel schedule, pursue longer rather than very brief holidays and prefer informal and participatory holiday activities*" (Pearce, 1990; Slaughter, 2004).

Hyde and Lawson (2003) identified three main characteristics that distinguish the nature of these tourists' segment: the tourist's experiences an evolving itinerary, the fact that the tourist is willing to take risks in selecting vacation elements, and the tourist possesses a desire of unplanned experience.

Literature concerning the backpacker tourism segment and other independent travellers have identified and studied a variety of issues, relevant to the tourism industry, such as of the "*tourist role*" (Cohen, 1972, 1979), *the tracing of concepts of experiences* (Uriely, Yonay, & Simchai, 2002), *narratives of self-change* (Noy, 2004), *risk* (Uriely, Moz, & Reichel, 2007), identity search and motivations to travel (Maoz, 2007) and attempts at describing the *backpacker culture* (Sorensen, 2003), amongst others.

Nevertheless Uriely et al. (2002), Ateljevic and Dorne (2005), Hecht and Martin (2006) and Maoz (2007) emphasize the fact that backpackers are no longer as homogenized as they were considered to be. In line with the above, the research undertaken by Larsen et al. (2011: 702), concerning motivational issues and risks highlights for the fact that the budget traveller and the mainstream tourist may be more similar to each other than they are different from each other, and that backpacking is becoming more increasingly "mainstream" as suggest by Uriely et al. (2002), O'Reilly (2006) and Reichel et al. (2007, 2009). Paris (2010) cited Welk (2004) affirming that for today's backpackers, backpacking is just a short term countercultural experience along a set 'backpackers trail', and they are re-assimilated into their home society upon return. Therefore, it is possible to conclude that Backpacking is a culture symbolic of the increasingly mobile and global world, flexible and heterogenic enough to adapt and develop itself accordingly to the globalization trends impacts. The growing number of backpacker infrastructures, such as budget accommodation and transportation facilities, as well as guidebooks, travel agencies, webpages, tours, blogs and others are clear contributors to the

development of the backpacker tourism segment (Cohen, 1982; Pryer, 1997; Riley, 1988, Loker-Murphy & Pearce, 1995). Other global trends have contributed equally, such as increasing global middle class, increasing amounts of disposable income and increased social support (Bell, 2002, O'Reilly, 2006) as well as the increased representation of backpacking in pop culture (Richard & Wilson, 2004).

Nevertheless, institutionalized backpackers infrastructure, destinations and routes is not unique to backpacker's users (Sorensen, 2003:848). Although backpacking is now effortlessly recognized, yet, it can be difficult to clearly distinguish this from other types of tourism. Sorensen (2003:852) contributes to this idea highlighting that the backpacker is a socially constructed identity rather than a noticeably defined category.

Resulting from the global trends, over the last few decades, backpackers' characteristics differ from those of the 'drifters' and 'nomads from affluence' (Cohen, 1972, 1973) of the 1960's and 1970's, notwithstanding its ideology (Welk, 2004), motives and intentions have preserved (Sorensen, 1992, 1999, 2003). Likely, Anderskov (2002) concluded that the backpacker culture is hierarchically structured, with individual status connected to the values of freedom, independence, tolerance, low budget and interaction with locals as it is also unique (Sorensen, 1992; Anderskov, 2002) since ideally most of the backpacker affirm the willingness to project the values gained over their 'normal' lives (Paris, 2010).

Cody Paris (2010) research, identifies that the convergence of the backpackers ideology with the advances in the communication and information technologies have created a social structure that supports the current mainstream backpacker culture. Although the mainstreaming of backpacker tourism, Paris research "*suggests that the virtualization of the backpacker culture has allowed backpackers to fulfil the actual practice of the five pillars of backpacker ideology (Welk,2014) to a greater extent*", improving individual freedom and identity (Hannam & Diekman, 2010: 62).

So it is clear that recent developments in information and communication technology have provided the basis for the backpacker culture to improve cohesiveness without the temporal or physical constraints of the 'backpacker trail', where online social networks enabled the creation of a social structure that has allowed backpackers to maintain a constant connection to the backpacker culture. While the physical mobilities of backpackers are still just as important to the backpacking experience, new virtual moorings (Hannam et al, 2006; Ateljevic & Hannam, 2008) have developed that allow backpackers to be fully integrated in their multiple networks and maintain a sustained state of co-presence between the backpacker culture and their home culture (Mascheroni, 2007; Paris, 2010; Urry, 2002).

In addition, the new virtual communities allowed the former backpacker to reconnect to that culture through the internet, although they do no longer travel in the same manner as they did in their earlier backpacker experiences. Notwithstanding, they maintain some of the backpacker ideology and still have a personal connection to the backpacker culture, although their actual connection on the road with backpackers may be minimal. According to Paris & Teye (2009), many of the older backpackers first became backpackers when they were younger.

It is possible to concluded that the recent developments in information and communication technologies are impacting the backpacking tourism segment and experience (Pearce, Murphy and Brymer, 2009), where the emergence of the “*flashpacker*” is one impact of these technological developments and trends.

4.4.2. Flashpackers

According to Diekmann & Hannam (2010:1) the flashpacker has “*emerged as a new key constituent of contemporary travel*” and is considered the evolution from “*drifters to backpackers and travellers to flashpakers*”. As previously mentioned, research indicates that the flashpacker results from the impact of key issues such as the adoption of new means of travel, the use of new technologies and the development of new spaces and enclaves, and it is recognized by the industry as the *affluent* and /or *tech-savvy backpackers* (Paris, 2012).

Radha Vyas (2015), co-founder of The Flash Pack, states that there are “*more and more people opting for a smarter, experience-led and more stylish travel option*”. Vyas adds that flashpacking is not just a travel trend, but a travel lifestyle that combines the backpacking culture from travellers twenties and gives it a luxury touch.

The lifestyle traveller connotation is supported by Paris (2012) with reference to Cohen’s (2011) research about lifestyle travellers. Paris asserts that as flashpackers also do maintain a constant connection to backpacker culture both on the road and virtually, consistent with “*blurring the cyclical dichotomy between home and the road*” identified by Cohen (2011), so they can also be considered as lifestyle travellers.

So far it is possible to understand that the flashpacker is a ‘*key constituent of contemporary society*’ (Paris, 2012) and it is an emerging *lifestyle traveller* as a consequence of the economic, demographic, technological and social trends (Hannam & Diekmann, 2010:1). In addition to traveling as a ‘*backpacker*’ by choice rather than budgetary necessity, ‘*flashpackers*’ tourist experience is as well facilitated by technology innovations. They have the means to move fluidly across the globe through the various travelscapes using the

'nomadic institutional structure' and they have the ability to connect instantly with multiple networks from virtually anywhere through an array of mobile technologies innovations (O'Regan, 2008:111). In sum they backpack with *'style'* and *'bucks and toys'* (Paris, 2012). Accordingly Makimoto & Manners (1997), indicate that flashpackers embody both the backpacker culture and of the *'digital nomad'* and are considered part of the new global elite (Bauman, 2007). Paris (2012) defines these elite as hypermobile mentality, corporeally and virtually.

In line with the literature above mentioned, Hostelbookers.com⁴ (2010) considers flashpackers as usual backpackers who are *"looking for something a bit more up-market from their digs"* and are *"just part of the growing number of techno-travellers"*. Consistently, several recent studies regarding the interaction of backpackers and information and communication technologies innovations (Mascheroni, 2007; Paris, 2008, 2010; Sorensen, 2003) it is concluded that *travel expenditure* and *technology use* are the main characteristics that differentiate backpackers from flashpackers.

It is also possible to identify the impacts of the recent demographic trends on these contemporary travellers. They age around older twenties to thirty-something and get married and have children at an older age (Paris, 2012). In addition, they prefer to stay in a variety of accommodation depending on the location and the increased amount of leisure time, disposable income and technical innovations, allows them to visit more *'off the beaten track'* locations.

With communication and information technologies changes, flashpackers assumed their online presence in social networks or/and blogs as their online home (Molz, 2008; Paris, 2011), and thus their email address or social media profiles as their stable or permanent address (MKascheroni, 2007; Molz, 2008) allowing them to be constantly virtual connect to family and friends as well as with and other travellers (Burns & O'Regan, 2008; Wellman, 2001), in opposition to face to face interaction while on the road back then (Murphy, 2001).

Technological innovations also contributed to increase heterogeneity and individualization within the backpackers (Coresen, 2003) and the *hybridization* of backpackers home identity vs road identity (Paris, 2012).

So far it was pointed out the flashpackers personal and cultural impacts of the virtualization of the backpacker experience, nevertheless technological innovations also contributed to the global visibility of the previously remote destinations and small businesses. The increasingly

⁴ Considered one of the main online hostel booking sites.

engage with social networks enhances businesses and destinations control over their global visibility, making them less dependent upon word-of-mouth or backpacker travel guides.

Notwithstanding, Paris (2012) highlights that even for flashpackers it is important to maintain the backpacker experience at destinations, particularly in enclaves and spaces like hostels, cafes or other physical spaces considered part the backpacker culture.

As a consequence of the global mobility and in line with the backpacker culture (Cohen, 1973, 2010), according to Graburn (1983) & Sorenson (2003) travellers decide upon travel experiences that provide the best alternative to transform space and time between key life events (Jarvis & Peel, 2010). Alongside the current student backpackers sharing the independent traveller routes, Jarvis & Peel (2010) identified ‘*gap year*’ travellers either between school and university or career breaks, stimulated to leave career jobs in professional fields to spend an extended period of time travelling or combining travel and work overseas, aging from their mid-twenties into middle life. In line with the changing demographics and social trends, the economist magazine observed that workers do not mind “*to binger-work for a while, but in return want extended sabbaticals in which to chill out*” (The Economist, 2006:78). In this hyper-mobility era (Richards & Wilson, n2004a:3; Molz, 2005), the career break phenomenon contributed to diverse social and economic challenges, such as the postponement of family responsibilities, contributing to the evolution of the contemporary flashpacker (Hannam & Diekmann, 2010).

According to the report published by Future Laboratory (2004:13), flashpackers are ‘*older travellers on career breaks who can afford to splash out on some life’s luxuries when going on the road gets tough*’. In accordance, Breaking Travel News (2006) define the flashpacker as “*new breed of traveller, tech-savvy adventurers who have traded in their copy of “on the road” for a cell phone, digital camera, iPod, wearable electronics clothes and a laptop, all snugly tucked away in their ergonomically correct, multi-function backpack*” (Hannam & Diekmann, 2010:22). Thus, in general, there are two key factors that can be identified in the definitions provided by the media, (i) travellers were backpackers before and still plan their trips and act according the backpacker culture nevertheless (ii) they are over sharing dorms and look for other comfort beds and fluffy towels and amenities (Miles, 2004; Swart, 2006). Accordingly, the majority of the respondents in Jarvis & Peel research (2005), mentioned having the financial capacity to stay at hotels notwithstanding and due to the social nature of the backpacking they choose to travel as independent travellers.

Following the above trend, Pursall (2005) identified an increasing number of well-appointed and often purpose-built accommodations, designed for this segment and marketed as

flashpacker establishments asserting that these infrastructures prove the emergence of a backpacker sub-segment. *Flashpacker-style accommodation have been popping up across the globe for the past few years with hotel-standard facilities at backpacker prices and these places seem to know what flashpackers want and are providing spotless hostels, comfy beds, and loads of facilities like bars, swimming pools, spas and all that good stuff* (Travoholic.com, 2006). Although academic literature regarding the flashpacker phenomenon is still rare (O'Reilly, 2006), Pursall (2005)⁵ *commented on the evolution of a distinct flashpacker stand within the larger backpacker segment*, highlighting how flashpackers differed from backpackers when it comes to choosing accommodation and general disdain for younger travellers. With this regard, once flashpackers can be considered *higher yielding backpackers* (Jarvis & Peel, 2010) consequently, they have a significant impact in destinations economy.

According to Jarvis & peel (2010) in the global nomad (2004a), Cohen cautioned against research that homogenised the backpacker. Likewise Ateljevic and Doorne (2004:76) noted that recent changes in the contemporary backpacking culture confirmed the continuing need for market research. Many scholars have accepted the challenge to identify differences in backpacker motivation and experience, regarding gender (Maoz, 2007, 2008; Muzaini, 2006) and nationality (Noy & Cohen, 2005). Thus although researchers have identifies traveller age as demographic factor (Jarvis, 2004; Scheyvens, 2006; Lee & Gazali, 2008; Niggel & Benson, 2008), there is still the need to undertake additional research concerning the behaviours and motivations of older backpackers (Ryan & Moshin, 2001; Speed, 2008).

With reference to the above, Jarvis & Peel (2010) refer that Bauman (1998) when accessing the consequences of globalization identified the rise of a *professional and managerial elite*, to who hyper-mobility is common both in working and personal lives and travel empowers the sense of freedom on an unprecedented scale. As in the Grand Tours, where travel offered an opportunity to education (Adler, 1985), taking a career break to work abroad professionally, in the context of globalization, is also considered an investment (O'Reilly, 2005). Accordingly, Pearce and Foster (2007), *identified that social interactions skills, self-management skills, social and cultural awareness, independence, dealing with difficulties , self-confidence and problem solving, were all skills that the travellers had developed while traveling and believed were important for future employment opportunities* (Jarvis & Peel, Hannam & Diekmann, 2010:37).

⁵ Unpublished paper delivered to the backpacker Research Group of the association for tourism and Leisure Education (Hannam & Diekmann, 2010:23).

Flashpacking has evolved as a result of diverse societal factors, including the trend to cosmopolitanism, which ‘*involves the search for, and the delight in, the contrast between societies*’ (Szerszynski & Urry: 467). As Paris (2012) referred, as result of the increasingly mobile world and globalisation, for flashpackers with geographical independent lifestyles is becoming even more difficult to distinguish between personal life and tourist experiences. Therefore, and as stated by Jarvis and Peel (2005), it is possible to conclude that the emergence of this independent traveller sub-segment is an inevitable result of the global economical, demographic and social trends and must be viewed as potential economic growth within the developing destinations.

4.5. Hostels

“Hostels are a form of budget accommodation where short-term, individual travellers can rent a bed in a dormitory-style room and which offer shared facilities and common areas. (...) In most cases tenants share a bathroom, kitchen, reading lounge, Internet desks and television area. (...) The rooms often house man and women together, but some have single-gender rooms and toilet and bath facilities. (...) They vary in their service levels, with some providing breakfast with other meals available, and others providing little by way of food and other services.” (Timothy & Teye, 2009:217).

The historical origin of the hostel’ concept is quite controversial between academics. With reference to McCulloch (1992), the first reference to the “hostel” concept was back to the 16th century, nevertheless, he refers to associations such as Young Mens Christian Association (“YMCA”) followed by Young Women Christian Association (“YWCA”), funded in 1844 and 1855, as being responsible for the revival of the term “hostel” (Loker-Murphy; Pearce, 1995:822). However, most scholars as well as the American Youth Hostels refer to the origin of the modern hostel, in 1909, when a German school teacher, Richard Schirrmann, took his students on excursions during the holiday season and persuade fellow teachers to allow schools along the route to be used as simple dormitories (Loker-Murphy; Pearce, 1995; O’Regan, 2010; Clarke, 2004). One year later he successfully established the world’s first permanent youth hostel in an old castle, which still operates today.

Over the last decades, the “hostel” concept has evolved since its origins from a budget accommodation into a wide array of different options for travellers, with the contribution of the boom on alternative guide books and travel media (O’Regan, 2010).

According to Castells (1996:412-413), hostels evolution and transformation was prompt by the network, where flows define its positioning and meaning where “*no place exists by itself*”. Hostels are considered the basis of the backpacking culture (O’Regan, 2010; Pearce, 1990; slaughter, 2004), in addition to being the *most visible, material and symbolic part* (O’Regan:2010), hostels are also “*a referential framework for the planning of a trip*” and also “*a script for how to perform and perhaps reconfigure their own identities* (Jansson, 2007:11). Regarding hostels customer segmentation, contrary to traditional accommodation segmentation, has become more flexible and rather targeting similar people it targets “*people sharing the same set of particular values, conventions, patterns of movement, involving intermittent physical face-to-face co-presence at locations on symbolic routes an important part of a network-driven community*” (Lassen, 2006:307). Though, as highlighted by Boden & Molotch (1994) and Urry (2003), customers do not know what to expect in this spaces of ‘*informal co-presence*’. Nevertheless the decision to stay in hostels is not ‘*incidental*’, ‘*but a conscious and habitual way of encountering and experiencing places and people*’ (O’Regan, 2010; Aubert-Gamet & Cova, 1999).

Westhausen and MacBeth (2003) and Römheld (2002) identify the existence of such meeting places, somewhere between the imagination and reality that enable rich and dense interactions (Urry, 2003). This *gathering places*, as Vogt defined (1976:36) also promotes the exchange of ideas, friendship, information and material goods as well as a range of travel experiences such as belonging, companionship, reflection and learning (O’Regan, 2010), as well as costs and risks (Binder, 2004:98-100).

Nevertheless, while meeting other travellers might be not as important as meeting locals, still its importance is recognized (Obenour et al., 2006; Cohen, 1073; Binder, 2004; Loker-Murphy & Pearce, 1995; Riley, 1988; Murphy, 2001, 2005; Richards, 2007). Although these intense interactions dissipates as fast as it was constructed (Elsrud, 1998; Riley, 1998; Murphy, 2001; Sorensen, 2003), it is believed that contributes positively to the promotion of social networks and improves socialization competences such as mutual understanding, empathy, respect and tolerance towards other people (Willis et al., 2007).

Other social effects of the hostelling market segment are the ability that both its customers and the backpacker infrastructures have to revive crime-ridden parts of cities (Scheyvens (2002:157) pushing out declassed locals (Visser, 2004; Howard, 2007). Hostels also promote activity programs that offers backpackers with consumption opportunities, a strategy that boost the individual traveller and the local lifestyle proximity, whether it is everyday activities like touring, nightlife, laundry or internet access (Thirft, 2000; Bauman, 2001). All these

features have been welcomed by many and familiar within hostels (Edensor, 2004; O'Regan, 2010).

As cited by Cave et al. (2007), backpackers and hostel accommodations expectations “*appear to be changing from the communal, cheap, “just a bed” option that it once was believed to be*” it is getting more and more alike the accommodation experience provided by the mainstream tourism, with customers expecting *tangible and physical evidence of a servicescape* (Bitner, 1992).

So far, it is clear that the term hostel attempts to embody both the hybrid product that combines hotel services and amenities with the informality and friendliness of the backpacking culture. This is in accordance with Cerović, Milohnić and Kvasić (2014) research that indicates the importance of “*quality in the segment of provision of accommodation services*” as well as ensuring higher standards and ecological balance and market trends monitoring as well as customer needs and motivation.

In addition, it is important to point out the globalization impacts, that are turning hostels ever more interconnected and interdependent to transportation, information and communication technologies. Information technology development alongside with the new search tools available have contributed to the easiness of booking a flight as well as accommodation with just a simple click. Moreover, the feedback available online, allows guests to collect and analyse the feeds and opinions that other travellers shared (Catalão, 2010).

All the progress and the expansion registered by all the means of transport, stressing the importance of the low cost airlines development, communication and technologies have contributed to the development of the new hostel concept , as well as facilities and amenities provided

Contrary to hotels, hostel occupancy is measured by beds. The ration of beds to rooms may depend upon business segmentation, property and local legal restrictions. Over the last decades, hostels have become a more cost-effective form of accommodation, attracting new customers and such as families and corporate travellers (Douglas, 2013).

Nevertheless, Burns and O'Regan (2008) and Paris (2010) warn for the fact that with the provision of new services and facilities, such as Wi-Fi, hostels can become less attractive to a majority of travellers. Therefore, *businesses targeting flashpackers should be careful to develop services and products within the backpacking industry landscape that already exists by creating products that complement the current backpacking industry. By adding amenities, addressing high-tech needs, and providing ‘mixed-use’ facilities for both flashpackers and*

other backpackers, a business could maximize the perceived value to their customers, not alienate flashpackers, and differentiate themselves from the competition (Paris, 2012:1112)

4.6. Entrepreneurship and Business Plan

According to Professor Tomas Cruse (Duarte & Esperança, 2012:23) one of the main objectives of undertaking a degree, besides the technical/scientific knowledge acquisition, it is to provide students with the know-how and tools to “*build a dream that lasts for life*”, in other words to trigger the entrepreneur mind-set. So far, a concept has been introduced that require further exploitation namely, entrepreneur. The next sections provide further development on the above identified concept and provide the theoretical contextualization of the present Homestel business plan.

4.6.1. Entrepreneurship and the Entrepreneur

The present section aims to clarify who is the person behind an idea - the Entrepreneur - that originates a business plan. Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting products, processes or markets (Defining Entrepreneurial activity – OECD, 2008:6). According to Knight (1921), entrepreneurs “attempt to predict and act upon change within markets”, bearing the uncertainty of market dynamics. Furthermore, the entrepreneur is not only someone who predicts but, as Schumpeter (1934) defined, an “*innovator who implements change within the market through the carrying out of new combinations*”.

So, an entrepreneur may be a person that creates a concept or develops/adapts a concept and ensures its implementation. Citing Lumpkin & Ders (1996), the entrepreneurship personal characteristics can be evaluated through five dimensions: autonomy, innovative behaviour, tendency to assume risks, pro-activity and aggressive competitiveness. Nevertheless, although personal characteristics boost the entrepreneurial activity, the entrepreneurship is not inbred, the right combination of people, resources and acting in the right moment towards the right opportunity is imperative (Trigo, 2003).

As defined by the Commission of the European Communities (2003) Entrepreneurship is the “*mind-set and process to create and develop economic activity by blending risk-taking, creativity and / or innovation with sound management, within a new existing organization*”.

According to Timmons (1994), the entrepreneurship process must be analysed through three key factors: (i) opportunity, (ii) entrepreneur and (i) resources, where the first step is to evaluate the opportunity; the second corresponds to making sure that the entrepreneur(s) are

full minded in the goal of the project and at last to evaluate how and where to find the needed resources (Duarte & Esperança, 2012)⁶.

Advantages resulting from the entrepreneurship are straight forward, from the creations of new companies, a strong booster of job innovation and economic growth, triggering a competitive environment and the development of innovative business. Understanding the process through which entrepreneurs create wealth (Ireland, High & Simons, 2003) it is now imperative to understand what a business plan is and the need and importance of developing one.

4.6.2. Business Plan

A business model describes the rational of how an organization creates, delivers and captures value (Osterwalder & Pigneur, 2010:14). Kaplan and Warren (2007) referred to a business plan as a 25 to 40 page written document that describes where a business is heading, how it hopes to achieve its goals and objectives, who is involved with the venture, why its product(s) or service(s) are needed in the market place, and what it will take to accomplish the business aims.

According to Barringer & Irland (2006), a business plan corresponds to a diagram that reflects how a company competes in the market, uses the required and available resources, organizes its relations (internal and external), how interacts with is customers and how it adds value, in a way to survive in the open market. On the other hand Hirrich & Peters (2002) defines a business plan as the document prepared by the entrepreneur required to the development and implementation of a business from scratch. In addition, it aims to address both short-term and long-term decision making for the first years of activity. (Duarte & Esperança, 2012)⁶.

With reference to “Writing an effective Business Plan” - Fourth Edition (2003), Deloitte & Touch, it is possible to identify key sections when developing a business plan. Notwithstanding, a good business plan combines information about business processes (such as characteristics, stakeholders, opportunities, threats, weaknesses and strengths), forecasts and financial planning, business and market analysis, suppliers, competitors, business partners, capital and treasury needs, among others (Carlos and Esperança, 2012)⁶. In sum, a good business plan needs to speak for itself (Kao, et al., 2002).

In face of the above, it is possible to conclude that a business plan is a document that identifies the business idea and all the milestones defined in order to implement it in the

⁶ Translated by the Author.

market. It may be develop in order to implement an innovative idea or a concept in the market, whether it is a product or a service, or to improve an existing business.

Yet, it' purpose is not clear so far as well as who might require it. The business plan serves as the means of communication with potential sources of founding, describing both the business and the entrepreneur's ability to organize and conceptualize the details. In other words, the business plan helps the stakeholders in the investment decision. Therefore, when developing a business plan is also as important to demonstrate the idea competitive potential and attractiveness, emphasizing the added value and positive aspects to all stakeholders involved. In this sense, the entrepreneur must do the best efforts to collect and present the more accurate data and information.

In addition, Duarte & Esperança (2012)⁶ refer that the main purpose of developing a business plan is to demonstrate in a realistic way, how the idea will turn into a profitable, sustainable and feasible business. Nevertheless, not only is important to demonstrate its potential but also to reflect and anticipate all the problems and difficulties that may arose during implementation, due to market conditions evolution and the limited available resources.

Hence it is possible to conclude that a business plan is not only important to the entrepreneurs or to the investors but other stakeholders may also have interest in the document. The business plan may be read by employees, investors, banks, venture capitalists, suppliers, customers, advisors and consultants (Hisrich, 2007).

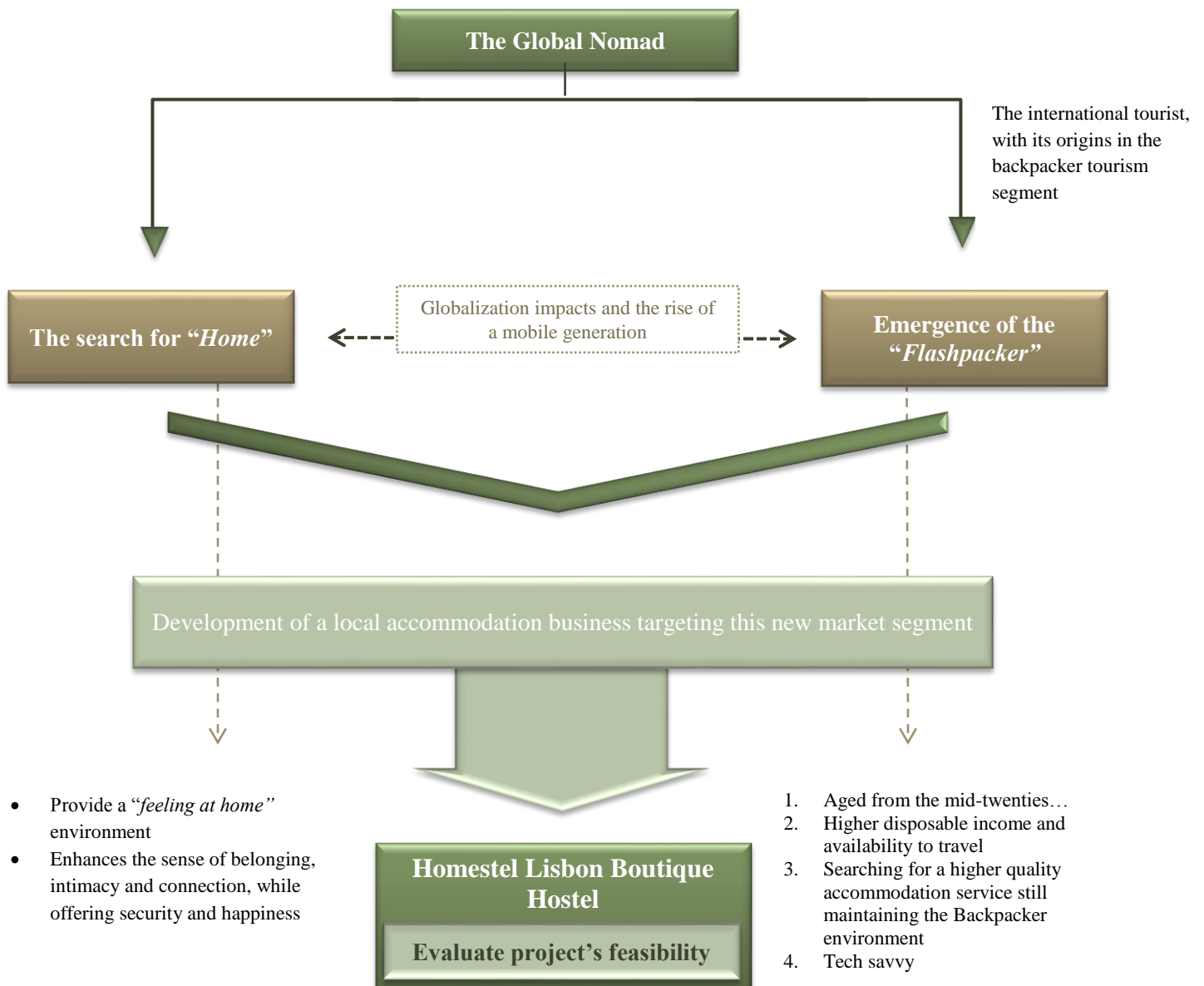
The business model is like a blueprint for a strategy to be implemented through organizational structures, processes and systems (Osterwalder & Pigneur, 2010:15). With reference to Osterwalder & Pigneur (2010) approach, a business model can be described through nine building blocks, a process that reflects the how a company proposes to be profitable and aims to covers four main areas of business: (i) Guests, (ii) offer, (iii) infrastructure and (iv) financial viability.

In sum, a business plan has all sorts of different purposes, such as (i) *attract funding*; (ii) *evaluate future growth*; (iii) *build partnerships* or (iv) *guide development* (Gallo, 2010). Nevertheless, Gallo (2010) alerts for the fact that “*for a plan to be truly valuable it needs to evolve with your company and stay relevant in the face of uncertainty.*” Thus, and taking in consideration Barringer & Ireland (2006) research, it is clear the importance of a well-structured business plan as well as being adaptable and flexible enough to keep up with business changes (Sahlam, 2008).

5. Reference Framework

With reference to the literature review undertaken, the main key factors where defined as the main pillars of the development of the Homestel Lisbon Boutique Hostel Business plan.

Figure 1 – Reference framework



Source: The Author

The present literature review helped to understand the development of the backpacker tourism segment and the emergence of the flashpacker as well as the *Global Nomad* search for *Home* and its correlation with the evolution registered by the low cost accommodation service providers, commonly regarded to as *Hostels*. Thus, and in order to evaluate the feasibility of the Homestel Business Plan, it urges to understand all the stakeholders involved in this

tourism sector. Therefore in the ensuing chapters it was performed a comprehensive analysis to the Portugal's Tourism sector, and targeting specifically Lisbon city as a tourism destination, once Lisbon was chosen as the city to develop the Homestel Business Plan idea, as well as the study of the Local Accommodation market segment development and legal requirements. In addition it was also important to analyse the main critical factors when developing and designing a business plan for a hostel. At last, it is important to mention that all the data analysed in the previous chapters helped to both define the Homestel business concept as well as to target the Homestel guest.

“If sleeping in a dorm with strangers snoring all night is no longer something you wish to endure, perhaps it's time to admit that your backpacker days are numbered. You still want care-free days of river-rafting, visiting villages, buying locals snacks, learning about the culture and meeting people, but you also need your own room with fluffy towels, a king size bed and designer toiletries at the end of each day? Then “flashpacking” is for you.”

Miles, 2004

6. Methodology

The present project main objective is to evaluate the economic and financial feasibility of the development of a boutique hostel in Lisbon.

6.1. Methodology

This chapter lists all the steps and activities performed throughout the development of the present business plan:

- Identification of the thesis objective and definition of the business plan concept;
- Papers identification through searches performed in the Tourism Documentation Centre, ISCTE library and online databases, such as b-on, and literature review objectives definition;
- Performance of a search for other Hostels and/or other local accommodation' business plans as well as for market segment information and data;
- Competitors identification as wells as complementary services and facilities supply identification and data collection;
- Development of the literature review and the reference framework;
- Analysis to the data collected and performance of the business environment analysis, including:
 - PEST Analysis;
 - Porters' five forces analysis;
- Performance of the internal analysis, including:
 - Mckinsey 7's;
 - SWOT Analysis;
- With the information collected so far, it was possible to define Homestel demand, Homestel Guests, suppliers and competitors;
- Conclusions of the external and internal analysis, performance of the Ansoff matrix analysis and conclusion of the opportunities and threats of the SWOT analysis;
- Definition of the Business Idea including the strategic objective, mission, vision and values. In addition, the critical success factors and the value preposition were also defined at this stage;
- After defining the business concept, as per bullet above, it was possible to start with the implementation phase definition. Firstly a concept and a brand was developed, including the design of the Homestel logo. Afterwards, it was time to develop and

define the marketing mix, including: Homestel accommodation service description, future products definition, price analysis and definition; Place, communication and promotion strategy and activities; people, including the definition of personnel' main functions performed and corresponding remuneration; service processes definition, since the arrival of the guest until his last day at the Homestel; and at last the physical evidence definition. At this stage, with reference to the information collected regarding other hostels and/or local accommodation service providers in Lisbon, it was also possible to define Homestel Prices, services provided, facilities and future products;

- ☞ While defining Homestel Marketing mix, it was also defined the business location, once the building is located in the Arroios parish, all the services and facilities in the surroundings where analysed as well as all the external factors that could affect the business were identified. Since the building is located in a historical parish of Lisbon, beside the main touristic attractions which in the past few years has registered a huge touristic interest increase, the decision to go ahead with this location was almost straight forward;
- ☞ After having the location and the building defined, it was possible to determine the final layout and Homestel capacity, including the facilities and number of bedrooms and beds offered;
- ☞ After all the listed steps concluded it was possible to define an action plan. For this end, information as well as budgets were collected from suppliers in order to define an action plan and prepare the next phase: the financial and the economic evaluation;
- ☞ Firstly, in order to perform the economic and financial analysis it was necessary to define some assumptions whether regarding the information considered, the taxes applied, and others. Afterwards is was possible to start with the Homestel feasibility analysis;
- ☞ After concluding the previous step, the main conclusions of the project were identified and the investment decision was taken, highlighting the main limitations of the project;
- ☞ At this stage, after concluding about the investment decision, a revision of the project was undertaken in order to adjust some aspects. It was also concluded the following topics: Reference framework; Promoter; Abstract; References and the methodology;
- ☞ At last, after concluding all chapters, once again the document was reviewed in full, with the aim to improve when necessary and to identify typos and formatting errors.

At the end the appendixes were also reviewed in order to guarantee that every table and or illustration or others were correctly identified and linked to the corresponding project chapters.

6.2. Research framework

Once the present research aims to respond to a set of questions regarding the implementation of a local accommodation business where the decisions taken may be influenced by the promoters travel experience and ideals and values the present research framework adopted was an interpretive methodology of all facts and data collected in order to develop and evaluate this business idea.

6.3. Project's study methodology

The methodology adopted when developing this business plan was a qualitative approach, nevertheless and taking in consideration that although supporting all the decision and conclusions of this project on public available information and data the promoter's mind-set towards this business segment has influenced some of the decisions at some degree. Therefore the conclusion hereinafter presented could have been interpreted differently by another promoter having access to the same public available information.

6.4. Questions to be answered with this business plan?

- ☞ Who are the emerging flashpackers?
- ☞ How to characterize this tourism business segment?
- ☞ How to develop an accommodation business service targeting flashpackers?
- ☞ Which are the legal requirements to open a Local accommodation business in Lisbon?
- ☞ Which is the best location for this business and its main features?
- ☞ Is it viable to invest in this Business Plan idea?

7. Business Environment Analysis

7.1. Market analysis

A market analysis aims to provide an overview of the industry performance, including historical data and future predictions, as well as the identification of the main industry trends and opportunities.

In 2014, with regard to the Portuguese “Travel and Tourism” item of the balance of payments, revenue has increased by 12.4% to a total amount of 10,394 million Euros and a total expenditure of 3,318 million Euros. This represented a balance of 7.000 million euros, reflecting an annual growth of 15.4%, in contrast with the 8.3% in 2013.

Taking in consideration that the present business plan is for a local accommodation establishment in Lisbon, it is important to both understand Lisbon’s tourism market as well as the Lisbon local accommodation segment performance, in 2014.

During 2014, Lisbon registered an overall growth of 16.2% for overnight stays, where foreign guests overnight stays growth accounted to 18.9%, this growth was followed by a growth of 11.7% in total guests and a 15.2% growth in total revenues (Appendix I - Table 30 – Main key performance indicators for Lisbon - NUTS II).

Considering TOP 10 inbound markets from 2013, Spain remained the market with more expression for Lisbon’ region, with a total of 1,163 thousand overnight stays followed by France and Brazil (Appendix I - Table 31 – Overnight stays in Lisbon (NUTS II) – TOP 10 inbound markets). Regarding seasonality, accordingly to 2013, Lisbon shows a clear tendency of higher rates of occupancy from May until October and in week days rather than weekends, with a clear growth over 2013 occupancy rates. In 2014, September was the month that registered the highest occupancy rate, both for occupancy rate during the year, per month, (88.2%) as well as for the occupancy rate, per month, for weekdays vs weekends (92.3% - Weekdays occupancy rates in September) (Appendix I - Table 32– Occupancy rates per room - Lisbon (NUTS II) and Table 33 – Occupancy rates per room; weekday vs weekend - Lisbon (NUTS II)).

Regarding local accommodation segment, over the year, this segment accounted for 1.145 establishments, representing a total capacity of 43.840 beds, with both these figures registering an increase of 6.3% and 8.9%, respectively. In 2014, local accommodation hosted 2.0 million guests, representing an increase of 23.2% over 2013, resulting in a 4.3 million overnight stays. The average stay in this market segment accounted for 2.23 nights, with a

steady occupancy rate of 29.9%. By the end of the year, total revenues from local accommodation market segment amount up to 137.1 million Euros, and the average earning per bedroom available (RevPAR) was of 16.8 Euros.

With reference to NUTS II, Lisbon – Portugal’s largest city and capital – had a total of 199 local accommodation establishments with a total capacity of 9.615 units, representing 17.4% and 21.9% of the Portuguese local accommodation market. Lisbon was indeed the region that contributed the most for the total overnight stays, with a growth of 43.2%.

Indeed Lisbon was the regions with the highest demand for local accommodation (32.7% of overnight stays in Portugal) nevertheless the average stay registered a decrease reaching the average of 2.32 nights thus higher than the overall average considering all regions (2.23 nights). At last, with reference to occupancy rate, Lisbon once again registered the highest rate (44.0%).

According to the PENT⁷, distribution and information channels evolution, the emergence of new destinations and the changes in airline companies’ operations has impacted guest behaviour and consumption habits in what regards to traveling and accommodation. All this changes has pressured all the tourism industry businesses in order to consolidate and adjust its business model according to the new trends. It also must be mentioned the impact of communication technologies innovations that impose a business modernization.

Strongly influenced by the current economic environment, the tourist profile has changed. The nowadays tourist searches for a more diversified and price for quality option and is less and less loyal. It is suggested that players acting in the tourism industry must wage in more innovative and differentiated product and services, including business qualification and certification and anticipate the necessary personnel competences and the time and effort to a more dedicate and communicative relation with the client, before and after the sale. At last, greater attention should be paid to the increasing market segmentation, highlighting the *techno-savvy* (Paris, 2012), as well as the growing elderly segment that thus searching for more tranquillity, comfort and stability, it is also available and desires new experiences.

Taken in consideration of the above, it is important to mention that Lisbon is a destination that contributes the most for the Portuguese economic development and nowadays is recognized by its countless qualities. Attracted by its diversified offer, unique quality and excellent quality for price relation, Lisbon becomes more and more desired and loses the ideal of the unknown city, located at the western end of Europe. In addition, it is important to

⁷ National Strategic Plan for the Tourism Industry (Plano Estratégico Nacional do Turismo) considering the period of 2006 - 2015.

mention that over the last years, Lisbon has garnered countless awards and recognition prizes as a top tourism destination.

7.2. Macro-Economic analysis

7.2.1. Political / Legal

During 2014, Portugal was still suffering from its worst economic crisis in the past few decades. Resulting from the collapse of foreign demand and investments, Portugal experienced a deep recession for 3 years. After harsh Government's austerity measures, the Portuguese economy started to show signs of recovery by the end of 2013. In 2014, Portugal reached a positive growth (0.3%), and it was clear the economic benefited resulting from an increase in the tourism sector, which reached a record level in 2014.

In May 2014, Portugal made its way out from the 78 billion Euros bailout agreement, signed in with Troika (EU-ECB-IMF), in 2011. After a year of political instability, mainly due to both the President and the Constitutional Court queries regarding the austerity policy, in 2014, the government budget established again new budget cuts in order to save 3.9 billion Euros, which caused again more instability and dissatisfaction among both the population and opposition parties. Riots and strikes marked the whole year, from the transportation sector to the public health and also education sector. Notwithstanding, Portugal succeeded in reducing its public deficit to 4% in 2014 and the expectations for 2015 are promising (reduce public deficit up to 2.7%). Although Portuguese public debt is still considerable, in January 2015, Portugal started a plan to anticipate a graduate reimburse the IMF.

Taking in consideration the banking sector, the year 2014 was once again a year marked by the collapse and bailout of the bank Banco Espírito Santo and corresponding entities of the group GES. By the end of the year, as a consequence of the scandal associated with the provision of illegal visas to foreign investors, the Minister of Internal Affairs has resigned and the former socialist Prime Minister, Socrates, was indicted for corruption and is still waiting formal charge and trial. Contributing to the political instability is also the Portuguese legislative elections in October, 2015.

The World Tourism Organization has already recognized the importance and contribution of this sector to the world economic growth and development. For Portugal, the Tourism sector is crucial for economic growth, in terms of wealth, employment and life quality. Therefore, the measures announced by PENT, were revised in order to meet the global expansion tendency.

The hostel business in Portugal is regulated as local accommodation. The market demand and supply frenetic dynamic over the last few years made it clear to local authorizations that this was not a temporary phenomenon and due to its economic relevance an update of the legal framework was indeed compulsory. The local accommodation business is regulated through the decree n° 128/2014, August, 29th and the decree n.º 63/2015, April, 23rd.

According to the legislation above a local accommodation, including hostels, are those who provide remunerated temporary accommodation services to tourists, and that meet all the legal requirements establish in the decree n° 63/2015, April, 23rd. The maximum capacity of a local accommodation is of nine bedrooms and thirty guests, except for hostels that have no capacity limits. In order to explore a local accommodation business, it is necessary to proceed with the registration through the *Balcão Unico Eletrónico* in the local Town Council, according to article n°6 of the decree n.º 92/2010, July, 26th and comply with the minimum legal requirements of safety and hygiene. According to the NACE codes⁸ nomenclature, a local accommodation operates under the 55204 NACE code (Rev.2). A local accommodation business may be considered as a hostel if the predominantly accommodation unit are the dorms.

7.2.2. Economic

According to the data made available by the Banco de Portugal and INE, after years of economic instability and a financial assistance program, Portugal is now towards an ongoing process of gradual economic recovery. In 2014, GDP registered a growth of 0.9% (after having declined 1.4% in 2013) and is expected to accelerate by 1.7% in 2015, followed by 1.9% increase in 2016. This recovery is mainly due to the positive performance of domestic demand (+2.0%), resulting in the increase of private consumption (+2.1%) and in the net fixed capital formation (+2.3%). Nevertheless, public consumption has registered a small decrease in 2014 (-0.7%). In addition, the Portuguese economy's net lending is expected to remain stable and the reduction in external indebtedness should be sustained. In accordance with the positive performance and Portuguese economic growth, in February 2015, the European Union accepted the plan submitted by Portugal for the early repayment of the IMF financial assistance program's loan.

Projected growth for the Portuguese economy is in line with a gradual decline in the unemployment rate, despite its persistently high levels. In 2014, unemployment rate was of 13.9%, disclosing a significant decrease in contrast with 2013. According to INE,

⁸ Industrial classification

unemployment rate for the first six months of 2015 kept decreasing (in June, 2015 was of 12%) keeping up with a positive trend. The youth unemployment rate, by the end of 2014, was of 34.5%. Notwithstanding, youth unemployment rate is unreliable due to the high youth emigration flows.

Inflation in 2014 was of 0.3%, thus it is expected to remain low, it is estimated a gradually growth over the next year, nevertheless to levels still below projections for the euro zone as a whole. During 2014 the consumer confidence indicator maintained the positive upward performance, as in previous year, with a consistent growth during the year and stabilizing in December (23.5%).

Lastly, following the European trend, Portugal has revealed an increase in the services sector that contributed with 76.7% of GVA and employed 67.7% of the Portuguese population. With reference to the services sector, urges to highlight the importance of tourism, representing 10% of the GDP in the beginning of 2014 and 46.0% of services exports.

7.2.3. Social / Cultural

According to INE, the current demographic trends corresponds to the increase in average life expectancy, reducing child mortality, increase in emigration, with special relevance to the youth emigration, and significant decrease in fertility and consequent aging population. Thus it is expected a progressive decrease of the Portuguese population, resulting from the significant decrease in young people with an increase in elderly population.

Thought, there is clear evidence that the world is getting more and more global, and mobility is nowadays one of the most significant impacts of the global world. The increasingly flows of people and products/services are changing people's lives, and a sign of it the emergence of the new *global elite*, aging between 25 and 45, that have an increased amount of leisure time and disposable income. In addition, the increased facility to study abroad, through the most various exchange programs or even the increased flow of professionals, looking for an abroad professional experience to enrich their resume is also boosting the emergence of this new global elite. At last the development of LCC both in the American and the European market has permanently reshaped the air transportation sector. In Portugal, although the LCC have only established a few years ago, its growth was remarkable and now low cost airfares have a crucial role in the Portuguese air transportation sector.

7.2.4. Technology

Over the last year's communication and information technology innovation has changed the world in ways that our antecedents would ever imagine. Technology has shortened distances;

fasten cultural, demographic, social and economic trends all over the world and boosting market globalization at unbelievable fast paced. With e-business, markets have expanded on a global scale, facilitating online guest interactions as well as supplier's management and procurement.

Hence as Tsitsos & Ratten (2012) stated “(...) *dynamic evolution of new technologies explain the usefulness of information technology (IT) to tourism businesses*” (Jaafar, et al., 2012:2). Information technology has impacted the tourism sector in various ways. From the side of the tourist, it made available loads of useful information when planning a trip, helps keeping contact with home, family and friends while traveling as well as keeping contact with other travellers met upon return. From the business side, nowadays, social media is also viewed as a tool to ‘target’ guests and it helps businesses gain a competitive edge by enabling companies access to a hand full of information (Leong, 2001). In addition, with just a simple click, it is possible to book a trip and accommodation, including transfers or car renting, restaurant or even show tickets, everything is possible to organize and book and/or to make available in the market in advance and in the right moment, without being subject to intermediaries. All the progress and the expansion registered by all the means of transport, communication and technologies have urged the development of new accommodation facilities and concepts. In addition, the online booking represents for the host a direct benefit, once it will allow targeting its yield directly to its guest.

In addition, for the accommodation business owners, the innovation technologies also simplify the business management, from booking and CRM practices to financial management; it eases operational processes and adds value to the guest experience.

7.2.5. Porter's Five Forces analysis

The Porter's five forces model helps to understand and characterize the industry from a strategic point of view.

Threat of new entrants

The local accommodation market is characterized by a high initial investment need. Whether purchasing or renting the building, there is also the need to adapt according to the legal requirements and adapt and furnish it according to the business concept. With reference to the Homestel business plan, there will be the need to invest in complementary products that will differentiate the business from other competitors, such as smart TVs, hair driers, icing and hot water vending machines, front desk Ipad/computer. In addition to the initial investment, the operating cost structure of a local accommodation business corresponds, in its majority, to

fixed costs such as personnel costs (wages and other related costs); commodities (such as electricity, and others), information and communication technologies cost (online booking platforms, billing system and others). In addition, and depending of the complementary services provided, there are other several fixed costs that it will be necessary to incur, such as internet and cable TV.

Differentiation through complementary services and products is the main crucial factor in this market, once the competition is high in Lisbon. Nevertheless, and once Homestel is targeting flashpackers, instead of the businesses targeting younger travellers and backpackers, the competition is quite lower. Client relationship management is another way to differentiate, and in accordance with the business concept, Homestel' personnel will strive for excellence, aiming to provide an exquisite experience in the same time making the guest feel comfortable and at home.

Taking in consideration that technology innovations are more and more common in this market, we do not anticipate any difficulty with this regard. In face of the above, it is clear that the threat of new entrant is relatively high.

Suppliers Power

Most local accommodation market' suppliers correspond to furniture suppliers, textiles and laundry services providers, consumables providers (such as office consumables, toiletry and other bathroom supplies, hygiene and cleaning products) and food suppliers.

In addition, and as a result of the industry and technology convergence, the local accommodation market also deals with information and communication technology services and tools suppliers, online brokers, and web designers and booking sites suppliers.

Once the suppliers of the products and services identified above, with the exception for the brokers, are available in a large number in the market and provide more or less the same services and products, they do not hold such a significant power. In addition being such a diversified group of suppliers, acting in several industries, the risk of downstream vertical integration is relatively low.

Hence in this marketing segment, the brokers are the suppliers that hold the highest power due to their reputation and guest's database. Nevertheless, there are several brokers in the market and unless there is a signed contract with a resignation fee, the cost of changing from one to another is relatively low.

Highlighting the fact that the Homestel aims to attract the flashpackers, quality of the products bought and services acquired is of high relevance, in order to deliver the concept idealised as well as retaining loyal guests.

Therefore it is possible to conclude that the supplier's power is relatively medium/low.

Threats of substitutes

Over the last few years, Lisbon has been facing a huge proliferation of local accommodations and hostels businesses. Thus targeting a different guest, it is possible to identify some players in the market that may be considered as substitutes of the Homestel, both regarding the business segment they operate (as a local accommodation and/or as a hostel) and the informal relationship with the guest. Regarding the price factor, although some may practice similar prices per bedroom/bed, the complementary services and conditions offered may not be comparable.

Therefore, we consider the threats of substitute's medium.

Degree of rivalry / Exit barriers

As formerly identified, there are 115 similar competitors in the Lisbon region. With regard to the legal classification, they may be considered direct competitors. Nevertheless, it must be kept in mind the Homestel business differentiation strategy, in what regards to service and complementary services and products.

In this sense, the degree of rivalry is considered to be medium.

Buyer Power

Taking in consideration the buyer power it is important to consider both aspects, the existence of substitutes in the market and guest price sensitivity.

Regarding substitutes, as mentioned before, it was possible to identify 115 other local accommodation and/or hostels in the Lisbon market. Therefore, unless the Homestel differentiation key aspects are noticeable to the guest, there is the risk of losing the guest to another player. So, it is extremely important that the Homestel personnel provide a quality and memorable service in order to retain guests but also to obtain great reviews and comments worldwide both on broker's online pages, social networks, forums and others. It is important to keep in mind that the internet is a huge source of information, reviews and advices for Homestel potential guests.

Taking in consideration that this is a low cost market segment, guest price sensitivity is considerable high within the hostels and local accommodation guests. Nevertheless, and

considering flashpackers, the price is no longer the main issue since the guest is more and more alert to the value for money but still looking for the backpacker travel experience.

In face of the above mentioned, the buyer power is considered relatively high.

7.3. Ansoff Matrix

According to Ansoff Matrix, a business can define its growth strategy. Considering that the concept of local accommodation / hostel nowadays is pretty common in Lisbon, the growth strategy adopted in the present business plan is the market development. In accordance with the literature reference and market analysis, is clear the emergence of a new guest profile within the backpacker tourism market segment. Therefore, Homestel’ growth strategy includes the pursuit of this new market segment. Nevertheless it is important to keep in mind that a market development strategy usually compromises a riskier option that a market penetration strategy.

7.4. Competitors

With the aim to identify potential competitors, a search was performed in the *Hostelworld.com*, *hostels.com*, *hostelbookers.com* and *Booking.com* websites. Once *Hostelworld.com* was the online booker that provided the higher number of competitors, for the aim of the present study, it was only considered the results gathered through the following search criteria in <http://www.portuguese.hostelworld.com/>.

Table 1 – Benchmarking analysis – Search criteria

Search Criteria	
Location	Lisbon, Portugal
Arrival	13-10-2015
Departure	19-10-2015
Property type	Hostels
	Bed&Breakfast
	Hotels

Source: The Author

The search process resulted in the identification of a total of 115 establishments operating within Lisbon city centre (considering Hostels, Hotels, local accommodation and Bed & Breakfast). Although in terms of legal structure they can be considered direct competitors, when considering the customer target as well as the facilities and services provided by the Homestel, it is clear that they are not completely direct competitors. It is important to mention that the reason for considering some hotels in the present search as competitors is only because it was assumed a premise that as they are present in online low cost accommodation

broker's website, they are also targeting the higher income and more demanding guests, considered as flashpacker in the present analysis.

The main facilities and services made available to guests by the competitors are described in the Appendix I - Table 34 – Competitors: Facilities and services provided identification.

7.5. Suppliers

In order to implement the Homestel Business concept, and as identified before, there were identified few suppliers that are compulsory. The majority of these suppliers work in other business segments, and as it is not a market niche it is possible to identify various suppliers offering similar products and services. Therefore the prices are relatively balanced and it is possible to identify value for money products and services at affordable prices.

The suppliers will be select according to their capacity, quality and prices. The experience in the local accommodation, when possible, will also be considered.

The online brokers are the only suppliers directly targeted to this market segment; possessing fundamental client's databases therefore they are considered the most relevant supplier. In addition, especially in the first years of business online brokers play an important role in disclosing the business to potential clients.

7.6. Customers

The Homestel guest has been so far considered as the flashpacker. But who is the flashpacker? With reference to Jarvis & Peel (2005) research, taking in consideration Pearce's (1990) seminal classification of the late 20th century backpacker, a flashpacker is:

- A traveller who found the time to travel by either being on a career break or an extended holiday from paid employment;
- Typically aged in their mid-twenties and upward;
- A preference for small scale, value for money (not necessarily budget) accommodations;
- An emphasis on meeting other travellers and locals (where possible);
- An independently organized and flexible travel schedule;
- A preference for longer rather than brief holidays (where possible);
- An emphasis on informal and participatory holiday activities.

Although it was not possible to identify public data available regarding the Portuguese market, for the purpose of the present study it was taken in consideration the survey

commissioned by The Flash Pack group travel company⁹, considering a pool of 1,000 working professional aging between 35 up to 54. According to the survey above, 78% of the inquiries consider their travelling style of an adventure traveller that desires style and comfort. In line with the literature review, they consider themselves an evolution of the backpacker generation, switching from noisy dorms and cheap meals to trendy boutique hotels, wine tasting and local meals experiences looking for responsible tourism meanwhile supporting local businesses with a twist of the technological revolution.

The table below provides the comparison between the backpacker and the emergent flashpacker according to the survey performed mentioned above:

Table 2 - Guests: Backpacker vs Flashpacker characterization

Backpacker	Key Factors	Flashpacker
18 years old	Age	30 years old
Lack of funds	Financial	Able to splash out on activities
Months on end	Travel time	Roughly 21 days
Budget hostel	Accommodation	Luxury eco-camp
Shared rooms, bunk beds and noise	Room Type	Own room, ensuite with balcony
Prefers a Fish Bowl on Khao San Road	Drinks	Prefers wine tasting + BBQ in Mendoza
Full Moon in Koh Phi Phi	Parties at	Coachella Festival in California
Instant noodles at the hostel's kitchen	Eats	Local street food for lunch and a gorgeous restaurant for dinner
20 hour coach trips	Travels via	Two hour plane journey
Flip Flops	Hikes in	Hikes in: Timberland Boots
Compact camera	Photography	Canon SLR with trimmings
Backpack	Travel Bag	Osprey Hybrid
South East Asia	Preferred Travel destination	South American
Suffering from a hangover at Machu Picchu	Usually found	Checking out the Galapagos, appreciating precious time off

Source: http://www.dailymail.co.uk/travel/travel_news/article-2893401/Are-backpacker-flashpacker-Research-suggests-adventure-seekers-prefer-little-bit-extra-comfort.html

7.7. Market Demand

7.7.1. Current demand

In order to determine the attractiveness of the local accommodation business segment, it urges to analyse the actual demand of this business segment. Bellow, it is provided the criteria taken in consideration to determine Homestel demand:

⁹ http://www.dailymail.co.uk/travel/travel_news/article-2893401/Are-backpacker-flashpacker-Research-suggests-adventure-seekers-prefer-little-bit-extra-comfort.html

Criteria I: Non-residents vs Total arrivals¹⁰

Table 3 - Tourists arrivals in Portugal (2009-2013)

	2009	2010	2011	2012	2013
Total	14.088.295	14.502.561	14.849.806	14.645.363	15.901.257
Non-residents	6.439.022	6.756.354	7.263.644	7.503.252	8.400.252

Source: Eurostat

The criteria above helps to understand the foreigner tourists demand in the national territory. taking in consideration the time span ranging from 2009 up to 2013¹⁰, the number of non-resident travellers' arrivals has been increasing at an average growth rate of 6% since 2009, with a little slowdown in 2012 (3%).

Criteria II: Non-residents vs Total nights spent at tourist accommodation establishments¹⁰

Table 4 - Overnights at tourist accommodation establishments (2009-2013)

	2009	2010	2011	2012	2013
Total	44.364.742	45.035.005	46.857.858	46.781.091	49.888.259
Non-residents	25.024.678	25.386.084	27.860.103	29.033.970	32.078.773

Source: Eurostat

In line with the above, the number of non-resident' overnights has been increasing at an average growth rate of 6% since 2009, with a little slowdown in 2012 (4%). According to Eurostat, the residence' countries of the travellers with the most significant impact in the Portuguese tourism sector are United Kingdom (7,352 milions), Germany (4,478 millions), Spain (3,500 millions) and France (3,091 millions).

Criteria III: Nights spent at tourist accommodation establishments by NACE code¹⁰

Table 5 - Overnights at tourist accommodation establishments by NACE code (2009-2013)

	2009	2010	2011	2012	2013
Holiday and other short-stay accommodation	1.157.769	1.131.516	983.144	875.018	1.769.275
Total	44.364.742	45.035.005	46.857.858	46.781.091	49.888.259

Source: Eurostat

Over the past five years, the number of travellers choosing to stay at holiday and short-stay accommodation (NACE II) has been increasing at an average growth rate of 3% since 2009, with again a little slowdown in 2012.

Criteria IV: Nights spent at tourist accommodation establishments by NUTS II (Lisbon region)

Table 6 - Overnights at tourist accommodation establishments by NUTS II (2009-2013)

	2009	2010	2011	2012	2013
Total	9.483.048	10.233.296	10.721.696	11.086.065	11.948.402
Non-residents	5.821.596	6.308.398	6.741.722	7.251.083	8.090.915

Source: Eurostat

¹⁰ Last information available

In line with the previously mention over the present document, Lisbon is one of the main destination in Portugal. Attracting an array of all types of tourists, that travels for the various reasons and motives. In addition, over the past year Lisbon has been collecting tourism awards as a top destination and likely does its accommodation business have been recognised by various accommodation brokers. During 2009 and 2013, the number of tourists overnights at tourist accommodation establishments in Lisbon (NUTS II) has been increasing at an average growth rate of 8% since 2009, with again a little slowdown in 2011 (6%).

Criteria V: Local Accommodation / 3 Hotels Key Indicators*

Table 7 - Local accommodation and 3 star hotels key indicators (2013-2014)

Local accommodation establishments							
Supply			Demand				
Establishments and capacity	N.º of Beds	N.º establishments	Guests	Δ 2013-2014	Overnight stays	Δ 2013-2014	Occupancy rate (bed)
Portugal	43.840	1.145	2.000	23,20%	4.300	20,50%	29,9%
Lisbon	9.615	199	n.a.	n.a.	1.406	n.a.	44,0%
3 Stars Hotels (forecasts for 2014)							
Supply			Demand				
Establishments and capacity	N.º of Beds	N.º establishments	Guests	Δ 2013-2014	Overnight stays	Δ 2013-2014	Occupancy rate (bed)
Portugal	n.a.	356	3.006.400	12,28%	6.669.600	13,77%	42,3%
Lisbon	n.a.	58	889.200	14,41%	2.108.700	16,31%	54,0%

Source: Turismo de Portugal

Although there is little information regarding the local accommodation business segment in Portugal, due to its late regulatory framework implementation, as previously mentioned it is clear that this business segment is recording an interesting growth rate, especially in Lisbon. Thus in face of the lack of public information available, 3 stars hotel’s business segment was also considered for the purpose of determining market demand.

Criteria VII: Lisbon Hostels’ Market Occupancy rates overview

With reference to data collected through an inbound tourism agent as well as from Hostel management blogs, it was possible to conclude that the average occupancy rate for the Lisbon Hostel’s lies between 60% and 75% per year.

7.7.2. Homestel future demand

Taking in consideration the above information, the table below provides the evolution of the Homestel Lisbon Boutique Hostel occupancy rates for the next five year period and onwards. The occupancy rate for the first year was calculated taking in consideration the average of the occupancy rate between local accommodation and 3 star hotels in Lisbon. For the second year, it was taken in consideration the average of the data collected, regarding the Lisbon

Market Occupancy rates, and the occupancy rate estimated for the first year. At last the third year and forward was determined taking only in consideration the average of the data collected for Lisbon local accommodation market occupancy rates.

Table 8 – Homestel Lisbon Boutique Hostel: Occupancy rates

Occupancy rates									
1st year	49,01%	2nd year	58,25%	3rd year	67,50%	4th year	67,50%	5th year	67,50%

Source: The Author

Having in consideration the occupancy rates defined above, bellow we provide the Homestel future demand:

Table 9 – Homestel Lisbon Boutique Hostel: Demand forecast

Demand		1st year	2nd year	3rd year	4th year	5th year and forward
Beds	79	5.888	16.796	19.464	19.464	19.464
Bedrooms	21	1.565	4.465	5.174	5.174	5.174
	8	2	1.193	3.402	3.942	3.942
	6	2	894	2.551	2.957	2.957
	3	1	224	638	739	739
	4	8	2.385	6.804	7.884	7.884
	2	8	1.193	3.402	3.942	3.942

Source: The Author

7.8. McKinsey 7-S Model

With reference to the McKinsey 7-S model, it will be analysed and defined both the following hard and soft elements:

Table 10 – McKinsey 7-S Analysis

Hard Elements	Soft Elements
Strategy	Shared Values
The strategy adopted is to attract a new market segment through the following aspects: <ul style="list-style-type: none"> • Location • Technological and other facilities • Specific spaces designed to promote interaction and meeting other guests or locals • Comfort rooms and quality equipment's • Attentive and gracious personnel 	In line with the other 6 elements, the set of values that characterise the Homestel service and environment were defined as client focus, honesty, informality, quality, respect, availability and pro-activeness. The main objective is that both the personnel and the environment of the Homestel reflect the above mentioned values promoting and efficient and quality service.
Structure	Skills
As a small business, there will be few hierarchical levels (a director and receptionists). Therefore, the structure will be quite informal, promoting the familiarized environment between employees and guests	In other to charm guests, the Homestel personnel will be select according to the motivations and passion that they transmit towards the job and functions requirements and that enjoy working as a team and in an informal but exceptional service environment, takin in consideration both the personal and professional background..
Systems	Style
Although there will be some flexibility, the employees activities and functions will be oriented according to the Homestel service guidelines for the following activities: Reservations; check in	The leadership style adopted will be the democratic style. Having such structure, the personnel will be the personnel with the most client contact, so its involvement and participation in the improvement and service development is crucial.

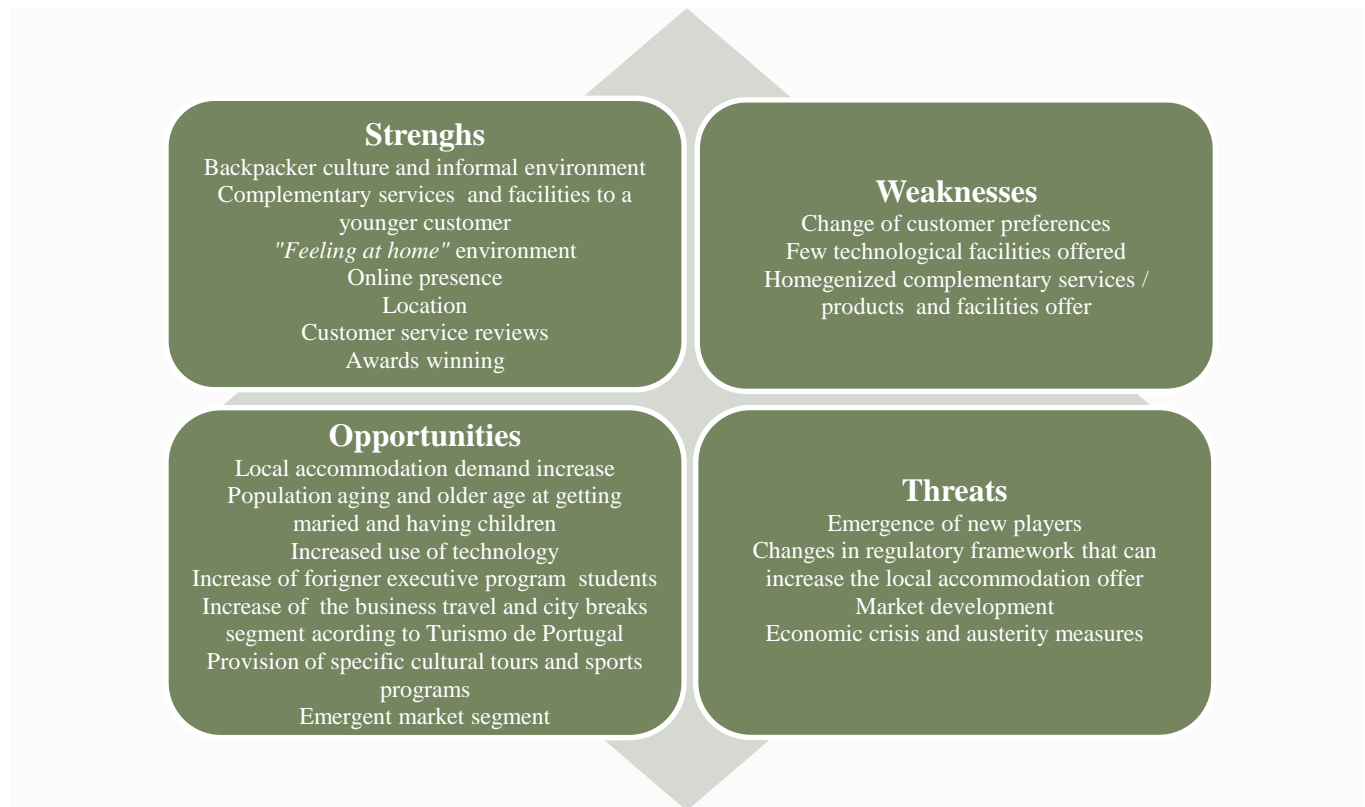
Hard Elements	Soft Elements			
and check out and cancellations. <ul style="list-style-type: none"> • Reservations: Online brokers and Homestel website • Check-in: after the confirmation of the reservation the Guests will be provided with the key card that will give access to the corresponding rooms. In order to have access to other facilities according to the reservation, the client will be provided with a key access card and the front door pin access code. • Check-out: according with the payment method choose and/or defined the following will be available: <ul style="list-style-type: none"> ○ Payment: VISA, Cash and a payment terminal 	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4F7942; color: white;">Personnel</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;"> In line with the above, personnel will be chosen also according to the language skills, personal experiences and professional background. </td> </tr> <tr> <td style="padding: 5px;"> In addition the director must have a management degree and personnel must have at least the high school completed and education regarding the tourism sector. </td> </tr> </tbody> </table>	Personnel	In line with the above, personnel will be chosen also according to the language skills, personal experiences and professional background.	In addition the director must have a management degree and personnel must have at least the high school completed and education regarding the tourism sector.
Personnel				
In line with the above, personnel will be chosen also according to the language skills, personal experiences and professional background.				
In addition the director must have a management degree and personnel must have at least the high school completed and education regarding the tourism sector.				

Source: The Author

7.9. SWOT analysis

A SWOT analysis allows the interpretation of internal and external factors impacting the organisation but also gives a hint about key factors to consider in the future investment, whether they are opportunities or strengths that the company must develop/gain in order to be profitable. The following analysis describes in more detail the four identified aspects of this business segment in the figure below, taking in consideration the Home Lisbon Hostel, a player in the market that adopted a similar “*feeling at home*” accommodation Business concept.

Figure 2 – SWOT Analysis



Source: The Author

7.9.1. Strengths

Establishments in Lisbon, like Home Lisbon Hostel, providing an informal and a backpacker culture attract guests visiting Lisbon for the first time as well as loyal guests. With a growing market, Home Lisbon Hostel offers complementary services and facilities such as Beach Tours, Walking Tours and Pub Crawls targeting the young guests preferences. In addition to all the decoration promoting a *feeling at home* environment, the home cooked meals prepared by the owner's mother invites "*foodies*" to taste Portugal and to meet locals. Although dealing with brokers, the Home Lisbon Hostel also owns a reservation page in its website. That way, it is possible to promote even more the business, including previous guest's reviews as well as photos from events and facilities and promotions. Being located in the city centre, gives the guest the opportunity to move easily through the city without the need to depend on public transportations when visiting the most important touristic points (such as Castelo, Alfama, Baixa, Bairro Alto, and others). At last, over the past 3 years, the hostel has been awarded with both Trip Advisor and Hostelworld awards.

7.9.2. Weaknesses

Although this market segment compromises high barriers of entrance due to the high initial investment, the market has been facing an exponential growth of local accommodation services. In addition, guest's needs are changing looking for better quality options and complementary services that add value to traveller's experience. Nevertheless, we see a market with a very homogenized offer, specifically targeting a younger tourist, not paying enough attention to the travellers that have outgrown the backpacker culture. Taking consideration the facilities and services made available by the market players, the offer is pretty homogenised as well. Therefore it is clear that there is space for improving and developing new offers targeting the new tourism responsible traveller.

7.9.3. Opportunities

The local accommodation (including hostels) segment in Lisbon have been facing a significant growth over the last few years representing 32.7% of total overnight stays in Portugal.

Recent demographic and social trends indicates that the population is aging and are considering marriage at an older age as well as having children. Nevertheless, the income available and the technologies and transportations development encouraging global mobility are responsible for the emergence of a new guest segment, the flashpacker. In addition, the

increase both in foreigner executive program students as well as the increase of the business travel and city breaks segment increases the flow of tourists in Lisbon, whether it is travellers visiting friends living in Portugal or returning tourists.

At last, with the increased interest showed by tourists in the local's customs and traditions, including interest for Portuguese food, wines, sports, etc., there is a huge opportunity to develop new tourism concepts, tours and programs.

7.9.4. Threats

Although the huge increase over the last few years, the local accommodation market is threaten by the emergence of new market players with bigger capacity, may it be international of national groups. Acquisition of small family business may also lead to the increased competition in the market.

Over the last year, the local accommodation market segment faced several changes to its regulatory framework, giving market players a 5 year time spam to adapt to the new requirements. The introduction of new changes may make it difficult to small family business to adapt and maintain themselves according to the legal requirements. On the other hand, the simplification of some legal requirements may act against, opening doors to new market players and increase the market supply.

At last, and as mentioned before the emergence of a new market segment, a more technological and demanding customer with higher income, may reduce the demand for the common backpacker establishments.

8. Homestel

8.1. Strategic objective

The Homestel Business Plan was developed with the aim to address a specific emerging market segment, while contributing positively for the local economy and the Portugal Tourism Sector development, and promoting Lisbon as a Top Flashpacker Destination. Therefore the present business plan evaluates the economic and financial feasibility of the implementation of the Homestel Lisbon Boutique Hostel, a local accommodation establishment targeting flashpackers. In order to perform the above mention evaluation, a market analysis was previously conducted and based on its conclusions the strategic objectives the implementation process will be defined.

It is the objective of the present business plan to attract all the travellers aging between the twenties up to fifties or older, that still travel as a backpacker but looks for privacy, comfort and value for money accommodation experience. In order to meet client's expectation, additional services, such as tours and experiences will be offered by the Homestel in partnership with other business partners, including night and day programs, cultural and gastronomy experiences, sports activities, and others.

This business plan main objectives are:

Qualitative objectives:

- ☞ Promote guests and personnel satisfaction;
- ☞ To be recognized as a flashpacker accommodation provider of reference in Lisbon in the first year;
- ☞ Achieve brokers recognition through year award winning;
- ☞ Revitalize the backpacker market segment in Lisbon;
- ☞ Contribute positively to the local economy and sustainability, through partnerships.

Quantitative objectives:

- ☞ Achieve positive growing sales rate in the first 5 years of activity;
- ☞ Achieve a satisfaction rate of 4 in a scale of 1 to 5 and/or a complaint rate below 5% during the first ten years;
- ☞ Achieve an Internal Rate of Return of higher that 25%;
- ☞ Achieve breakeven in the first complete year of operation;
- ☞ Achieve an occupation rate of 49% in the first year of operation;

⇒ Implement a complementary product or service every second year.

In order to provide the service quality desired at affordable prices alongside with the complementary services and facilities it is important that the business strategy is aligned with all other variables that may influence the business success. Such variables are quality, diversification of the facilities and complementary services provided, good clients relationship and technological innovations.

All the above mentioned aspects contribute positively to the Homestel Lisbon Boutique Hostel success as well as to attract new and loyal guests, achieving a profitability strategy.

8.2. Mission, Vision and Values

8.2.1. Mission

To meet the new market segment demand – Flashpackers - expectations providing an exquisite and quality service while keeping the backpacker cultural experience and environment.

8.2.2. Vision

To be recognized, in the short term, by its guests as the best flashpacker experience in Lisbon and, in the long run, to be a reference in the flashpacker market segment.

8.2.3. Values

- ⇒ Commitment – commitment with both the guests and the locals. Promote a responsible tourism that helps improve and develop the surrounding local economy while not forgetting to meet the guest expectations and provide an exquisite experience;
- ⇒ Proximity and *Feeling at home* environment – ensuring that guests feels and considers the Homestel and his/her temporary home, to where he/she can always return;
- ⇒ Responsibility and respect – for both locals and guests;
- ⇒ Dynamism and proactivity – trying to always be ahead of the market trends and anticipate guests needs;
- ⇒ Comfort – provide all the features and facilities, including suggestions and advices to promote a pleasant and comfortable stay;
- ⇒ Tech savvy – provide the guest with the most recent technological innovations available in order to meet the flashpackers expectations; and
- ⇒ Quality – Service and facilities quality is the main feature for an unforgettable experience.

8.3. Critical Success Factors

The identification of the critical success factors enables the manager to anticipate and respond to new market trends and developments; they comprise the key factors that will define the success or failure of an investment plan.

According to Brotherton (2004) research results, he identified five key success factors within the budget hotel market segment. Below is it provided an overview of these five key success factors in relation to the market analysis performed and the literature review:

- 1. Value for money accommodation:** the travellers more and more demand for quality and comfort. Travellers still look for the backpacker culture environment, nevertheless they no longer desire to share dorms or have troubles sleeping either because of the bed or the noise from the younger travellers
- 2. Consistent accommodation standards:** as above mentioned, the local accommodation market supply in Lisbon has showed a significant growth. Notwithstanding, the facilities and services provided still differ within the market. The new regulatory framework aims to homogenize market supply imposing several requirements.
- 3. Hygiene and cleanliness:** the local accommodation market is under the Turismo de Portugal, City Council and ASAE supervision. These public organizations are responsible to perform, regularly, inspection in order to verify establishment's compliance with the legal safety, hygiene and cleanliness requirements, including fire safety measures.
- 4. Convenient locations:** the establishment location is one of the major issues when the customer is deciding whether to stay between two low cost accommodation businesses. An establishment with a better location means, for example saving time and money in transports that can be redirected to spend on different activities or whether get to know more places. Therefore, the hostel location is indispensable key success factor.
- 5. Quality standards:** notwithstanding the guest is looking for a cheaper offer, it does not mean that the guest is lowering quality standards. When looking for a budget accommodation, the guest is looking for the essential services and declining the additional benefits and complementary services (for example concierge, health and beauty services, etc.) and facilities (such as minibar, gym, etc.) that normally are provided by hotels and other more expensive establishments.

In addition, the research indicates that in the near future, the following aspects are among travellers' preferences: (1) geographic coverage of the hotel network, (2) responsiveness to customer demands, (3) customer loyalty/repeat business, (4) guest security, (5) customer surveys/feedback and (6) personnel training.

According to the benchmark analysis performed to the local competitors, the following success factors were also identified:

- ↳ Quality;
- ↳ Complementary services and facilities
- ↳ Localisation;
- ↳ Client relationship;
- ↳ Staff affability
- ↳ Technological equipment's;
- ↳ Cleanliness;
- ↳ Specific places promoting social interaction with other guests and locals.

8.4. Value Proposition

With the purpose of achieving the proposed objectives, it is important to define a value proposition that differentiates the Homestel Lisbon Boutique Hostel from the local competitors taking in consideration the success critical factors. With this differentiation strategy it will be possible to both attract the new market segment travellers as well as provide an alternative for all other travellers visiting Lisbon.

The Homestel Lisbon Boutique Hostel will be positioned as a market reference within the flashpacker market segment for its quality and essential complementary facilities and services at affordable prices.

The Business will be faithful to backpacker's origins and culture, promoting social interaction between guests and locals. It will also promote the local economy and a sustainable and respectful operation towards the local economy, choosing whenever it is possible, nearby suppliers and promoting nearby business.

As a result of the above mentioned, the Homestel Lisbon Boutique Hostel pretends to be perceived, in comparison to other market players, as the best offer for the flashpackers, providing a superior backpacker experience at affordable prices.

9. Implementation

9.1. Brand

The business brand and logo helps to communicate the business identity and its positioning. It should be clear and effective, passing the concept and perception desired. The Homestel Lisbon Boutique Hostel brand logo was design in line with the exquisite, comfort and quality ideals that the business will offer. In addition to the logo, a sign with reference to AL will also be included in the front door logo, as per legal request.

Figure 3 – Homestel Lisbon Boutique Hostel Logo



Source: The Author

9.2. Marketing Mix

9.2.1. Service

The Homestel Lisbon Boutique Hostel will provide budget accommodation services, where occupation is not measured by rooms but by beds, having at the disposal of the guest a total of 79 beds (21 bedrooms) and a two bedroom apartment. The 21 rooms comprise 15 bedrooms with private bedrooms and 6 bedrooms without private bathroom. The rooms are divided into two dorms with eight and two with six beds, eight dorms with four beds and one with three beds, and 5 double and 4 single rooms, accounting to a total of 79 beds. Providing support to the Homestel, there will be three shared bathrooms and a kitchen for guests use. Although being a budget accommodation service, the Homestel aims to provide a value for money service but also promoting the backpacker environment and culture and an informal and familiar service typical of a hostel. Each room will be furnished with a TV and a Ipod/Iphone dock station.

The Homestel Lisbon boutique Hostel provides the following services:

- ☞ Core product – accommodation (bed renting);

- Actual product – everything that is available to the guest when renting a bed, such as complementary services and facilities, including the Homestel characteristics such as location, infrastructures quality and design, comfort and friendly and familiar environment;
- Augmented product – it includes both the additional services provided at an extra cost for the guest and the future products and services to be implemented within each 2 years.

The complementary services and facilities provided are described below:

Table 11 – Homestel Lisbon Boutique Hostel: Complementary services and facilities

Facilities and services provided	
Breakfast	Outdoor terrace
WIFI	Ipad/IPhone doc station
Airport transfers (extra cost)	Reading light
House Keeping	Books exchange
Laundry services	Air conditioning
Lockers	Disabled access
Save locking box (only for private rooms)	Adaptors
Cable TV (including flat TVs in the private rooms)	IPad and IMacs for guest use
Hair Dryer	Crib (upon request)
Kitchen equipped with the main accessories	Tea/Coffee facilities
Luggage store	Ice maker machines
Meeting/Common Room	Hot water showers
Linen included	Free Maps / Tourism advices
Towels renting (only for dorms)	Key Card access
Board games	PlayStation/Wii

Source: The Author

Additionally, the Homestel Lisbon Boutique Hostel will also provide pre-arranged activities and tours services. All these activities and tours compromise an additional cost to the guest. Some of the activities/tours will be organized directly by the Homestel personnel, other may be provided through partnerships.

Table 12 – Homestel Lisbon Boutique Hostel: Complementary activities and tours

Activities and Tours	
Fado tours	Ridding horse activities
Gastronomy tours	Photography 2 day course
Sintra Tours	Surf/kitesurf/windsurf lessons
Beach Tours	Football Games
Lisbon city centre tours	

Source: The Author

The Homestel will be open 24 hours per day nevertheless the reception desk will only be running between 8 a.m. and 11 p.m.. Check-in will be available from 2.00 p.m. and check-out

must be done until 14:00 p.m. Though the reception closes at 11 p.m., guests will be provided with pin code that opens the front door at any time. The front door will be equipped with a key access code device.

Regarding the dorms, Homestel makes available to the guest the key card and a locker’s key, upon a caution of 5 euros. In the contrary for the private bedrooms, no caution will be requested. Notwithstanding, towels and amenities, such as soap and shower gel, will be provided free of charge to all guest. Amenities refill and new towels that are extra cost for the guest will be charged upon request at a 206% cost plus mark-up. With regards to laundry services, there will be no facilities provided instead; the Homestel will have an agreement with a local laundry to provide these services at a competitive cost for its guests. The complementary services and facilities pricing list is provided in Appendix II - Table 35 – Homestel Lisbon Boutique Hostel: Complementary Services and Facilities

9.2.2. Future products

With the aim to provide Homestel’ guests a complete service and in order to improve their experience when visiting the business and Lisbon as well, the services presented in the following table will be evaluated according to its necessity and clients review and suggestions. After the first two years of activity, it is expected to implement one of the following services/products every single year. With this product development strategy it is expected to provide novelty and meet guest’s future expectations and needs.

Table 13 – Homestel Lisbon Boutique Hostel: Future products and services

Facilities and services provided	
Souvenirs and merchandising corner shop	Bicycle for hire (extra cost)
24hr security	Bicycle parking
Video on demand at the bedrooms	Bar (explored in a partnership with a beverage brand)
24hr reception	

Source: The Author

9.2.3. Price

According to Mercator (2010), during price definition it must be taken in consideration competitor’s average prices, demand’s performance and business fixed costs.

In the table below, it is possible to analyse competitor prices per night/bed/person:

Table 14 – Benchmarking analysis - Competitors pricing

*Prices per night/person and/or bed		Maximum	Average	Minimum
Cancellation policy (days)		5	2	1
Dorms/ bedrooms (without private bathroom)	6 beds	25,00 €	16,29 €	9,00 €
	4 beds	27,00 €	18,59 €	12,00 €
	2 beds	56,80 €	25,80 €	13,00 €
	Twin (1 bed-2 persons)	49,60 €	24,37 €	8,00 €
	Single (2 beds-one person)	60,00 €	28,59 €	15,00 €
Suites (with private bathroom)	Twin (1 bed -2 persons)	70,00 €	32,50 €	15,00 €
	Single (2 beds-one person)	112,00 €	50,16 €	25,00 €
	4 beds	33,50 €	21,21 €	10,00 €
	6 beds	22,00 €	19,27 €	17,80 €

Source: Hostelworld.com

The prices identification has taken in consideration the search criteria considered in section 5.4, of the present document.

The Homestel cancellation policy was defined according to the mean resulting from the benchmarking analysis performed. A 2 days cancellation policy will be applicable, so when guest proceeds with cancelation of the reservation within the prior 48hrs, one day will be charged. Before the 48h hours, the guest is allowed to cancel the reservation without extra costs.

In order to define the Homestel accommodation prices it was taken in consideration competitors average prices as well as the following factors: (i) higher quality accommodation service, (ii) technological equipment’s provided; (iii) unique price rates for the hole year not taking in consideration high vs low season prices and (iv) complementary services and facilities provided.

The table below provides prices established for the Homestel accommodation service:

Table 15 – Homestel Lisbon Boutique Hostel: Prices

Dorms/ bedrooms (without private bathroom)					Suites (with private bathroom)					Children
8 beds	6 beds	4 beds or 3 beds	Twin	Single	Twin	Single	4 beds	6 beds	8 beds	
22,00 €	26,00 €	28,00 €	44,00 €	60,00 €	48,00 €	68,00 €	34,00 €	28,00 €	24,00 €	5,00 €

Source: The Author

9.2.4. Place

Place is about delivering the right product in the right place (Mercator, 2010). As mentioned previously, the target guest of the present service is getting more and more tech savvy, besides one of the most relevant characteristics of the local accommodation market is its online presence once its main objective is to attract guests worldwide. Thus, the tools selected to

reach and make the service available to the client is the internet (including online brokers, Homestel website and social networks).

With regard to the Homestel website, both the website and the reservation central will be developed by the same supplier – Guestcentric Systems. The website distribution channel is a short channel that enables time and money savings, improving the supply chain management as well reducing fixed cost which represents savings in guest's final price. The presence in online social networks will also enable reservations as well as to be used as a communication channel.

Since the international tourists represents Homestel business main target, the presence in few online brokers will be considered. Therefore, the Homestel Lisbon Boutique Hostel accommodation services will also be available in both Hostelworld.com and Booking.com online brokers. Both these brokers charge a fee of 10%, respectively.

As an additional future service, at the reception hall the Homestel will provide to its clients a small souvenir and merchandising shop. However it is expected that products will be available both in the shop as well as in the Homestel website. The bar, to be implemented on the ground floor, will be operated on a partnership with a private external entity, a beverages/spirits company to be defined.

9.2.5. Communication and Promotion

The internet (above the line) and sales promotion (below the line) are the main communication means selected. The main objective of the communication strategy is to promote and persuade the final guest to buy the accommodation service provided by the Homestel Lisbon Boutique Hostel, therefore it will be adopted a pull strategy.

As mentioned in the previous sections, online presence is one of the main tools to target Homestel' guests through the presence in the online brokers, websites and social networks.

Firstly, the presence in online social networks, such as Instagram and Facebook will allow promoting the Homestel concept and events and activities. In addition, in the Facebook page, it will also be possible to book accommodation.

With regard to the online brokers, the presence in these sites allows business to include a small presentation about the organization infrastructure, the complementary services and facilities, cancellation policy, and a brief description of the local surroundings and trip potential.

At last, in addition to facilitate the reservation process, the Homestel website will also be a communication tool, both to present the Homestel business concept as well as to promote

promotions, activities, events, etc.. Therefore, the website will comprise the following sections:

- Homestel presentation and history;
- Gallery;
- Location and contacts;
- Reservation central allowing the guests to check availability and to book a room;
- Complementary services and facilities;
- Tourism information and advices when visiting Portugal/Lisbon;
- Promotions;
- Events and activities.

The communication costs arising from the implementation and maintenance of a website are considerable low, enabling savings when comparing to other communication and promotion tools and the ease of access to information as well as the speed of information flow is considerably more efficient, allowing a higher impact in the target guests. It also urges to highlight the savings in overbooking that an online tool such as this one provides, with the reservation online manager.

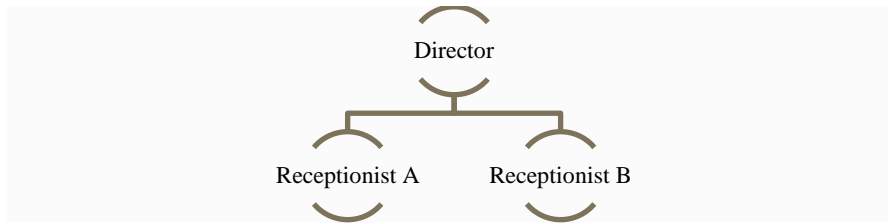
As mentioned above, the website will include a promotion section, through which the Homestel expects to promote and incentive the purchase of accommodation or just to catch the attention of potential guests that need a little push to do the purchase. The promotion plan will consider a new promotion every each 3 up to 6 months and/or special local events (for example the Festas de Lisboa in June, the summer festivals – Nos Alive, Super Bock Super Rock, EDP Cool Jazz, etc. - and others).

At last, the Homestel will also take in consideration the power of the word of mouth recognising the powerful impact of this communication tool when well used. Therefore, guests promoting the Homestel will be awarded with a special discount in the first night of 50%, applicable in the lower season (October – May).

9.2.6. People

As previously mentioned (section 9.8), the Homestel Lisbon Boutique Hostel will have a simple and short hierarchical structure, as presented below.

Figure 4 – Homestel Lisbon Boutique Hostel: Hierarchical structure



Source: The Author

The Homestel personnel deal directly with guests and are the business face; therefore, they are an important part of the business concept. It is mainly through the personnel that the Homestel environment and concept will be transmitted to the guests, they will also contribute to the guest’ enriched experiences. Therefore personnel selection is also critical success factor, thus during the recruitment process, the motivations, friendliness and ability to relate with others will be key points for selection. It will also be taken in consideration former professional and personal traveling experiences as well as academic background for both the receptionist and the director. All personnel will have to speak at least 2 different languages, being one of them the English language. Notwithstanding, preference will be given to those speaking more different languages further to Portuguese and English.

The personnel will be working full time, 40 hours per week including 2 days off. In addition to the base remuneration (12 months), they will have food allowance and two extra months of remuneration, corresponding to the Christmas and Holidays subsidy.

The table below provides the description of the functions attributed to each personnel.

Table 16 – Homestel Lisbon Boutique Hostel: Personnel functions description

Director	Responsible to ensure the normal activity of the business, solving any issue that may arise in the course of the operational activity. Has the responsibility to gather and report all the financial information. When necessary, he/she may provide assistance in the reception, welcoming guests and helping with check-in and check-out. With regard to the suppliers, the director is responsible to negotiate and establish contracts with third party suppliers as well as procuring better offers. At last, the director is responsible to ensure the payment of all responsibilities and personnel remuneration.
Receptionist	It is also responsibility of the receptionists ensuring that the operational activity has no interruptions, solving, when possible, problems that may arise and that do not need the intervention of the director. Full responsibility in welcoming the guests, helping with check-in and check-out, providing information about the city and places of touristic interest, reception of the linens and textiles from the third party supplier and providing it to the housekeep personnel, , responsible to prepare the dining room for breakfast, responsibility to control the inventory of food products and others for the breakfasts and warning the director about low inventories or any quality problems regarding the products.

Source: The Author

Personnel’s remuneration was determined in accordance with the Salary Table provided by the Portuguese Government. The table below indicates the remuneration of the personnel functions:

Table 17 – Homestel Lisbon Boutique Hostel: Personnel remuneration table

Director	1.015 €
Receptionist (1st category)	620 €
Receptionist (2nd category)	545 €

Source: The Author

In addition to the above mentioned personnel, and in order to respond to the need of personnel during days off, an additional worker will be hired, working 16 hours a week through the “green cards” regime, earning 280€ per month.

Table 18 – Homestel Lisbon Boutique Hostel: Personnel’s Remuneration expenses

Personnel	2016	2017	2018	2019	2020	2021	2021	2022	2023	2024	2025	2026
Remuneration	14.760 €	35.094 €	35.761 €	36.441 €	37.133 €	37.839 €	38.557 €	39.290 €	40.037 €	40.797 €	41.572 €	42.362 €
Social security costs	3.107 €	7.386 €	7.527 €	7.670 €	7.815 €	7.964 €	8.115 €	8.269 €	8.426 €	8.586 €	8.750 €	8.916 €
Work Accident Insurance	131 €	317 €	323 €	329 €	335 €	342 €	348 €	355 €	362 €	368 €	375 €	383 €
Food Allowance	1.127 €	3.159 €	3.219 €	3.280 €	3.342 €	3.406 €	3.471 €	3.537 €	3.604 €	3.672 €	3.742 €	3.813 €

Source: The Author

Regarding the cleaning and laundry activities, all these activities will be outsourced and performed by a third party service provider. The laundry services outsourced include the picking up and delivery of all the textiles and linens, according to the necessity. On the other hand, the house keeping service provider is responsible to provide the necessary personnel to clean the bedrooms and the Homestel as well as to prepare the beds when there’s the need to change linens for new guests. Towels will be provided to guests upon their arrival, on a welcome bag, including amenities (see Appendix II - Figure 6 – Homestel Welcome Bag).

9.2.7. Processes

Considering that the main activity corresponds to the provision of accommodation services, the Homestel’s service provision process starts with the online reservation. The provision of the services starts upon the arrival of the guest to the Homestel. After managing all the legal aspects and delivering the Homestel Welcome Bag, guests are guided to their bedroom / dorm. By the end of the stay, the service comes to its end when the guest completes check-out by the reception and delivers the key access card and pays for all the extra services, if applicable.

9.2.8. Physical evidence

Considering the importance of transmitting a consistent business concept, all the physical communication elements as well as all immaterial aspects must be clearly defined, whether it is online or at the Homestel. Therefore, all the communications must have the director approval and all the merchandise, promotional elements, uniforms, and others, must follow

the Homestel brand policy. With this respect, two logos will be defined, the regular and a shorter one as well as the brand colours.

Regarding the service and the client relationship, personnel will be encouraged adopt and live the Homestel values and standards, behaving accordingly.

With the aim to stress the perceptible customer's value, a uniform will be defined and partial provided by the Homestel. Considering that the Homestel is part of the hostels market segment, the uniform may be informal but at the same time transmit a higher quality business concept. Therefore the uniform will consist in black, beige or olive green t-shirt or/and a polar sweater with the Homestel logo in the front (at the upper right side) and at the back. For the bottom, personnel will be encouraged to use jeans or dark twill pants.

9.3. Business location

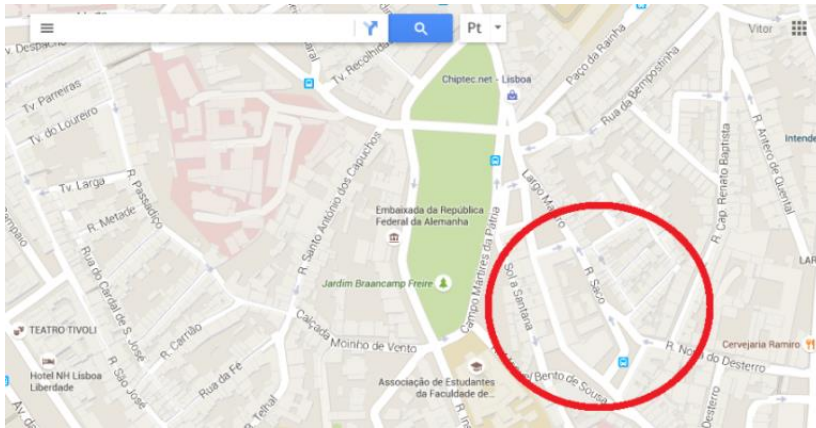
The Homestel Lisbon Boutique Hostel is located in the Arroios Lisbon's parish. It is the Lisbon' parish with the highest percentage of residential homes and characterised by an elderly population, where 60% of the population ages between 15 and 64 and it is one of the parish with the higher percentage of buildings rehabilitation.

In addition to being located in the city centre, it gives the possibility to the guest get to know the city by walking around without depending on public transportation. From the Homestel it takes only 15 minutes to get to Rossio, 14 minutes to get to Miradouro da Senhora do Monte – Graça or 21 minutes to Castelo de São Jorge. It is also located a few minutes from 28 tram station, one of the most Lisbon's touristic trams.

In the surroundings, the guest may find additionally, the following:

- | | | |
|--------------------|---------------------|----------------------|
| ↪ Post-office | ↪ Restaurants | ↪ Schools |
| ↪ Services nearby: | ↪ Public transports | ↪ Other services and |
| ↪ Post-office | (subway, bus) | trade |
| ↪ Banks | ↪ Hospital | |
| ↪ . | | |

Figure 5 – Homestel Lisbon Boutique Hostel: Localization



Source: The Author

9.4. Layout

The Homestel Layout Building documents are provided in Appendix II – Figures 6 to 9. It is important to mention that all shared bathrooms layout is only illustrative, once private showers and toilets will be provided to Homestel guests.

10. Action plan

In order to estimate the duration of the project design, development and implementations, all the steps have been defined. A PERT analysis was developed in order to evaluate critical tasks and respective durations.

Bellow, it is provided a list of all the defined activities since the project start, the start of each task, length, type and dependency.

Table 19 – Homestel Lisbon Boutique Hostel: Project Planning analysis

Task	Earliest Start	Length	Type	Depend on
A. Evaluation and idea development	Week 0	40 days	Sequential	n.a.
1. Business idea formulation		5 days	Sequential	n.a.
2. Business plan development		35 days	Sequential	A. a.
B. Funding	Week 9	10 days	Sequential	A.
3. Investors presentation				
4. External Financing				
C. Society constitution (2 days)	Week 11	2 days	Sequential	B.
5. Society constitution (Portal do cidadão – Balcão do empreendedor)				
6. Brand registration (INPI)				
7. Other legal aspects	Week 11	1 day	Sequential	B.
D. Building sit acquisition (1 day)				
E. Homestel Construction project development (20 days)				
8. Architecture project development	Week 11	15 days	Sequential	D.
9. Construction specifications	Week 11	5 days		
F. Homestel activity registration	Week 11	1 day	Parallel	D.
10. Local Accommodation business registration (Portal do Cidadão – Balcão do Empreendedor)				
G. Homestel' works and construction (122 days)	Week 15	122 days	Sequential	E.
11. Materialization of the architecture project				
12. Development of all the activities to the activity space adaptation				
H. Negotiation with suppliers (5 days)	Week 12	5 days	Parallel	C.
13. Agreement establishment with third party service providers				
14. Acquisition of all necessary equipment and furniture/decorations				
15. Website development				
16. Insurance agreement negotiation				
17. Online Brokers negotiation	Week 40	10	Sequential	H.
I. Building preparation				
18. Furniture assembly, decoration and other related activities				
19. Software installation	Week 13	10 days	Parallel	C.
J. Recruitment, selection and hiring (20 days)				
20. Interviews and Hiring process	Week 50	X	Sequential	I.
K. Licencing (X days)				
21. Space evaluation by local authorities				
22. Obtaining Local Accommodation Licence	Week 40	30 days	Parallel	H.
L. Marketing & Communication actions (30 days)				

The Homestel Business Plan

Task	Earliest Start	Length	Type	Depend on
23. Online brokers launch				
24. Homestel Website launch				
25. Preparation of the opening event				
26. Announcement of Homestel's opening				
27. Operational and processes tests				
M. Activity initiation	Week 45	n.a.	Sequential	L.
27. Welcoming of the first guests				

Source: The Author

According to the above analysis it was possible to define that the implementation process will take 45 weeks to conclude, being the beginning of the project in October 1st, 2015 and the end in July, 2016.

As soon as it finishes the planning and the implementation process (last week of July, 2016) Homestel will open its doors to the guests. Notwithstanding, attention should be given to the identified critical activities in order to comply with the plan as well as to implement the Homestel by August, 1st as predicted. The critical activities are all the ones that may impact other activities that only start when those are finished (Activities type: Sequential).

11. Economic and Financial analysis

11.1. Introduction and assumptions

The following sections include the economic analysis performed in order to be possible to determine Homestel's viability. With regard to the economic and financial analysis performed, some assumptions were taken in consideration in order to be possible to undertake the deemed analysis. All the assumptions considered are listed below:

- A year has 365 days;
- The depreciation rates considered are the ones provided in article 32.º of the income tax code and from article 17.º of Decree n.º 25/2009 (<http://www.contabilizacao.pt/?s=modulos&v=capitulo&c=5172>);
- The depreciation and amortization calculation was based on the twelfths methodology starting in August, 2015.
- Inflation rate considered, according to BCE, are of 1,3% in the first year and 1,9% on the following years;
- Project lifetime is of 10 years and 5 months;
- Although different prices are considered to children visiting the Homestel with their parents, predictions were computed without considering the children sales due to its difficult prediction and lack of public information available. In the same way, no additional services sales were considered;
- The charged VAT rate is equal to the deductible VAT rate;
- As set in section 11 Action plan, the operational activity start date is 1st of August, 2016;
- The Homestel building is private property of the promoter and its acquisition will be financed through a loan. Therefore it will be considered two different loans and two different interest rates, one for the acquisition of the building and another one considering the investment needs regarding infrastructures, construction activities and other equipment's and/or furniture. All loans simulations, and corresponding interest rates, were performed and provided by Caixa Geral de Depósitos Bank;
- The apartment will be occupied in an annual basis, therefor only the monthly price was considered;

Additional assumptions considered while preparing the economic and financial maps are presented in Appendix III – Table 36 – Homestel Lisbon Boutique Hostel: Other assumptions.

11.2. Economic analysis

11.2.1. Sales

Taking in consideration Homestel' occupation rates defined in section 9.7.2. Homestel future demand, sales were calculated both in value and in number of beds sold each year during the time span defined earlier. The Homestel sales include both sales of the accommodation services; this is the sale of the available beds as a core business and the sale of the available apartment in the building. Regarding the apartment available, it is assumed that its occupancy will be of 100% over the years and its monthly price is of 475€ (with VAT).

Table 20 – Homestel Lisbon Boutique Hostel: Sales

Sales		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales (# Beds sold)		5.888	16.796	19.464	19.464	19.464	19.464	19.464	19.464	19.464	19.464	19.464
Sales (in €)	32 €	152.284 €	442.640 €	522.676 €	532.607 €	542.726 €	553.038 €	563.546 €	563.546 €	563.546 €	563.546 €	563.546 €
Apartment sales (in €)	386 €	1.931 €	4.722 €	4.812 €	4.903 €	4.997 €	5.091 €	5.188 €	5.188 €	5.188 €	5.188 €	5.188 €
Total sales		154.215 €	447.362 €	527.488 €	537.510 €	547.723 €	558.129 €	568.734 €	568.734 €	568.734 €	568.734 €	568.734 €
VAT	6%	9.253 €	26.842 €	31.649 €	32.251 €	32.863 €	33.488 €	34.124 €	34.124 €	34.124 €	34.124 €	34.124 €
Total sales (including VAT)		163.468 €	474.204 €	559.137 €	569.761 €	580.586 €	591.617 €	602.858 €	602.858 €	602.858 €	602.858 €	602.858 €

Source: The Author

11.2.2. Investment

In order to ensure its operational activity and the quality standards, Homestel will need a significant initial investment. The investments are presented according to the different categories of desired utility:

Table 21 – Homestel Lisbon Boutique Hostel: Investment plan

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fixed assets												
Buildings and other constructions	92,3%	702.000 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Basic equipment												
Furniture	2,7%	20.679 €	- €	- €	- €	- €	- €	- €	- €	12.020 €	- €	- €
Decoration	0,7%	5.624 €	- €	- €	- €	6.064 €	- €	- €	- €	6.538 €	- €	- €
Kitchen supplies	0,3%	2.193 €	- €	- €	2.321 €	- €	- €	2.456 €	- €	- €	2.598 €	- €
Duvet	0,3%	1.903 €	- €	- €	- €	- €	2.091 €	- €	- €	- €	- €	2.298 €
Appliances	0,7%	5.658 €	- €	- €	- €	- €	- €	- €	6.455 €	- €	- €	- €
Technological equipment's	1,4%	10.382 €	- €	- €	- €	- €	11.406 €	- €	- €	- €	- €	12.532 €
other basic equipment's	0,5%	3.695 €	- €	- €	- €	- €	406 €	- €	- €	- €	- €	446 €
Textiles	1,0%	7.392 €	- €	7.676 €	- €	7.970 €	- €	8.276 €	- €	8.594 €	- €	8.923 €
Subtotal	7,6%	57.527 €	- €	7.676 €	2.321 €	14.035 €	13.903 €	10.732 €	6.455 €	27.152 €	2.598 €	24.199 €
Intangible assets												
Website	0,1%	800 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Total investment		760.327 €	- €	7.676 €	2.321 €	14.035 €	13.903 €	10.732 €	6.455 €	27.152 €	2.598 €	24.199 €
VAT		174.875 €	- €	1.765 €	534 €	3.228 €	3.198 €	2.468 €	1.485 €	6.245 €	598 €	5.566 €
Total investment (including VAT)		935.202 €	- €	9.441 €	2.855 €	17.263 €	17.101 €	13.200 €	7.940 €	33.397 €	3.196 €	29.764 €

Source: The Author

Following the investment plan present above, in Appendix III – Table 37 – Homestel Lisbon Boutique Hostel: Investment list, it is presented a list of all the equipment's considered and that will be purchased by Homestel throughout its operational activity. It is also provided the amortizations and depreciation considered as well as the applicable amortization rate. The

tangible fixed assets represent 92.3% of all investment, followed by the investment in basic equipment (15.1%).

In face of the above, it is possible to conclude that the investment is higher in the first year of activity due to the building acquisition and refurbishment and the acquisition of the required equipment's.

Additional investments during the first years of operation were also considered. Although being considerably lower than the initial investment, its purpose is to address the need of replacement of some equipment's due to its wear out or downgrading. In Appendix III both tables including the reinvestment and the accumulated amortizations are provided in Table 38 – Homestel Lisbon Boutique Hostel: Reinvestment plan and Table 39 – Homestel Lisbon Boutique Hostel: Accumulated Amortizations.

11.2.3. Costs of goods sold

Homestel will provide to all its guests a buffet breakfast. The breakfast will be served in the meals room, next to Homestel's main entrance. The products will always be bought from local suppliers, when possible. Each breakfast will cost per guest a total of 4.60 Euros (excluding VAT). The table below provides the value of the Cost of goods sold through the years under analysis. In Appendix III – Table 40 – Homestel Lisbon Boutique Hostel: Breakfast supplies it is provided a list with all the products and respective costs and quantities estimated per guest and per breakfast.

Table 22 – Homestel Lisbon Boutique Hostel: COGS

Cost of goods sold	Monthly costs (first year)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Stocks			1.289 €	1.513 €	1.787 €	1.821 €	1.855 €	1.890 €	1.926 €	1.926 €	1.926 €	1.926 €
COGS	5.414 €	27.069 €	78.681 €	92.908 €	94.673 €	96.472 €	98.305 €	100.172 €	100.172 €	100.172 €	100.172 €	100.172 €
VAT		1.942 €	5.646 €	6.666 €	6.793 €	6.922 €	7.054 €	7.188 €	7.188 €	7.188 €	7.188 €	7.188 €
COGS (including VAT)		29.011 €	84.326 €	99.574 €	101.466 €	103.394 €	105.358 €	107.360 €	107.360 €	107.360 €	107.360 €	107.360 €
Cost of goods sold		27.069 €	78.681 €	92.908 €	94.673 €	96.472 €	98.305 €	100.172 €	100.172 €	100.172 €	100.172 €	100.172 €

Source: The Author

11.2.4. Supplies and external service suppliers

As the Homestel does not have the capacity to produce internally all the services needed, in order to meet to all operation needs, Homestel will have to procure the provision of external services. The list of all services purchased from external providers is presented in the table below:

Table 23 – Homestel Lisbon Boutique Hostel: Selling, General and Administrative Expenses

Selling, general and administrative expenses	Monthly costs (first year)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Third party suppliers			37.791 €	94.420 €	120.400 €	122.687 €	125.018 €	127.394 €	129.814 €	132.824 €	135.427 €	136.461 €	136.461 €
Laundry	553 €	23,0%	13.272 €	38.578 €	45.554 €	46.419 €	47.301 €	48.200 €	49.116 €	50.049 €	51.000 €	51.969 €	51.969 €
TPA	24 €	23,0%	185 €	293 €	299 €	305 €	311 €	316 €	322 €	329 €	335 €	341 €	341 €
Reservation software	202 €	23,0%	1.812 €	2.475 €	2.522 €	2.570 €	2.619 €	2.669 €	2.720 €	2.771 €	2.824 €	2.878 €	2.878 €
Cleaning & Supplies	4.484 €	23,0%	22.420 €	52.825 €	71.772 €	73.135 €	74.525 €	75.941 €	77.384 €	79.397 €	80.985 €	80.985 €	80.985 €
Invoicing sistem	20 €	23,0%	101 €	248 €	253 €	258 €	262 €	267 €	273 €	278 €	283 €	288 €	288 €
Specialized service providers			16.357 €	40.159 €	47.155 €	37.568 €	38.882 €	40.244 €	41.656 €	42.448 €	7.433 €	7.578 €	7.451 €
Remunerations	1.883 €	23,0%	1.930 €	4.606 €	4.693 €	4.783 €	4.873 €	4.966 €	5.060 €	5.157 €	5.255 €	5.354 €	5.443 €
Commissions	2.741 €	23,0%	13.706 €	33.829 €	40.704 €	30.995 €	32.184 €	33.419 €	34.701 €	35.360 €	209 €	216 €	- €
Office supplies	141 €	23,0%	705 €	1.725 €	1.757 €	1.791 €	1.825 €	1.860 €	1.895 €	1.931 €	1.968 €	2.005 €	2.005 €
Technical documentation	16 €	23,0%	16 €	- €	- €	- €	- €	- €	- €	1 €	2 €	3 €	4 €
Commodities			14.302 €	40.161 €	46.414 €	47.296 €	48.195 €	49.110 €	50.043 €	50.994 €	51.963 €	52.950 €	52.950 €
Water	675 €	6,0%	3.373 €	9.803 €	11.576 €	11.796 €	12.020 €	12.248 €	12.481 €	12.718 €	12.960 €	13.206 €	13.206 €
Gas	573 €	23,0%	2.865 €	8.328 €	9.833 €	10.020 €	10.211 €	10.405 €	10.602 €	10.804 €	11.009 €	11.218 €	11.218 €
Electricity	705 €	23,0%	3.525 €	10.245 €	12.098 €	12.328 €	12.562 €	12.800 €	13.044 €	13.291 €	13.544 €	13.801 €	13.801 €
Other services			2.089 €	5.792 €	6.800 €	6.930 €	7.061 €	7.195 €	7.332 €	7.471 €	7.613 €	7.758 €	7.758 €
Insurances	421 €		2.105 €	5.148 €	5.246 €	5.345 €	5.447 €	5.551 €	5.656 €	5.763 €	5.873 €	5.985 €	5.985 €
Communication	69 €	23,0%	346 €	845 €	861 €	877 €	894 €	911 €	928 €	946 €	964 €	982 €	982 €
Total			68.450 €	174.740 €	213.969 €	207.552 €	212.095 €	216.748 €	221.513 €	226.266 €	194.823 €	196.990 €	196.863 €
VAT			14.686 €	37.340 €	46.038 €	44.502 €	45.486 €	46.493 €	47.525 €	48.554 €	41.255 €	41.686 €	41.657 €
Total (including VAT)			83.136 €	212.080 €	260.007 €	252.054 €	257.581 €	263.241 €	269.039 €	274.820 €	236.079 €	238.676 €	238.520 €

Source: The Author

As showed by the table above, the external service providers are group into three different categories: third party suppliers, specialized service providers and Commodities. The table in Appendix III - Table 41 – Homestel Lisbon Boutique Hostel: Third party providers: services description provides the detailed description of each service acquired.

11.2.5. Income Statement

The income statement provides all the information regarding the profits generated and the losses incurred over the periods.

Table 24 – Homestel Lisbon Boutique Hostel: Income Statement

Income statement	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales and services	154.215 €	447.362 €	527.488 €	537.510 €	547.723 €	558.129 €	568.734 €	568.734 €	568.734 €	568.734 €	568.734 €
Cost of goods sold	27.069 €	78.681 €	92.908 €	94.673 €	96.472 €	98.305 €	100.172 €	100.172 €	100.172 €	100.172 €	100.172 €
Selling, general and administrative expenses	68.450 €	174.740 €	213.969 €	207.552 €	212.095 €	216.748 €	221.513 €	226.266 €	194.823 €	196.990 €	196.863 €
Personnel expenses	19.125 €	45.956 €	46.830 €	47.719 €	48.626 €	49.550 €	50.491 €	51.451 €	52.428 €	53.424 €	54.439 €
Other expenses	5.728 €	1.111 €	1.028 €	898 €	769 €	640 €	510 €	381 €	269 €	158 €	46 €
EBITDA	33.843 €	146.874 €	172.754 €	186.668 €	189.761 €	192.887 €	196.047 €	190.464 €	221.041 €	217.989 €	217.212 €
Depreciations and amortizations	19.941 €	47.858 €	47.917 €	48.094 €	48.148 €	47.778 €	47.905 €	47.987 €	46.542 €	47.291 €	46.999 €
EBIT	13.902 €	99.016 €	124.837 €	138.574 €	141.613 €	145.110 €	148.142 €	142.476 €	174.499 €	170.698 €	170.213 €
Interest paid	27.954 €	27.767 €	25.693 €	22.458 €	19.223 €	15.989 €	12.754 €	9.519 €	6.733 €	3.947 €	1.161 €
Taxable income	- 14.052 €	71.249 €	99.144 €	116.116 €	122.390 €	129.121 €	135.388 €	132.958 €	167.766 €	166.751 €	169.052 €
CIT (25%)	- €	17.812 €	24.786 €	29.029 €	30.597 €	32.280 €	33.847 €	33.239 €	41.941 €	41.688 €	42.263 €
Surtax (1,5%)	211 €	1.069 €	1.487 €	1.742 €	1.836 €	1.937 €	2.031 €	1.994 €	2.516 €	2.501 €	2.536 €
Income tax expense	211 €	18.881 €	26.273 €	30.771 €	32.433 €	34.217 €	35.878 €	35.234 €	44.458 €	44.189 €	44.799 €
Net Income	- 14.263 €	52.368 €	72.871 €	85.345 €	89.956 €	94.904 €	99.510 €	97.724 €	123.308 €	122.562 €	124.253 €

Source: The Author

After analysing the Homestel' Income Statement it is possible to conclude that although registering a negative Net Income after 5 months of activity, at the end of the complete first year of activity the business achieves a positive Net Income and over the periods Homestel achieves increasing growth rates. Looking at the EBITDA's positive growth it is possible to conclude that the sales cover all the operational expenses. Thus it is possible to conclude that

over the first years Homestel achieves a stable economic performance, generating profits at a fast paced.

11.2.6. Financial Plan

The financial plan provides the perspective of the required funds in order to meet all the financial applications identified.

Table 25 – Homestel Lisbon Boutique Hostel: Financial Plan

Financial plan	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Funds											
Cash flows	33.843 €	146.874 €	172.754 €	186.668 €	189.761 €	192.887 €	196.047 €	190.464 €	221.041 €	217.989 €	217.212 €
Equity	30.000 €										
Other equity	20.000 €										
Funding	760.000 €										
Working capital (divestment)		154.174 €		2.626 €			22 €	108 €	1.202 €	5.261 €	
Total funds	843.843 €	301.047 €	172.754 €	189.294 €	189.761 €	192.887 €	196.069 €	190.572 €	222.243 €	223.250 €	217.212 €
Financial applications											
Capital investments	760.327 €	- €	7.676 €	2.321 €	14.035 €	13.903 €	10.732 €	6.455 €	27.152 €	2.598 €	24.199 €
Working capital (investment)	178.885 €		7.893 €		3.367 €	660 €					4.921 €
Income taxes	211 €	18.881 €	26.273 €	30.771 €	32.433 €	34.217 €	35.878 €	35.234 €	44.458 €	44.189 €	44.799 €
Loan reimbursement	10.390 €	63.824 €	91.602 €	91.602 €	91.602 €	91.602 €	91.602 €	66.667 €	66.667 €	66.667 €	27.778 €
Interest paid	27.954 €	27.767 €	25.693 €	22.458 €	19.223 €	15.989 €	12.754 €	9.519 €	6.733 €	3.947 €	1.161 €
Total Financial applications	977.767 €	110.472 €	159.137 €	147.152 €	160.660 €	156.370 €	150.965 €	117.874 €	145.009 €	117.401 €	102.857 €
Cash Balance	-133.924 €	190.575 €	13.617 €	42.142 €	29.101 €	36.517 €	45.103 €	72.697 €	77.233 €	105.849 €	114.356 €
Annual cash balance	-133.924 €	190.575 €	13.617 €	42.142 €	29.101 €	36.517 €	45.103 €	72.697 €	77.233 €	105.849 €	114.356 €
Accumulated annual cash balance	-133.924 €	56.651 €	70.268 €	112.410 €	141.511 €	178.028 €	223.131 €	295.828 €	373.062 €	478.911 €	593.267 €

Source: The Author

After analysing the above financial plan, it is possible to conclude that Homestel Cash Balance will be positive of 56,651 Euros in the first complete year of activity. Except the first five months of activity, Homestel' Cash Balance is always positive and the Accumulated Annual Cash Balance if of 593.267 Euros in 2026.

11.2.7. Balance Sheet

The Homestel Balance Sheet presents the assets liabilities and equity of the project during the project evaluation period (2016-2026). A detailed Balance Sheet is provided in Appendix III –

Table 37 – Homestel Lisbon Boutique Homestel: Detailed Balance Sheet.

Table 26 – Homestel Lisbon Boutique Hostel: Balance sheet

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Assets											
Fixed assets											
Total	740.386 €	692.529 €	652.288 €	606.515 €	572.402 €	538.527 €	501.354 €	459.822 €	440.432 €	395.739 €	372.938 €
Current assets											
Total	48.845 €	89.605 €	112.747 €	152.020 €	184.696 €	222.085 €	267.384 €	340.191 €	414.953 €	515.653 €	634.948 €
Total assets	789.232 €	782.134 €	765.035 €	758.535 €	757.097 €	760.612 €	768.738 €	800.013 €	855.385 €	911.392 €	1.007.886 €
Equity											
Total equity	35.737 €	88.105 €	160.975 €	246.321 €	336.277 €	431.181 €	530.691 €	628.415 €	751.723 €	874.285 €	998.538 €
Liabilities											
Non current Liabilities	749.610 €	685.786 €	594.185 €	502.583 €	410.981 €	319.380 €	227.778 €	161.111 €	94.444 €	27.778 €	- 0 €
Current Liabilities	3.884 €	8.242 €	9.875 €	9.632 €	9.839 €	10.052 €	10.269 €	10.487 €	9.217 €	9.329 €	9.347 €
Total Liabilities	753.495 €	694.029 €	604.059 €	512.214 €	420.820 €	329.431 €	238.047 €	171.598 €	103.662 €	37.107 €	9.347 €
Total Liabilities and Equity	789.232 €	782.134 €	765.035 €	758.535 €	757.097 €	760.612 €	768.738 €	800.013 €	855.385 €	911.392 €	1.007.886 €

Source: The Author

According to the Balance Sheet above it is possible to understand that the Homestel Total Assets corresponds to Total Equity plus Liabilities for each year of activity.

It is also possible to perceive a positive and constant growth over the years, due to the equity results which are held in assets by cash and cash equivalents.

The analysis performed in this chapter will now allow to evaluate Homestel's investment feasibility and develop the computation of the necessary KPIs and to perform a sensitivity analysis that will help to decide upon the future investment decisions.

11.3. Financial Analysis

11.3.1. Cash Flows

The cash flows analysis helps to understand if Homestel will be able to generate positive cash-flows during project's analysis time span. Cash flow corresponds to the sum of the operational and investment cash flows and it helps to calculate project NPV and APV. Although negative after the first five months of activity due to the high investment in fixed asset, Homestel Net Cash Flow is positive after the first complete year of activity and in 2026 is of 241.958€.

Table 27 – Homestel Lisbon Boutique Hostel: Cash Flows

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
1.Profits											
Sales	154.215 €	447.362 €	527.488 €	537.510 €	547.723 €	558.129 €	568.734 €	568.734 €	568.734 €	568.734 €	568.734 €
2.Losses											
COGS	27.069 €	78.681 €	92.908 €	94.673 €	96.472 €	98.305 €	100.172 €	100.172 €	100.172 €	100.172 €	100.172 €
SGA	68.450 €	174.740 €	213.969 €	207.552 €	212.095 €	216.748 €	221.513 €	226.266 €	194.823 €	196.990 €	196.863 €
Personnel expenses	19.125 €	45.956 €	46.830 €	47.719 €	48.626 €	49.550 €	50.491 €	51.451 €	52.428 €	53.424 €	54.439 €
Subtotal	39.571 €	147.984 €	173.782 €	187.566 €	190.530 €	193.527 €	196.557 €	190.844 €	221.310 €	218.147 €	217.259 €
Margin	114.643 €	299.378 €	353.706 €	349.944 €	357.193 €	364.603 €	372.177 €	377.889 €	347.424 €	350.587 €	351.475 €
Investment											
Fixed assets	760.327 €	- €	7.676 €	2.321 €	14.035 €	13.903 €	10.732 €	6.455 €	27.152 €	2.598 €	24.199 €
Working capital	178.885 €	24.712 €	32.605 €	29.979 €	33.346 €	34.006 €	33.984 €	33.876 €	32.674 €	27.413 €	32.333 €
Subtotal	939.213 €	24.712 €	40.281 €	32.300 €	47.380 €	47.909 €	44.716 €	40.331 €	59.826 €	30.011 €	56.532 €
5.Margin - Investment (3-4)	- 824.569 €	274.666 €	313.425 €	317.644 €	309.812 €	316.694 €	327.461 €	337.559 €	287.598 €	320.576 €	294.943 €
6.Amortizations	19.941 €	47.858 €	47.917 €	48.094 €	48.148 €	47.778 €	47.905 €	47.987 €	46.542 €	47.291 €	46.999 €
7. (5-6)	- 844.510 €	226.808 €	265.508 €	269.550 €	261.665 €	268.916 €	279.557 €	289.571 €	241.056 €	273.284 €	247.944 €
8.Tax effect	- 177.347 €	47.630 €	55.757 €	56.606 €	54.950 €	56.472 €	58.707 €	60.810 €	50.622 €	57.390 €	52.068 €
9. Results.with tax effect (7-8)	- 667.163 €	179.178 €	209.752 €	212.945 €	206.715 €	212.444 €	220.850 €	228.761 €	190.434 €	215.895 €	195.876 €
10. Operating Cash-Flow (6+9) /NPV	- 647.222 €	227.036 €	257.669 €	261.038 €	254.863 €	260.221 €	268.754 €	276.749 €	236.976 €	263.186 €	242.875 €
11.Tax effect w/ Financial costs	5.870 €	5.831 €	5.396 €	4.716 €	4.037 €	3.358 €	2.678 €	1.999 €	1.414 €	829 €	244 €
12.Cash-Flow (10+11) /APV	- 641.352 €	232.867 €	263.064 €	265.755 €	258.900 €	263.579 €	271.433 €	278.748 €	238.390 €	264.015 €	243.119 €
13.Financial costs	27.954 €	27.767 €	25.693 €	22.458 €	19.223 €	15.989 €	12.754 €	9.519 €	6.733 €	3.947 €	1.161 €
14.Net Cash-Flow (12-13)	- 669.306 €	205.100 €	237.371 €	243.296 €	239.676 €	247.590 €	258.679 €	269.229 €	231.657 €	260.068 €	241.958 €

Source: The Author

11.3.2. Financial Indicators

In the following sections, Homestel financial indicators presented in Appendix III – Table 46 – Homestel Lisbon Boutique Hostel: Financial Indicators (KPYs) are analysed:

Operating Margin

The Operating Margin ratio allows evaluating company's pricing strategy and operating efficiency. Homestel operating margin is always positive from 2016 up to 2022, reaching a percentage of 38.2% in 2026.

Financial autonomy

Financial autonomy ratio allows investors to evaluate the percentage of investment in assets covered by equity. Once the Homestel investment will be handled only partial by equity, the financial autonomy will be considerable medium/low. In 2016, Homestel financial autonomy will be of 4.5% and throughout the period will be always positive with a steady growth (2026: 99,1%)

Return on Equity (ROE)

It corresponds to the amount of net income returned as a percentage of shareholders equity. It helps investor to measure a company's profitability, determining how the company will generate value through its own resources.

In 2016, Homestel ROE is negative, -28.5%, notwithstanding ensuring a constant growth over the years reaching a percentage of 248.5% in 2026.

Return on Investment (ROI)

ROI is a company performance measure and supports evaluating the efficiency of an investment. In 2016, Homestel ROI is of 24.5% and although in 2017 is of 0% due to the fact that no investment is made throughout that year, it indicates a high increase over the next years, until 2026 (897.6%). Hence it is possible to conclude that the investments are generating a high return considering the investment carried out from 2016 up to 2022.

Rate of Return

The Rate of Return, calculated using the Capital Asset Pricing Model, allows to update the Homestel cash flows at moment 0, this is the moment where the investor will make the decision whether to invest or not in the project investment considering the development of the Homestel Business Plan.

In order to calculate the rate of return it is necessary to determine the risk free rate, risk premium and the unlevered beta.

As presented in the table below, the IRR computed is of 5.53%. This rate will enable to calculate the Net Present Value, Internal Rate of Return and Pay Back Period

Table 28 – Homestel Lisbon Boutique Hostel: Rate of return

Rate of return		
Risk free rate	2,52%	10 years Yield to Maturity Portuguese bond provided (Banco de Portugal - Economic indicators for August, 2015)
Risk premium	3,96%	The value was determined using Professor's Damodaran website who assigned a risk premium to the Portuguese market between the 3.75% and the 4,17% in August, 2015. The value computed corresponds to an average of both values.
Beta unlevered	0,76	This indicator was also consulted though Professor Damodaran' s website. The unlevered beta value for the hospitality sector was of 0.76 in August, 2015.
Rate of return		5,53%

Source: The Author

11.4. Investment decision

11.4.1. Net Present Value (NPV)

The NPV represents the actual value of the investment project. Since it has a value of 1,268,188 Euros, higher than 0, it represents that the project is viable. This is one of the most important investment indicators that influence investor's decision to go forward and invest in the project or to just quit.

11.4.2. Internal Rate of Return (IRR)

The IRR is a measure of capital budgeting that measures the potential investments profitability. It is a discount rate that makes the NPV of all cash flows from a project equal to zero. Corresponding to the rate at which the investor will be able to remunerate the capital invested.

As presented in the above Table 28 – Homestel Lisbon Boutique Hostel: Rate of return, the rate of return computed is of 5.5%, lower than the IRR that is 37.0%. So it is possible to conclude that the project is positively viable.

11.4.3. Payback Period

The Payback Period represents the length of time required to recover the total cost of an investment. It indicates whether to undertake the project or not, once longer payback periods are typically not desirable for investment positions. Therefore the Payback period may not be longer than the project lifetime.

Considering Homestel Payback Period (2 years and 10 months) and the project lifetime is defined as 10 years and 5 months, it is possible to conclude that the project will be viable.

11.4.4. Sensitivity Analysis

In order to test the feasibility of the project taking in consideration the impact of several external factors that may influence positively and negatively the financial evaluation

performed and also to test eventual deviations that the information collected may present, a sensitivity analysis was performed taking in consideration 2 variables: the Homestel occupation, tested taking in consideration decreases in sales, and the operational costs simulating increases in the operational costs incurred by Homestel. The respective impact of variations on these variables on the NPV, IRR and Payback period were analysed and its results are presented in the table below:

Table 29 – Homestel Lisbon Boutique Hostel: Sensitivity analysis

Sensitivity analysis		Sales (occupation)					
		As Is (1)		-5% (2)		-10%	
Cost (COGS, SGA & Personnel Expenses)	As Is (a)	NPV	1.268.188 €	NPV	89.234 €	NPV	- 77.906 €
		IRR	37,0%	IRR	7,9%	IRR	3,3%
		PBP	2 Years e 10 Months	PBP	8 Years e 8 Months	PBP	> 10 Anos
	+5%	NPV	147.508 €	NPV	- 19.631 €	NPV	- 186.771 €
		IRR	9,5%	IRR	5,0%	IRR	0,0%
		PBP	8 Years e 1 Months	PBP	> 10 Anos	PBP	> 10 Anos
	+10%	NPV	38.643 €	NPV	- 128.496 €	NPV	- 295.636 €
		IRR	6,6%	IRR	1,8%	IRR	n.a.
		PBP	9 Years e 4 Months	PBP	> 10 Anos	PBP	> 10 Anos

Source: The Author

Taking in consideration the analysis performed, it is possible to conclude that the project is profitable in four of the forecasts computed, although the significant impact of the two variables. Notwithstanding, the project is less profitable in all other five scenarios, almost at a point that would not be attractive to invest. Hence, the analysis above helps to understand how a variation in the variables considered, both sales and operational costs, affects project's viability.

12. Conclusions

12.1. Limitations

After concluding the present business plan it is important to highlight once again that all the information and data considered in the preparation of the document was collect from public data bases and information and data gathered from market players and third party suppliers. It is also important to emphasise that there was few or almost none information and data available regarding the Hostel Business segment in Lisbon for the recent years. Once this business segment was until this year, a non-regulated market segment, little information was collected by the corresponding authorities so far. In addition, all the conclusions presented based on the information and data collected was somehow influenced by the promoter's values and believes as well as the promoter's point of view of the business segment and experience when visiting other hostels or local accommodation establishments.

It is also important to mention that it was not as easy to collect information and data from other Hostel Businesses, therefore some decisions and conclusions were based on the experience of other market players and/or suppliers.

At last, ss previously mention the location and of course the place where to develop an accommodation establishment represents the higher parcel of the investment to incur when developing an accommodation establishment.

12.2. Main conclusions

Looking back to the beginning of the development of the present business plan, it urges to highlight the main findings of this project.

It is clear that the international tourism is evolving and becoming an even more important market segment and for some destinations representing one of the most profit economic segments, contributing largely to destinations GDP.

Regarding the Backpacker Tourism segment, per the information and data presented, it is clear the signs of the evolution and the emergence of new sub segments such as Flashpacking. Looking to Lisbon's local accommodation establishments it is clear the evolution verified when comparing the first hostels opening in Lisbon and the ones that opened in the last two to three years. Increases in additional services as well as in the facilities provided are of the main differences to emphasize. Improve in quality as well as in the accommodation services

provided are as well remarkable. Nevertheless, the market is mainly oriented towards younger guests, so there is a gap to fulfil in the market. Thus the idea of developing an accommodation establishment targeting the flashpackers market segment in Lisbon is a viable option, not only due to the increase in visitors in Lisbon but also the increased reputation that Lisbon has gained over the last few years attracting a large range of tourists and travellers.

In face of the above it is important to emphasise the conclusions obtained for the present Homestel Lisbon Boutique Hostel investment feasibility analysis.

Homestel feasibility was analysed for a time span of 10 years and 5 months. The NPV of the project is of 1,268,188 Euros and the IRR is of 37.0% with a Payback Period of two years and ten months.

With an operating margin of 21.9%, in 2016, it is possible to conclude that the profits generated from Homestel activity cover all operational expenses and results in a positive operating margin. From the analysis performed it was also possible to conclude that for every single Euro invested the return, in 2016, will be of 4.5 Euros (Homestel' ROI 2016: 4.5%). Regarding the investors, after computing the ROE it is possible to conclude that each Euro invested in equity, will be returned at a rate of 104.7%, by the end of the first complete year of activity.

Finally, notwithstanding being a viable project it should be noted that investing in a project of this scale requires necessary knowledge and the examination of all variables and external factors that may impact the investment decision in order keep a flexible business plan as well as to be prepared to adjust and adapt the business when necessary so that it maintains viable.

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<http://www.jfarroios.pt/>

14. Appendix

14.1. Appendix I – Business and Environment Analysis

Table 30 – Main key performance indicators for Lisbon (NUTS II)

	December	Δ % (2014-2013)	January to December	Δ % (2014-2013)
Guests (thousands)	299.8	11.7	4,899.2	13.4
Resident guests	125.6	8.6	1,563.4	12.2
Nonresident guests	174.2	14.1	3,335.8	14.1
	December	Δ % (2014-2013)	January to December	Δ % (2014-2013)
Overnight stays (thousands)	651.3	16.2	11,544.8	15.0
Resident	201.8	10.6	2,783.4	13.8
Nonresident	449.5	18.9	8,761.4	15.4
	December	Δ % (2014-2013)	January to December	Δ % (2014-2013)
Revenues (million Euros)	37.8	15.2	678.2	15.5
Accommodation	25.4	20.5	500.2	17.8
Others	12.5	5.8	178.0	9.5

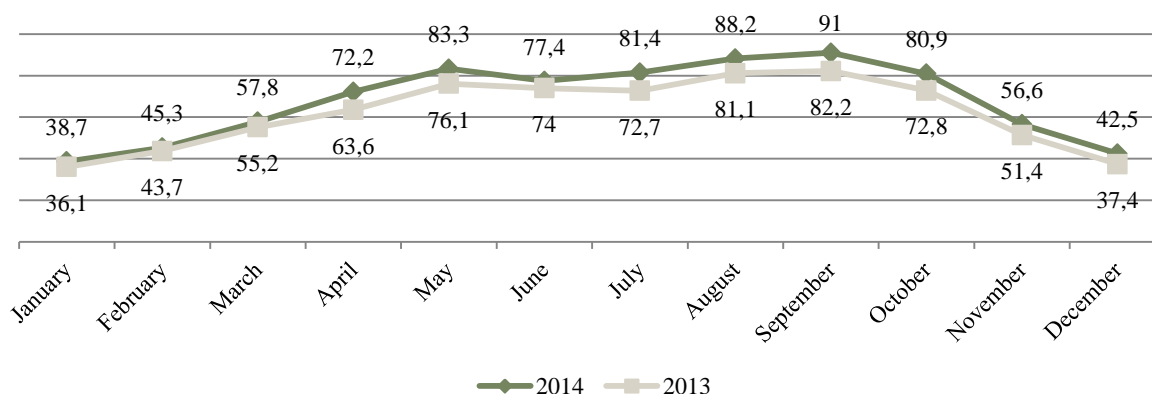
Fonte: INE

Table 31 – Overnight stays in Lisbon (NUTS II) – TOP 10 inbound markets

TOP 10	December	Δ % (2014-2013)	January to December	Δ % (2014-2013)
Spain	75.7	7.4	1,167.3	11.1
France	49.6	19.5	1,025.2	29.5
Brazil	55.3	17.7	833.9	10.5
Germany	30.6	27.1	783.5	13.1
United Kingdom	24.5	32.6	651.1	34.7
USA	18.8	-7.8	464.4	0.8
Italy	40.9	59.3	434.8	6.7
Netherland	12.7	22.1	296.5	0.7
Russia	7.4	-17.2	240.9	-6.9
Belgium	9.3	44.6	249.8	50.7
Others	124.7	19.0	2,863,80	28.2
Portugal	201.8	10.6	2,783,40	13.8

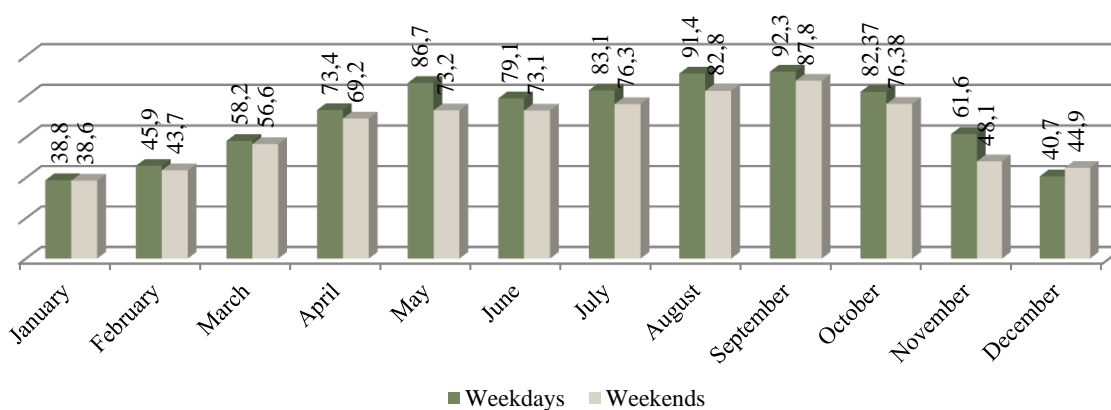
Fonte: INE; Note: considering TOP 10 from 2013

Table 32 – Occupancy rates per room - Lisbon (NUTS II)



Fonte: INE

Table 33 – Occupancy rates per room: weekday vs weekend - Lisbon (NUTS II)



Fonte: INE

Table 34 – Competitors: Facilities and services provided identification

Facilities and services provided	
Breakfast	24hr reception
WIFI	Bicycle for hire
Airport transfers	Bicycle parking
House Keeping	Outdoors
Laundry	24hr security
Lockers	Direct phone calls / pay card phone
Save locking box	Reading light
Washing machine	Books exchange
Cable TV	Lift
Hair Dryer	Air conditioning
Iron	Pool
Kitchen	Disabled access
Microwave	Bar /Restaurant
Luggage store	Parking lot
Meeting / Common Room	Fax
Hot water Shower	Adaptors
Linen included	Crib

Facilities and services provided	
Towels renting	DVDs
Board games	Meeting Rooms
Tea/Coffee facilities	Vending machines
Free Maps / Tourism advice	PlayStation/Wii
Key Card access	ATM
Ceiling Fan	Others

Source: Hostelworld.com

14.2. Appendix II – Homestel

Table 35 – Homestel Lisbon Boutique Hostel: Complementary services and facilities pricing list

Complementary facilities and services Pricing List	
Extra Amenities	1,50€
Airport transfers (extra cost)	10 € / person or 7,5 €/person if more than 3 persons
Laundry services	2 € per piece
Luggage store	2 € per guest
Souvenirs and merchandising shop	n.a.
Bicycle for hire (extra cost)	10 € / day
Parking lot (extra cost)	Local public park (10€ per day)

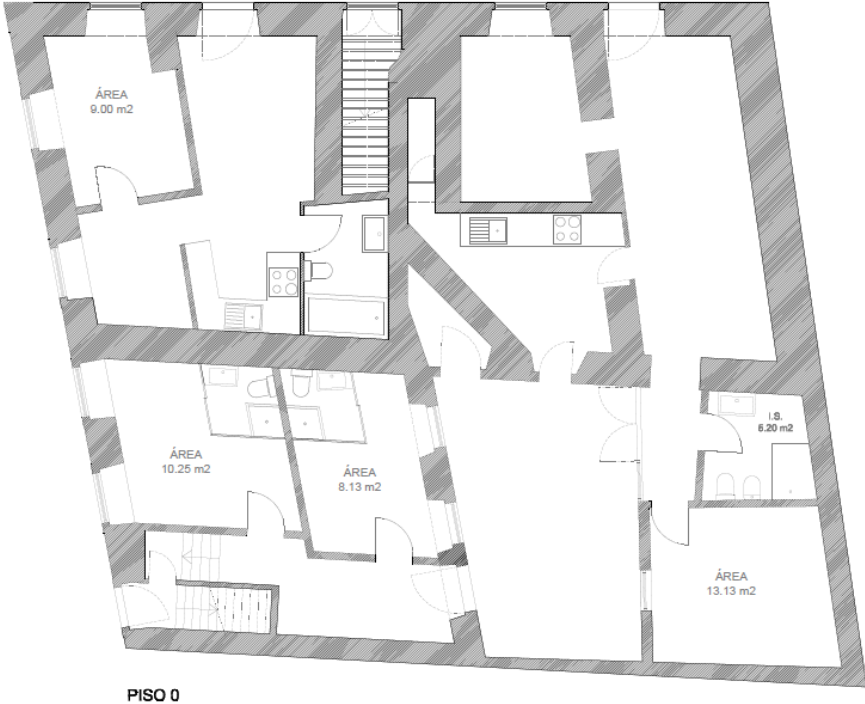
Source: Hostelworld.com

Figure 6 – Homestel Welcome Bag



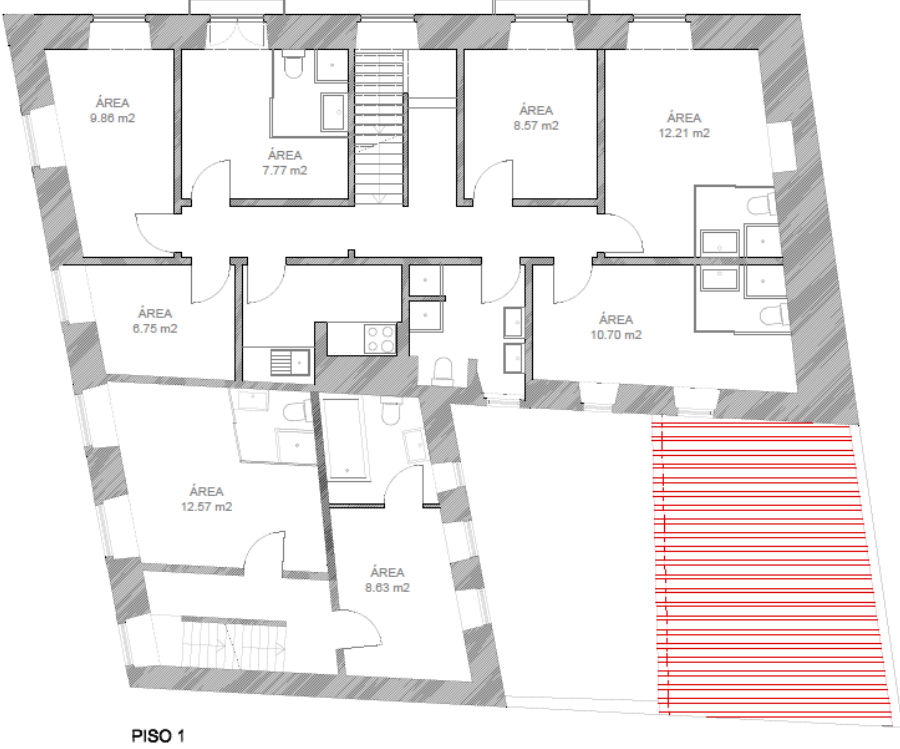
Source: The Author

Figure 7 – Homestay Lisbon Boutique Hostel: Layout – Floor 0



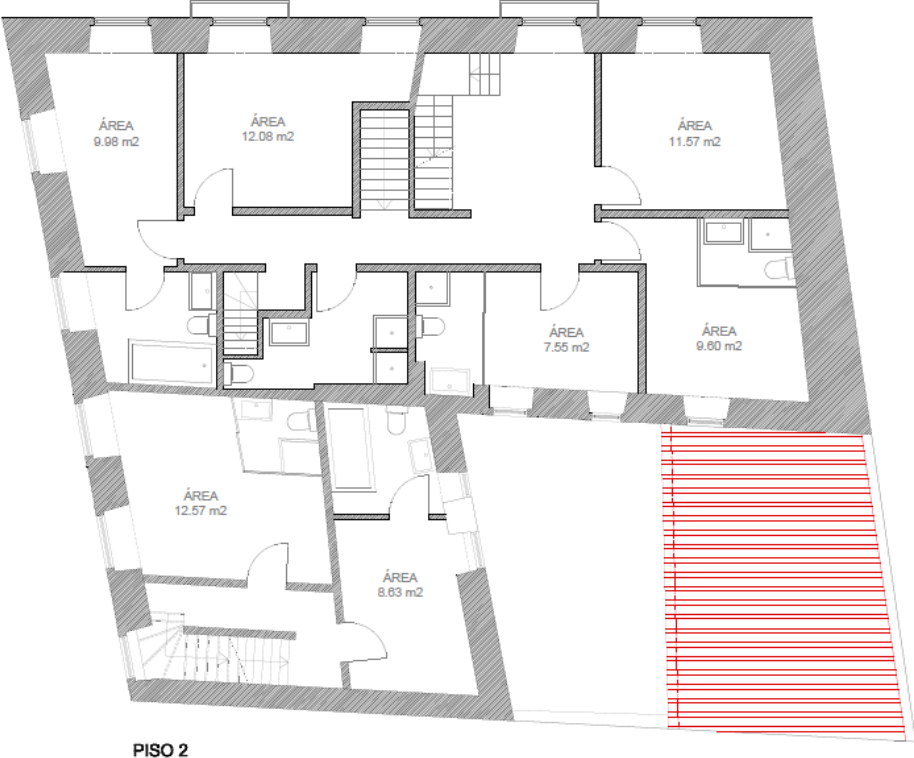
Source: The Author

Figure 8 – Homestay Lisbon Boutique Hostel: Layout – Floor 1



Source: The Author

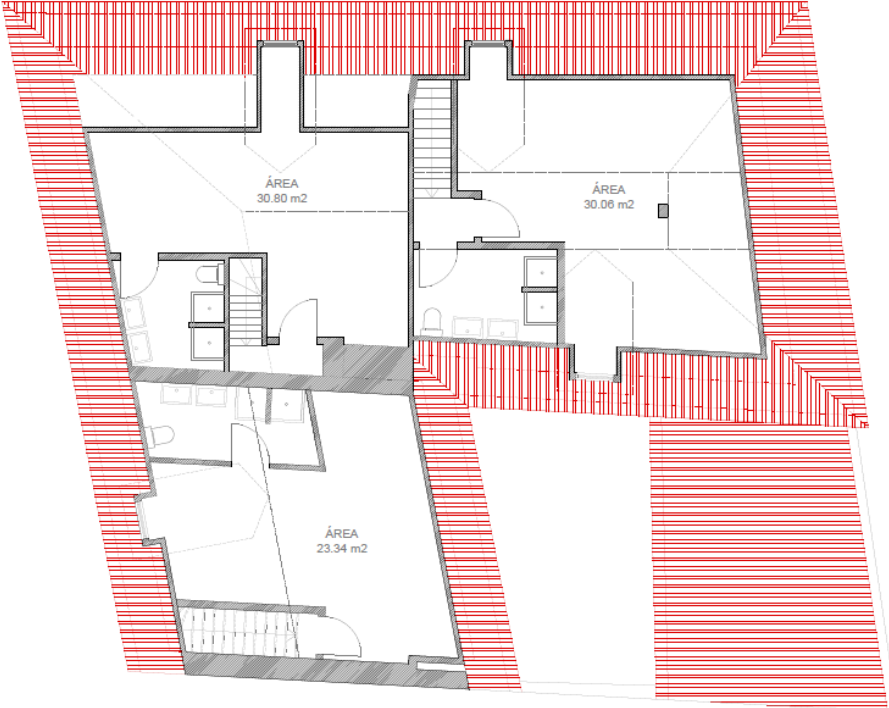
Figure 9 – Homestel Lisbon Boutique Hostel: Layout – Floor 2



PISO 2

Source: The Author

Figure 10 – Homestel Lisbon Boutique Hostel: Layout – Floor 3



PISO 3 (água-furtada)

Source: The Author

14.3. Appendix III – Economic and Financial Analysis

Table 36 – Homestel Lisbon Boutique Hostel: Other assumptions

Monetary unit	Euros	
First year of activity	2016	
Accounts receivables	0 days	0%
Accounts payable	10 days	4%
Inventory	7 days	2%
VAT - Sales	0,23	
VAT - Service Rendering	0,23	
VAT COGS	0,23	
VAT SGA	0,23	
VAT Investment	0,23	
Social security (Homestel responsibility)	0,2375	
Social security (Workers responsibility)	0,11	
IRS	0,062	
Income Tax	0,21	

Source: The Author

The IRS rates considered in the calculation of the personal income taxes were a mean of the rate for dependents, unmarried and with no children.

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Table 37 – Homestel Lisbon Boutique Hostel: Investment list

	Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreciation Rate
Hostel and reception equipment	Other basic equipment's	Fire extinguisher		http://mrservicos.com/loja/index.php?route=product/product&path=62_65&product_id=47	1	32,00 €	7	224 €	182 €	42 €	25,0%
	Other basic equipment's	Pin key access system		Triplo W	n.a.	4.320,25 €	1	4.320 €	3.512 €	808 €	14,3%
	Furniture	Sofa		http://www.ikea.com/pt/pt/catalog/products/S79011411/	unit	599,00 €	3	1.797 €	1.461 €	336 €	12,5%
	Furniture	Table		http://www.ikea.com/pt/pt/catalog/products/90297657/	unit	89,99 €	3	270 €	219 €	50 €	12,5%
	Furniture	outdoors chair		http://www.ikea.com/pt/pt/catalog/products/10241805/	unit	49,99 €	8	400 €	325 €	75 €	12,5%
	Furniture	outdoors table		http://www.ikea.com/pt/pt/catalog/products/80213446/	unit	40,00 €	3	120 €	98 €	22 €	12,5%
	Technological equipment's	Tablet		http://www.radiopopular.pt/catalogo/detalhesproduto.php?idprod=38018#.VdCDhvIViko	unit	409,00 €	2	818 €	665 €	153 €	33,3%
	Technological equipment's	Printer		https://www.worten.pt/inicio/informatica/impressao/impressoras/multiuncoes-hp-deskjet-1510.html#_accessoriesproducts	unit	49,90 €	1	50 €	41 €	9 €	12,5%
		Cartridges		https://www.worten.pt/tinteiro-hp-n-301xl-pret.html	unit	32,49 €	3	97 €	79 €	18 €	12,5%
	Technological equipment's	PC		https://www.worten.pt/inicio/informatica/computadores/portateis.html?dir=desc&order=id	unit	399,90 €	3	1.200 €	975 €	224 €	33,3%
	Technological equipment's	TV		Sony	unit	598,00 €	1	598 €	486 €	112 €	12,5%
	Furniture	Bookshelf		n.a.	unit	80,00 €	1	80 €	65 €	15 €	12,5%
	Furniture	Chair		http://www.ikea.com/pt/pt/catalog/products/S79046260/	unit	19,99 €	1	20 €	16 €	4 €	12,5%
	Furniture	Desk		n.a.	unit	80,00 €	1	80 €	65 €	15 €	12,5%
	Technological equipment's	Mobile Phone		https://www.worten.pt/inicio/worten-mobile/smartphones-1/smartphones-desbloqueados/telemovel-nokia-225-dual-sim-branco.html	unit	59,99 €	1	60 €	49 €	11 €	20,0%
		Stapler		http://www.staples.pt/staples-agradador-alicate-staples-n24-6/cbs/203223.html?promoCode=200200556&Effort_Code=WW&Find_Number=203223	unit	6,50 €	1	7 €	5 €	1 €	12,5%
	Staples		http://www.staples.pt/staples-agrafos-staples-n26-6-5000-agrafos/cbs/199431.html?promoCode=400090005&Effort_Code=WW&Find_Number=199431	unit	2,68 €	1	3 €	2 €	1 €	12,5%	
	Paper		http://www.staples.pt/papel-a4/cbs/293505.html?promoCode=200200555&Effort_Code=WW&Find_Number=293505	Box (5 units)	14,20 €	1	14 €	12 €	3 €	12,5%	
	File Folders		http://www.staples.pt/ancor-pasta-arquivo-morto-ancor-a4/cbs/107568.html?promoCode=200200555&Effort_Code=WW&Find_Number=107568	unit	2,43 €	3	7 €	6 €	1 €	12,5%	

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Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreciation Rate	
Bedrooms	Puncher		http://www.staples.pt/furadores/cbs/385278.html?promoCode=200200555&Effort_Code=WW&Find_Number=385278	unit	2,02 €	1	2 €	2 €	0 €	12,5%	
	First aid kit		http://www.caduceus.pt/loja/malas-e-kits/emergencia-e-primeiros-socorros/malas-profissionais-equipadas/saco-individual-de-primeiros-socorros.html	unit	39,00 €	1	39 €	32 €	7 €	12,5%	
	Highlight		http://www.staples.pt/staples-marcador-fluorescente-staples-vermelho/cbs/130974.html?promoCode=200200556&Effort_Code=WW&Find_Number=130974	unit	0,32 €	2	1 €	1 €	0 €	12,5%	
	Pens		http://www.staples.pt/bic-esferografica-bic-cristal-large-1-6-preto/cbs/320166.html?promoCode=200200555&Effort_Code=WW&Find_Number=320166	unit	0,22 €	4	1 €	1 €	0 €	12,5%	
	Post-its		http://www.staples.pt/post-it-bloco-notas-adessiva-post-it-r350-76x127-zig-zag-76x127-bl-nt-ades/cbs/127782.html?promoCode=200200555&Effort_Code=WW&Find_Number=127782	unit	1,40 €	2	3 €	2 €	1 €	12,5%	
	Uniforms - T-shirt Man		http://www.bralook.com/?gclid=CPK3taaBpMcCFS0Ewwod1gsKPw	unit	8,00 €	8	64 €	52 €	12 €	12,5%	
	Uniforms - T-shirt Women		http://www.letscopy.pt/pt/servicos/estampagem/precario-estampagem	unit	8,00 €	8	64 €	52 €	12 €	12,5%	
	Uniforms - Polar sweater - Man			unit	10,00 €	8	80 €	65 €	15 €	12,5%	
	Uniforms - Polar sweater - Women			unit	10,00 €	8	80 €	65 €	15 €	12,5%	
	Technological equipment's	TV			unit	326,00 €	19	6.194 €	5.036 €	1.158 €	12,5%
	Decoration	Safe box		http://www.mabalgarve.net/index.php/product/view/641	unit	60,27 €	8	482 €	392 €	90 €	25,0%
	Technological equipment's	Iphone/Ipod Doc stations		https://www.worten.pt/inicio/imagem-e-som/home-audio/sistemas-micro-e-mini/sistema-micro-slim-dock-philips-dcm2260-12.html	unit	174,99 €	22	3.850 €	3.130 €	720 €	12,5%
	Furniture	Triple Bunk Bed		http://www.befara.pt/beliches-triplos/537-treliche-madeira.html	unit	1.130,00 €	8	9.040 €	7.350 €	1.690 €	12,5%
	Furniture	Bunk bed		http://www.befara.pt/beliches-de-madeira/538-beliche-hostel.html	unit	570,00 €	10	5.700 €	4.634 €	1.066 €	12,5%
	Furniture	Mattress (Single)		http://www.policolchoes.com/colchoes.asp?id=p1p3p9p759&l=1	unit	142,00 €	20	2.840 €	2.309 €	531 €	12,5%
	Furniture	Tapi Double		http://www.policolchoes.com/colchoes.asp?id=p1p3p12p279&l=1	unit	143,00 €	6	858 €	698 €	160 €	12,5%
	Furniture	Crib	Ikea	http://www.ikea.com/pt/pt/catalog/products/30248537/	unit	49,99 €	1	50 €	41 €	9 €	12,5%
	Furniture	Tapi single		http://www.policolchoes.com/colchoes.asp?id=p1p3p12p279&l=1	unit	97,00 €	6	582 €	473 €	109 €	12,5%
	Furniture	Colchão** (single)		http://www.policolchoes.com/colchoes.asp?id=p1p3p9p758&l=1	unit	149,00 €	6	894 €	727 €	167 €	12,5%

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Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreciation Rate
Decoration	Coffee/tea		http://www.elfra-info.eu/acessorios-quartos-hotel/bandejas-de-cortesia/bandeja-de-cortesia-northmace-standard/art_c25_a424	unit	46,00 €	18	828 €	673 €	155 €	25,0%
Furniture	mattress (Double)	(200*180)	http://www.policolchoes.com/colchoes.asp?id=p1p3p693p700&l=1	unit	278,00 €	6	1.668 €	1.356 €	312 €	12,5%
Decoration	Trash bin		http://www.ikea.com/pt/pt/catalog/products/40295439/	unit	0,99 €	23	23 €	19 €	4 €	25,0%
Furniture	Bedside table		n.a.	unit	7,00 €	24	168 €	137 €	31 €	12,5%
Decoration	Mirror		http://www.ikea.com/pt/pt/catalog/products/90125982/#/50125984	unit	29,99 €	23	690 €	561 €	129 €	25,0%
Decoration	Pillows		http://www.policolchoes.com/colchoes.asp?id=p1p3p15p348&l=1	unit	10,87 €	84	913 €	742 €	171 €	25,0%
Duvet	Duvet	Double	http://www.ikea.com/pt/pt/catalog/products/70271658/		45,00 €	6	270 €	220 €	50 €	20,0%
Duvet	Duvet	Single		unit	27,99 €	74	2.071 €	1.684 €	387 €	20,0%
Decoration	Reading light		http://www.ikea.com/pt/pt/catalog/products/80215308/	unit	19,99 €	66	1.319 €	1.073 €	247 €	25,0%
Decoration	Ceiling lamp		http://www.ikea.com/pt/pt/catalog/products/10237295/ or http://www.ikea.com/pt/pt/catalog/products/20237308/	unit	9,99 €	33	330 €	268 €	62 €	25,0%
Decoration	Bedrooms light		http://www.ikea.com/pt/pt/catalog/products/10231321/	unit	25,00 €	24	600 €	488 €	112 €	25,0%
Decoration	Towel rack		http://www.ikea.com/pt/pt/catalog/products/30264382/	unit	3,99 €	22	88 €	71 €	16 €	25,0%
Decoration	Toilet brush		http://www.ikea.com/pt/pt/catalog/products/60159520/	unit	0,79 €	22	17 €	14 €	3 €	25,0%
Decoration	Door Hangers		http://www.ikea.com/pt/pt/catalog/products/10197671/	unit	1,99 €	22	44 €	36 €	8 €	25,0%
Decoration	Soap dispenser		http://www.elfra-info.eu/acessorios-casa-banho/saboneteiras-liquidadas/doseador-de-sabatildeo/art_c6_a318	unit	2,50 €	14	35 €	28 €	7 €	25,0%
Appliances	Hair dryer		http://www.elfra-info.eu/acessorios-quartos-hotel/secadores-de-cabelomao/artlijst_c24	unit	32,00 €	15	480 €	390 €	90 €	14,3%
Appliances	Hair dryer		http://www.elfra-info.eu/acessorios-quartos-hotel/secadores-de-cabelomao/northmace-president-hotel-hairdryer/art_c24_a2931	unit	46,00 €	8	368 €	299 €	69 €	14,3%
Decoration	Shower curtains	Hanger + Curtains	http://www.ikea.com/pt/pt/catalog/products/71756310/ http://www.ikea.com/pt/pt/catalog/products/23102900/ http://www.ikea.com/pt/pt/catalog/products/70298686/		19,97 €	22	439 €	357 €	82 €	25,0%
Decoration	Hanger	Clothes dryer hanger	http://www.elfra-info.eu/acessorios-casa-banho/diversos/estendal-de-roupa-extensiacutevel/art_c13_a290	unit	27,49 €	23	632 €	514 €	118 €	25,0%
Decoration	Toilet trash bin		http://www.ikea.com/pt/pt/catalog/products/10284946/	unit	8,99 €	22	198 €	161 €	37 €	25,0%
Decoration	Mirror		http://www.ikea.com/pt/pt/catalog/products/00288676/	unit	14,99 €	14	210 €	171 €	39 €	25,0%
Decoration	Mirror		http://www.ikea.com/pt/pt/catalog/products/60189027/	unit	9,99 €	7	70 €	57 €	13 €	25,0%
Furniture	Table		http://www.ikea.com/pt/pt/catalog/products/14630009/	unit	49,99 €	8	400 €	325 €	75 €	12,5%
Furniture	Chairs		http://www.ikea.com/pt/pt/catalog/products/90263902/	unit	19,99 €	16	320 €	260 €	60 €	12,5%
Furniture	Cupboard		http://www.ikea.com/pt/pt/catalog/products/00251814/	unit	149,00 €	1	149 €	121 €	28 €	25,0%

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Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreciation Rate	
Kitchen	Kitchen supplies	kitchen train	http://www.ikea.com/pt/pt/catalog/categories/departments/cooking/series/14888/	unit	49,90 €	3	150 €	122 €	28 €	33,3%	
	Kitchen supplies	Bases	http://www.ikea.com/pt/pt/catalog/products/87077700/	unit	2,50 €	3	8 €	6 €	1 €	33,3%	
	Kitchen supplies	Food box	http://www.ikea.com/pt/pt/catalog/products/70187363/	unit	2,50 €	2	5 €	4 €	1 €	33,3%	
	Kitchen supplies	kitchenware	http://www.ikea.com/pt/pt/catalog/products/00295399/	unit	4,99 €	3	15 €	12 €	3 €	33,3%	
	Kitchen supplies	Bottle opener	http://www.ikea.com/pt/pt/catalog/products/10149029/	unit	2,50 €	3	8 €	6 €	1 €	33,3%	
	Kitchen supplies	Cutting board	http://www.ikea.com/pt/pt/catalog/products/90202268/	unit	1,59 €	3	5 €	4 €	1 €	33,3%	
	Kitchen supplies	knives	http://www.ikea.com/pt/pt/catalog/products/70257624/	unit	5,99 €	3	18 €	15 €	3 €	25,0%	
	Kitchen supplies	Oven tray	http://www.ikea.com/pt/pt/catalog/products/10099053/	unit	14,99 €	3	45 €	37 €	8 €	33,3%	
	Kitchen supplies	kitchen towels	http://www.ikea.com/pt/pt/catalog/products/40277765/	unit	2,99 €	2	6 €	5 €	1 €	20,0%	
	Kitchen supplies	Holds	http://www.ikea.com/pt/pt/catalog/products/40210020/	unit	1,50 €	3	5 €	4 €	1 €	33,3%	
	Kitchen supplies	Drainer	http://www.ikea.com/pt/pt/catalog/products/40176950/	unit	1,99 €	3	6 €	5 €	1 €	33,3%	
	Kitchen supplies	Plates	Includes 19 pieces	http://www.ikea.com/pt/pt/catalog/products/80187862/	unit	39,99 €	11	440 €	358 €	82 €	33,3%
	Kitchen supplies	Bowl	http://www.ikea.com/pt/pt/catalog/products/60222970/	unit	1,99 €	44	88 €	71 €	16 €	33,3%	
	Kitchen supplies	Wine glasses	http://www.ikea.com/pt/pt/catalog/products/00154870/	unit	0,89 €	44	39 €	32 €	7 €	33,3%	
	Kitchen supplies	Glass	6 units	http://www.ikea.com/pt/pt/catalog/products/60279711/	unit	4,99 €	88	439 €	357 €	82 €	33,3%
	Kitchen supplies	Cutlery	6 units	http://www.ikea.com/pt/pt/catalog/products/50258974/	unit	19,99 €	66	1.319 €	1.073 €	247 €	33,3%
	Kitchen supplies	Serving Bowl	http://www.ikea.com/pt/pt/catalog/products/20132453/	unit	1,25 €	5	6 €	5 €	1 €	33,3%	
Kitchen supplies	Teapot	http://www.ikea.com/pt/pt/catalog/products/90258892/	unit	8,99 €	7	63 €	51 €	12 €	33,3%		

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	Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreciation Rate
Appliances	Kitchen supplies	Mug		http://www.ikea.com/pt/pt/catalog/products/60143992/	unit	0,79 €	44	35 €	28 €	6 €	33,3%
	Appliances	Cooking hobs		https://www.worten.pt/inicio/grandes-eletrrodomesticos/encastre/encastre-placas/placa-meireles-mg-4640-x.html	unit	119,00 €	3	357 €	290 €	67 €	14,3%
	Appliances	Water machine		Fonte viva	unit	180,00 €	1	180 €	146 €	34 €	14,3%
	Appliances	Coffee machine		https://www.worten.pt/inicio/pequenos-eletrrodomesticos/maquinas-de-cafe/expresso-capsulas/maquina-cafe-nespresso-delonghi-latt-pro-en750-mb.html	unit	459,00 €	2	918 €	746 €	172 €	14,3%
	Appliances	Fridge		https://www.worten.pt/inicio/grandes-eletrrodomesticos/frigorificos-e-arcas/frigorificos-e-arcas-frigorificos-combinados/frigorifico-combinado-kunft-220a.html	unit	249,00 €	3	747 €	607 €	140 €	14,3%
	Appliances	Microwave		https://www.worten.pt/inicio/pequenos-eletrrodomesticos/preparacao-de-alimentos/microondas-e-mini-fornos/micro-ondas-becken-mg-mg720cpe.html	unit	59,90 €	3	180 €	146 €	34 €	14,3%
	Appliances	Toaster		https://www.worten.pt/inicio/pequenos-eletrrodomesticos/pequeno-almoco/torradeiras/torradeira-morphy-richards-242004.html	unit	99,90 €	2	200 €	162 €	37 €	14,3%
	Appliances	Electric Jug		https://www.worten.pt/inicio/pequenos-eletrrodomesticos/pequeno-almoco/jarros-de-agua/jarro-eletrico-moulinex-principio-by-105810.html	unit	24,99 €	3	75 €	61 €	14 €	14,3%
	Appliances	Washing machines		https://www.worten.pt/inicio/grandes-eletrrodomesticos/maq-roupa/maquinas-de-lavar-e-secar-roupa/maquinas-de-lavar-e-secar-aeg-176680wd.html	unit	1.179,00 €	2	2.358 €	1.917 €	441 €	14,3%
	Appliances	Dishwasher		https://www.worten.pt/inicio/grandes-eletrrodomesticos/maquinas-de-lavar-loica/loica-standard/maquina-de-lavar-loica-indesit-dfg-15b10.html	unit	329,00 €	3	987 €	802 €	185 €	14,3%
	Appliances	Kitchen robot		https://www.worten.pt/inicio/pequenos-eletrrodomesticos/preparacao-de-alimentos/robots-de-cozinha/maquina-de-cozinha-kenwood-fpm250.html	unit	109,99 €	1	110 €	89 €	21 €	14,3%
Textiles	Textiles	Linen		http://www.ikea.com/pt/pt/catalog/products/00122723/	unit	15,99 €	10	160 €	130 €	30 €	50,0%
	Textiles	Linen		http://www.ikea.com/pt/pt/catalog/products/00122723/#/30122712	unit	22,99 €		- €	- €	- €	50,0%
	Textiles	Linen		http://www.ikea.com/pt/pt/catalog/products/10122751/	unit	6,50 €	148	962 €	782 €	180 €	50,0%
	Textiles	Linen	Single	http://www.ikea.com/pt/pt/catalog/products/20046479/	unit	29,99 €	148	4.439 €	3.609 €	830 €	50,0%
	Textiles	Linen	Double	http://www.ikea.com/pt/pt/catalog/products/20046479/#/50046473	unit	49,99 €	10	500 €	406 €	93 €	50,0%
	Textiles	Towels	Bath towel	http://www.ikea.com/pt/pt/catalog/products/70159204/	unit	13,99 €	164	2.294 €	1.865 €	429 €	50,0%

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Balance sheet	Item	Obs	Supplier	Unity measure	Unit Cost	Quantity	Total	Total w/ VAT	VAT	Depreci ation Rate
Textiles	Towels	Hands Towel	http://www.ikea.com/pt/pt/catalog/products/00159226/	unit	4,50 €	164	738 €	600 €	138 €	50,0%

Source: The Author

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Table 38 – Homestel Lisbon Boutique Hostel: Reinvestment plan

Reinvestment percentage	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Furniture									50%		
Decoration					100%				100%		
Kitchen supplies				100%			100%			100%	
Duvet						100%					100%
Appliances								100%			
Technological equipment's						100%					100%
Other basic equipment's						10%					10%
Textiles			100%		100%		100%		100%		100%

Source: The Author

Table 39 – Homestel Lisbon Boutique Hostel: Accumulated amortizations

Amortizations and depreciations	Investment	Amortization rate	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fixed assets													
Buildings and other constructions	702.000 €	5,0%	14.625 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €	35.100 €
Basic equipment	- €												
Furniture	20.679 €	13,2%	1.137 €	2.729 €	2.729 €	2.729 €	2.729 €	2.729 €	2.729 €	2.729 €	1.104 €	1.586 €	1.586 €
Decoration	5.624 €	25,0%	586 €	1.406 €	1.406 €	1.406 €	1.452 €	1.516 €	1.516 €	1.516 €	1.565 €	1.635 €	1.635 €
Kitchen supplies	2.193 €	32,2%	294 €	705 €	705 €	800 €	746 €	746 €	846 €	790 €	790 €	895 €	836 €
Duvet	1.903 €	20,0%	159 €	381 €	381 €	381 €	381 €	396 €	418 €	418 €	418 €	418 €	435 €
Appliances	5.658 €	14,3%	337 €	808 €	808 €	808 €	808 €	808 €	808 €	858 €	922 €	922 €	922 €
Technological equipment's	10.382 €	20,7%	895 €	2.147 €	2.147 €	2.147 €	2.147 €	1.881 €	2.359 €	2.359 €	2.359 €	2.359 €	2.066 €
other basic equipment's	3.695 €	19,6%	302 €	726 €	726 €	726 €	726 €	523 €	80 €	80 €	80 €	80 €	54 €
Textiles	7.392 €	50,0%	1.540 €	3.696 €	3.755 €	3.838 €	3.899 €	3.985 €	4.049 €	4.138 €	4.204 €	4.297 €	4.366 €
Subtotal			5.249 €	12.598 €	12.657 €	12.834 €	12.888 €	12.584 €	12.805 €	12.887 €	11.442 €	12.191 €	11.899 €
Intangible assets													
Website	800 €	20,0%	67 €	160 €	160 €	160 €	160 €	93 €	- €	- €	- €	- €	- €
Subtotal			67 €	160 €	160 €	160 €	160 €	93 €	- €	- €	- €	- €	- €
Total	808.994 €		19.941 €	47.858 €	47.917 €	48.094 €	48.148 €	47.778 €	47.905 €	47.987 €	46.542 €	47.291 €	46.999 €

Source: The Author

Table 40 – Homestel Lisbon Boutique Hostel: Breakfast supplies

Breakfast	Units	Price	Quantities per guest	Cost per guest	Cost without vat	Annual Cost (1st year)	VAT	Costs w/ VAT
Orange Juice	Kg	0,89	0,5	0,61 €	0,58 €	3.592 €	6%	3.376 €
Milk	Lt	0,62	0,2	0,12 €	0,12 €	730 €	6%	686 €
Soy milk	Lt	1,49	0,2	0,30 €	0,28 €	1.755 €	6%	1.649 €
Ham	Kg	7,49	0,03	0,22 €	0,18 €	1.323 €	23%	1.019 €
Cheese	Kg	4,99	0,03	0,15 €	0,14 €	881 €	6%	829 €
Cottage cheese	Kg	9,71	0,05	0,49 €	0,46 €	2.859 €	6%	2.687 €
Bread	Unit	0,25	1	0,25 €	0,24 €	1.472 €	6%	1.384 €
Bread (Gluten free)	Unit	0,40	1	0,40 €	0,38 €	2.355 €	6%	2.214 €
Yogurts Bio	Unit	1,09	1	1,09 €	1,03 €	6.418 €	6%	6.033 €
Butter	Kg	6,00	0,01	0,06 €	0,06 €	353 €	6%	332 €
Jam	Kg	10,53	0,01	0,11 €	0,10 €	620 €	6%	583 €
Cereals	Kg	5,31	0,03	0,16 €	0,13 €	938 €	23%	722 €
Tea	Unit	0,12	1	0,12 €	0,11 €	707 €	6%	664 €
Coffee	Kg	0,35	0,01	0,00 €	0,00 €	21 €	6%	19 €
Eggs	Unit	0,84	1	0,84 €	0,79 €	4.946 €	6%	4.649 €
Sugar	Kg	0,69	0,01	0,01 €	0,01 €	41 €	23%	31 €
Total				4,93 €	4,60 €	29.011 €		26.879 €

Source: The Author

Table 41 – Homestel Lisbon Boutique Hostel: Third party providers: services description

Selling, general and administrative expenses	
Third party suppliers	
Laundry	It includes the cost with the laundry services. The total cost is calculated by kilos of clothes washed and it has a cost of 2.25€ per client.
TPA	Homestel will provide a TPA terminal to its guests. This item includes the equipment and monthly costs with the service 8(including communications cost)

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Selling, general and administrative expenses	
Reservation software	Homestel will provide to its client an online website with information regarding the accommodation business as well as for Lisbon as a tourism destination. In addition the website will also be an online reservation site and include a reservation online manager. This item includes both the cost with the website development and the maintenance monthly costs.
Cleaning & Supplies	This item includes the cost with the cleaning services provider. The cost includes cleaning products. In the first two years the service will be provided by 3 workers and in the third year and forward it will be provided by 4 workers.
Invoicing system	Homestel invoicing will be done through an online invoicing system. Sage one was the service provider select and its monthly cost is of 4.99€.
Specialized service providers	
Remunerations	This item includes both the costs with the part-time worker and the accountant.
Commissions	A 10% commission will be paid monthly to the online brokers. Regarding the percentage of reservations gained through online brokers are of 90% in the first year, 75% in the second and third year and 55% in the following years.
Office supplies	This item includes the cost with office and administrative supplies
Technical documentation	This item includes the cost with the complaint book, obligatory as according to Decree-Law No. 156/2005 of September, 5th.
Commodities	
Water	This item includes the cost with water supply and it was calculated with an estimated cost per guest.
Gas	This item includes the cost with Gas supply and it was calculated with an estimated cost per guest.
Electricity	This item includes the cost with electricity supply and it was calculated with an estimated cost per guest.
Other services	Includes both uniforms and amenities cost
Uniforms	Includes the expenses with the uniforms provided to both receptionists
Amenities	Includes the expenses with the amenities provided to each guest at check-in. It includes a shampoo, a soap and shower gel. The cost per client is of 0,73€
Insurances	This item includes the cost with a social responsibility insurance. The cost was estimated having in reference a policy amount.
Communication	This item includes the cost with communication services. The service provider will be Vodafone and it includes 2 mobile numbers, internet, tv and fixed calls. The monthly cost is of 85€ and includes 100 Mbps internet and 56 channels.

Source: The Author

Table 42 – Homestel Lisbon Boutique Hostel: Financing plan

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Loan (Investment)	160.000 €	149.610 €	124.675 €	99.740 €	74.805 €	49.870 €	24.935 €	- €	- €	- €	- €
Commission	1.760 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Annual interest	1,80020%	2.880 €	2.693 €	2.244 €	1.796 €	1.347 €	898 €	449 €	- €	- €	- €
Loan reimbursement		10.390 €	24.935 €	24.935 €	24.935 €	24.935 €	24.935 €	24.935 €	- €	- €	- €
Total in debt		149.610 €	124.675 €	99.740 €	74.805 €	49.870 €	24.935 €	- €	- €	- €	- €
Stamp tax (0,6%)		971 €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Stamp tax - interest (4%)		115 €	108 €	90 €	72 €	54 €	36 €	18 €	- €	- €	- €
Debt total cost		16.116 €	27.736 €	27.269 €	26.802 €	26.336 €	25.869 €	25.402 €	- €	- €	- €
Total debt accumulated		16.116 €	43.852 €	71.121 €	97.923 €	124.259 €	150.128 €	175.530 €	175.530 €	175.530 €	175.530 €
Loan (Building)	600.000 €	600.000 €	561.111 €	494.444 €	427.778 €	361.111 €	294.444 €	227.778 €	161.111 €	94.444 €	27.778 €
Commission	6.600 €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Annual interest	4,17900%	25.074 €	25.074 €	23.449 €	20.663 €	17.877 €	15.091 €	12.305 €	9.519 €	6.733 €	3.947 €
Loan reimbursement		- €	38.889 €	66.667 €	66.667 €	66.667 €	66.667 €	66.667 €	66.667 €	66.667 €	27.778 €
Total in debt		600.000 €	561.111 €	494.444 €	427.778 €	361.111 €	294.444 €	227.778 €	161.111 €	94.444 €	27.778 €
Stamp tax (0,6%)		3.640 €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Stamp tax - interest (4%)		1.003 €	1.003 €	938 €	827 €	715 €	604 €	492 €	381 €	269 €	158 €
Debt total cost		36.317 €	64.966 €	91.053 €	88.156 €	85.259 €	82.361 €	79.464 €	76.566 €	73.669 €	70.771 €
Total debt accumulated		36.317 €	101.282 €	192.336 €	280.492 €	365.750 €	448.112 €	527.575 €	604.142 €	677.810 €	748.582 €

Source: The Author

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Table 43 – Homestel Lisbon Boutique Hostel: Taxes recoverable and taxes and contributions payable

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales	154.215 €	447.362 €	527.488 €	537.510 €	547.723 €	558.129 €	568.734 €	568.734 €	568.734 €	568.734 €	568.734 €
Charged VAT	9.253 €	26.842 €	31.649 €	32.251 €	32.863 €	33.488 €	34.124 €	34.124 €	34.124 €	34.124 €	34.124 €
Deductible VAT	191.503 €	58.287 €	72.347 €	70.045 €	74.198 €	75.660 €	76.456 €	76.566 €	74.094 €	68.945 €	73.884 €
VAT Deductible/Chargeable	- 182.251 €	- 31.445 €	- 40.698 €	- 37.795 €	- 41.335 €	- 42.172 €	- 42.332 €	- 42.442 €	- 39.970 €	- 34.821 €	- 39.760 €
Social security & income tax											
Social security	3.107 €	7.386 €	7.527 €	7.670 €	7.815 €	7.964 €	8.115 €	8.269 €	8.426 €	8.586 €	8.750 €
Social security (worker)	1.439 €	3.421 €	3.486 €	3.552 €	3.620 €	3.688 €	3.759 €	3.830 €	3.903 €	3.977 €	4.052 €
IRS	811 €	1.928 €	1.965 €	2.002 €	2.040 €	2.079 €	2.118 €	2.159 €	2.200 €	2.242 €	2.284 €
Social security balance	909 €	901 €	918 €	935 €	953 €	971 €	989 €	1.008 €	1.027 €	1.047 €	1.067 €
IRS retention	162 €	161 €	164 €	167 €	170 €	173 €	177 €	180 €	183 €	187 €	190 €
Total activo	191.503 €	58.287 €	72.347 €	70.045 €	74.198 €	75.660 €	76.456 €	76.566 €	74.094 €	68.945 €	73.884 €
Total passivo	10.324 €	27.903 €	32.731 €	33.353 €	33.986 €	34.632 €	35.290 €	35.312 €	35.335 €	35.358 €	35.381 €

Source: The Author

Table 44 – Homestel Lisbon Boutique Hostel: Working Capital

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current assets											
Receivables - Clients	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Inventory	519 €	1.509 €	1.782 €	1.816 €	1.850 €	1.885 €	1.921 €	1.921 €	1.921 €	1.921 €	1.921 €
Deductible VAT	182.251 €	31.445 €	40.698 €	37.795 €	41.335 €	42.172 €	42.332 €	42.442 €	39.970 €	34.821 €	39.760 €
Total	182.770 €	32.954 €	42.480 €	39.610 €	43.185 €	44.057 €	44.253 €	44.363 €	41.891 €	36.742 €	41.681 €
Current Liabilities											
Suppliers	2.813 €	7.181 €	8.793 €	8.530 €	8.716 €	8.907 €	9.103 €	9.299 €	8.006 €	8.095 €	8.090 €
Charged VAT	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Social Security	909 €	901 €	918 €	935 €	953 €	971 €	989 €	1.008 €	1.027 €	1.047 €	1.067 €
IRS Retention	162 €	161 €	164 €	167 €	170 €	173 €	177 €	180 €	183 €	187 €	190 €
Total	3.884 €	8.242 €	9.875 €	9.632 €	9.839 €	10.052 €	10.269 €	10.487 €	9.217 €	9.329 €	9.347 €
Working Capital	178.885 €	24.712 €	32.605 €	29.979 €	33.346 €	34.006 €	33.984 €	33.876 €	32.674 €	27.413 €	32.333 €
Working Capital Investment	178.885 €	-154.174 €	7.893 €	- 2.626 €	3.367 €	660 €	- 22 €	- 108 €	- 1.202 €	- 5.261 €	4.921 €

Source: The Author

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Table 45 – Homestel Lisbon Boutique Hostel: Detailed Balance Sheet

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Assets											
Fixed assets											
Tangible fixed assets	759.527 €	759.527 €	767.203 €	769.524 €	783.559 €	797.462 €	808.194 €	814.648 €	841.800 €	844.399 €	868.597 €
Intangible fixed assets	800 €	800 €	800 €	800 €	800 €	800 €	800 €	800 €	800 €	800 €	800 €
Accumulated Amortizations	19.941 €	67.799 €	115.715 €	163.809 €	211.957 €	259.735 €	307.639 €	355.626 €	402.168 €	449.460 €	496.459 €
Total	740.386 €	692.529 €	652.288 €	606.515 €	572.402 €	538.527 €	501.354 €	459.822 €	440.432 €	395.739 €	372.938 €
Current assets											
Clients	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
State or other public entities	182.251 €	31.445 €	40.698 €	37.795 €	41.335 €	42.172 €	42.332 €	42.442 €	39.970 €	34.821 €	39.760 €
Inventories	519 €	1.509 €	1.782 €	1.816 €	1.850 €	1.885 €	1.921 €	1.921 €	1.921 €	1.921 €	1.921 €
Short-term bank deposits and petty cash	- 133.924 €	56.651 €	70.268 €	112.410 €	141.511 €	178.028 €	223.131 €	295.828 €	373.062 €	478.911 €	593.267 €
Total	48.845 €	89.605 €	112.747 €	152.020 €	184.696 €	222.085 €	267.384 €	340.191 €	414.953 €	515.653 €	634.948 €
Total assets	789.232 €	782.134 €	765.035 €	758.535 €	757.097 €	760.612 €	768.738 €	800.013 €	855.385 €	911.392 €	1.007.886 €
Equity											
Equity	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €	50.000 €
Reserves and retained earnings	- €	- 14.263 €	38.105 €	110.975 €	196.321 €	286.277 €	381.181 €	480.691 €	578.415 €	701.723 €	824.285 €
Net income	- 14.263 €	52.368 €	72.871 €	85.345 €	89.956 €	94.904 €	99.510 €	97.724 €	123.308 €	122.562 €	124.253 €
Total equity	35.737 €	88.105 €	160.975 €	246.321 €	336.277 €	431.181 €	530.691 €	628.415 €	751.723 €	874.285 €	998.538 €
Liabilities											
Non current Liabilities	749.610 €	685.786 €	594.185 €	502.583 €	410.981 €	319.380 €	227.778 €	161.111 €	94.444 €	27.778 €	- 0 €
Loans obtained	749.610 €	685.786 €	594.185 €	502.583 €	410.981 €	319.380 €	227.778 €	161.111 €	94.444 €	27.778 €	- 0 €
Current Assets	3.884 €	8.242 €	9.875 €	9.632 €	9.839 €	10.052 €	10.269 €	10.487 €	9.217 €	9.329 €	9.347 €
Suppliers	2.813 €	7.181 €	8.793 €	8.530 €	8.716 €	8.907 €	9.103 €	9.299 €	8.006 €	8.095 €	8.090 €
State or other public entities	1.071 €	1.061 €	1.081 €	1.102 €	1.123 €	1.144 €	1.166 €	1.188 €	1.211 €	1.234 €	1.257 €
Total Liabilities	753.495 €	694.029 €	604.059 €	512.214 €	420.820 €	329.431 €	238.047 €	171.598 €	103.662 €	37.107 €	9.347 €
Total Liabilities and Equity	789.232 €	782.134 €	765.035 €	758.535 €	757.097 €	760.612 €	768.738 €	800.013 €	855.385 €	911.392 €	1.007.886 €

Source: The Author

Table 46 – Homestel Lisbon Boutique Hostel: Financial Indicators (KPYs)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales Growth	% 100,0%	65,5%	15,2%	1,9%	1,9%	1,9%	1,9%	0,0%	0,0%	0,0%	0,0%
Operating Margin	% 21,9%	32,8%	32,8%	34,7%	34,6%	34,6%	34,5%	33,5%	38,9%	38,3%	38,2%
Financial Authonomy	% 4,5%	11,3%	21,0%	32,5%	44,4%	56,7%	69,0%	78,6%	87,9%	95,9%	99,1%
ROI	% 4,5%	0,0%	2250,6%	8043,3%	1352,1%	1387,4%	1826,8%	2950,7%	814,1%	8389,9%	897,6%
ROE	% -28,5%	104,7%	145,7%	170,7%	179,9%	189,8%	199,0%	195,4%	246,6%	245,1%	248,5%
Working Capital	€ 178.885 €	24.712 €	32.605 €	29.979 €	33.346 €	34.006 €	33.984 €	33.876 €	32.674 €	27.413 €	32.333 €
Solvability	% 4,7%	12,7%	26,6%	48,1%	79,9%	130,9%	222,9%	366,2%	725,2%	2356,1%	10682,5%

Source: The Author