

Strategic Plan for Algarveresorts Internationalization Process to Florida,
USA.

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“Adapt what is useful, reject what is useless, and add what is specifically your own.”

Bruce Lee

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Resumo

O turismo é uma indústria volátil na qual uma pequena mudança política, económica ou de causa natural pode alterar todas as regras do jogo, do dia para a noite.

Diversidade geográfica é a chave para criar uma estrutura empresarial sólida na área do turismo. Operar em diferentes localizações lidando com diferentes e dispersos mercados reduz toda a dependência dos mesmos. Reduzindo o risco, as empresas podem então focar-se na sua gestão local e otimização dos seus serviços.

A presente dissertação baseia-se num plano de negócios focado no processo de internacionalização da Algarveresorts. Este plano consiste numa expansão do modelo de negócios da mesma para os Estados Unidos da América, mais propriamente para o estado da Florida. Este processo de internacionalização tem como principal objetivo a redução do risco de negócio associado ao facto da empresa operar em apenas um único mercado e estar dependente do mesmo em todas as suas operações. A Algarveresorts ambiciona expandir todo os seus negócios e ao mesmo tempo tornar toda a sua estrutura empresarial mais sólida e versátil. Com o processo de internacionalização a firma visa vingar no sector turismo internacionalmente.

No desenvolvimento e na observação dos resultados provenientes deste projeto estratégico facilmente se conclui que a Florida apresenta numerosas e excelentes oportunidades para toda a expansão e internacionalização da Algarveresorts. Também o modelo final projetado corresponde na totalidade a todas as expectativas e prospeções da empresa, estando completamente dentro do alcance da mesma. Embora a enorme e forte competição que se faz sentir no mercado do turismo na Florida seguramente podemos afirmar que este será o próximo mercado a ser explorado por parte da Algarveresorts.

Palavras Chave:

Plano de negócios, Internacionalização, Risco de Negócio, Turismo.

Classificações do JEL Classification System:

M16 - International Business Administration

L83 - Tourism

Abstract

Tourism is a volatile industry where a slight change in politics, economics or a natural catastrophe can change the game rules overnight.

Geographic diversity is a key factor to create a solid company structure in tourism industry. Operating in different locations, dealing with diverse markets, decrease business dependency in geography. With lower risk, companies are free to focus on optimizing their local and daily services management.

The following dissertation intends to be a business plan focused on Algarveresorts' internationalization process. This plan consists in a business expansion for Algarveresorts to the United States of America, specifically to the Florida State. This process of internationalization aims to reduce the business risk related to the fact that the company operates solo in one geographic location, which makes Algarveresort completely dependent on a single market in all its operations. The firm aims to expand its business as well as building a solid and versatile company structure. With the internationalization process, the firm intends to grow in the tourism sector internationally.

Throughout the development and results measurement on this strategic plan it is easy to say that Florida is teeming with opportunities for the whole process of expansion and internationalization of Algarveresorts. As well as the final projected model fulfill all the company expectations and aims, being completely in the reach of Algarveresorts resources. Although the huge and strong competition in that market it is safe to say that Florida can surely become the next market to be explored by the Company.

Key Words:

Business Plan, Business Risk, Internationalization, Tourism.

JEL Classification System:

M16 - International Business Administration

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Introduction

The Project

Algarveresorts is a company, located in Portugal, that mainly operates in the tourism sector focused in the Algarve region. With all the economical and political instability that has been felt in Europe during the last years the Algarveresorts board of directors have focused their attention to the fact of all their business model being focused in one single geographic location, the Algarve, and the threat it could represent for the sustainability and success of the business. With that enormous threat comes up the opportunity of the company's internationalization, aiming for a business risk reduction and an ambitious expansion of the same. In the wake of this project surge the idea of internationalize the company to the North-American Continent, specifically to the state of Florida located in the south of United States of America. The suggestion came directly from the board of the company, saying that the tourism model in that region is pretty similar to the one that the company operates in Algarve, the famous Sun&Sea, and also due to all the facilities and contacts that the company has to implement and operate a business in there. So Algarveresorts decided to conduct a solid and trustful strategic plan in order to go deep in that project.

A Empresa

Algarveresorts is a family owned business, founded in the 80's with the aim of develop and implement construction projects in Algarve.

In the early 90's, the company acquired some building lands in the Algarve region, that due to the prime location lately it showed up great characteristics for the development of the tourism business.

However, in that time the main activities of the company were the ceramics industry and civil construction, that in that moment were in a great moment of expansion.

During the 90's in the begging of the century, Algarveresorts board of directors have redefined it's business strategy with a progressive change to the tourism sector. Such change came up from a strategic analysis of the construction sector that in that period seemed to be strongly over-heated. As in the major of the developed countries that outstanding growth had to stop. Even so, when everything pointed to a huge collapse in the sector, the leverage resulting from "easy credit" (sub-prime) further inflated the construction sector, leading many businesses to embrace this activity.

When the real state collapse reached Portugal and the whole world, Algarveresorts was already operating at 80% in the tourism business.

Sincerely since the beginning of the XXI century, the tourism developments of the company never stop growing, even during the peak of the 2008 worldwide crisis.

At the time Algarveresorts is a successful company, being elected as "Lider e Excelencia" enterprise, growing annually with over 100 touristic apartments, an hotel and several participation in many other tourism companies as Cabanas Park, Quinta Pedra dos Bicos and Clube Maria Luisa.

Products & Services

Algarveresorts aim to implement a tourism business model, in the state of Florida (USA), with similar characteristics to the model it already operates in Portugal. The company pretend to explore the tourism industry in the Apart-hotel/hotel sector. The internationalization process will be conducted in order to reach a product that respect local aspects dictated by the market and company's mission. Basically the model will be composed by: Hotel/ Apart-Hotel 3 stars superior service, with all facilities & amenities included, ocean front and direct beach access. With that product the company aim to reach the Sun&Sea segment, but always in a way able to recive all the type of costumers. Algarveresorts is focus to present a superior service in order to out-stand from competitors making the penetration in the Florida's market easier and faster. These are the retirements that the company aims to achieve and conquer in this process in order to promote a successful expansion for Algarveresorts

The Market

Florida offers a very versatile market in the tourism sector. Diverse attractions bring every year numerous tourists coming from around the world to the state. Florida counts with over 100 millions visitors every year. The state aims to beat the target of 120 millions visitors in 2017, investing hardly in marketing to reach that. The main product it has to offer is the famous Sun&Sea as well as the amazing Amusement Parks. The endless miles of white sand beaches and crystal clear water and the gigantic Amusement Parks place the State of Florida among the best tourism destinations in the world. Making it hard to find all these attractions and products in any other single world destination. Going deep in that market is easy to say that Florida present all the perfect characteristics and potentialities for Algarveresorts internationalization process.

Research Methods

In this strategic plan some research methods were used in order to increase credibility and allow readers to have a real perception of the industry and business aspects.

Literature review:

For the different topics, different fonts and sources were used. Updated and well known books as well as journals, papers and articles were the main sources of information to write this part. For each aspect an intensive and clear research was made in order to get the most reliable and up to date information and content.

External Analysis:

PESTEL Analysis - In this process very specific and reliable fonts were used aiming for the most trustful information. Papers and articles published by local tourism associations as “Florida TaxWatch” and “VisitFlorida” within other publications from international tourism brands operating in Florida were vital for the development of this process.

Industry Analysis - As well as in the previous point, local tourism associations as “Florida TaxWatch” and “VisitFlorida” had a huge importance in this analysis. Another key tool was the huge metasearch “TripAdvisor” that had a vital role in the **Five Forces of Porter** analysis, pointing out all competitors and substitutes by travelers Choice 2016, which can be considered the most reliable and up to date information for this analysis. With this tool it was easy to spot local competitors and substitutes due the intuitive selective process that allows TripAdvisor users to select the characteristics that they want to search for an accommodation. This way, it was easy to insert the characteristic of AlgarveResorts ,actual and future products, and find out all the relevant local competitors as well as substitutes. The parameters were:

- Three Quality Stars
- Beach

- Pool
- Free WiFi
- Kitchenette
- Air Conditioning
- Concierge

For the **Strategic Groups Segmentation** was possible to use TripAdvisor's data to do a balance between Quality (ranking) and Price of competitor products, allowing and easy drawing of the Strategic Groups Segmentation Graphic.

In the same Process in order to run a **Competitive analysis**, Algarveresorts did a small survey for a specific population. The population was selected regarding the top Florida Visitors Country of origin: Canada, United Kingdom and Brazil. Using Algarveresorts newsletters data base and with the powerfull tool "MailChimp" was possible to reach a sample of 2000 people. Algarveresorts has created a promotional code that allowed clients to get a discount on their next stay in Algarveresorts products, that code was given to recipients who answered to the following question:

"According to your typical vacation, which are the most relevant factors when choosing your stay? (1 – Less Important ; 5 – Most Important)"

The rate of success was: 20% of the inquired opened the email and 1% answered the question, It does not represent a significant success rate, but it was still possible to get some conclusions.

As an alternative, aiming for a better success rate, I have used my personal network. And after a selection process, one by one was kindly asked to answer the questionnaire. The main population surveyed in this second step was mainly hotel directors & managers, Travel agencies directors & managers, Florida residents and Florida regular visitors. With that it was possible to increase the success rate up to 10% which represents a considerable number of opinions, making it more conclusive and credible.

Internal Analysis:

Value Chain – Several up to date and reliable tourism sources as well as Strategic Management & Control related papers were used in this process.

Competencies Analysis & Operational Risk– For the development of these points the help and cooperation of Algarveresorts' board of directors was vital, which confirmed and clarified each aspect present in these processes. We did several appointments where all aspects related with the Company & Staff were discussed.

Strategy Definition:

Swot Analysis – In consonance with Strategic Planning and Control papers this process was strictly composed by gathering all the information and research present on previous processes, External and Internal Analysis.

Strategy Selection – The strategies that stood out from the match between Strengths and Opportunities were written and discussed in cooperation with Algarveresorts board of directors.

Product and Marketing Mix – All the specifications in this process were a kind of conclusion from all the work behind. After observing the competition and getting clear what were the possibilities and perspectives for Algarveresorts, these parameters proved to be the optimal point and are appropriate for the process of internationalization to Florida, USA.

Market Study:

In order to get a trustful, conclusive and credible plan, Algarveresorts decided that the best tool would be asking directly to Clients if the resulting product would be successful or some aspects should be reviewed and changed. Aiming for a conclusive result the question was made in a direct and clear way:

How do you feel about 120€/pax per night High-Season (Considering that average competition price = 135€) for a 3 Stars superior Hotel/Aparthotel, located in South Florida (USA) with Ocean View, Direct Beach Access, Full Amenities & Facilities?

The method used was the same used in a previous point. Algarveresorts conducted a brief question survey and sent it using their Newsletters database after a careful and selective process in order to send only for top Florida Visitors (Canada, UK and Brazil). The sample reached was about 2000 people. The company had used a tool called MailChimp in order to reach all clients in that database. The success rate was low as in the previous test 20% had opened the email and 1% answered to it. Aiming for a more conclusive and reliable result I have used my personal network. And after a selection as in the previous test, using the same sample, was possible to increase the success rate up to 10% which represents a consistent number of opinions, making possible a successful conclusion about the plan and the final product presented.

1.Literature Review

1.1 Strategic/Business Plan

“Few areas of business attract as much attention as new ventures, and few aspects of new-venture creation attract as much attention as the business plan” (Sahlman.W.A., 2008: 1)

There are several definitions, from different perspectives, that we could use to figure out what is the real purpose of a Business Plan. After researching over different fonts and authors, it's possible to come out with one that clarifies it in a simple way “The business plan is a rigorous exercise, based on facts, that provides the underpinnings for a successful venture”. (Sirpolis, 1986: 154) In another way business plan is a written document that describes in detail a proposed venture, and its purpose is to illustrate the current status, expected needs, and projected results of a new or expanding business.

“Planning is so important today that it occupies a major part of the time of some of the most respected men in business ... Planning allows us to master change. It forces us to organize our expectations and develop programs to bring them about. Planning is a most effective way to draw out the best in all of us – our best thinking, our best interest and aims – and to enable us to develop the most efficient way of achieving our maximum growth.” Bower, M. (1966:46)

It's easy to question ourselves about the advantages of planning but nowadays it becomes a must for entrepreneurs that wish to succeed in business and in life. The entire business-planning process forces the entrepreneur to analyze all aspects of the venture and prepare an effective strategy to deal with the uncertainties that arise. (M.Hodgetts & F.Kuratko, 1992: 82)

1.1.1 What is the purpose of a Strategic/Business Plan?

Creating a Plan encourages entrepreneurs to search and focus themselves into aspects that they may not know too much about, enables them to define goals and develop the respective tasks/steps to achieve those, it also makes entrepreneurs avoiding considerable risks when creating a solid strategy and in the end it will help on financial developments forecast. (Delmar & Shane, 2003) One of the major advantages of such plan is that it forces the owner-to-be to question himself, “Where am I going and how will I get there? What opportunities and problems am I to run into along the way? and How will I deal with them?” (M.Hodgetts & F.Kuratko, 1992: 82) A business plan is like a road map for the entrepreneur, it drives him or her to get into all details of their own business, knowing how the company works in every aspect.

“Remember it’s *your* plan because it’s *your* business.” (M.Hodgetts & F.Kuratko, 1992:82)

The idea of a Business Plan is hardly new. Big business has long been turning them out yearly by the thousands, especially for marketing new products, buying out a new business or expanding into foreign markets. But what is new is the growing use of such plans by entrepreneurs. Outside pressures now force them to develop their business on paper before inventing time and money in a venture that may have a little chance of success. (Sirpolis, 1986: 155)

1.1.2 External Entities

“A business plan, simply stated, is where the most intelligent Investors focus their attention.” (Sahlman, 2008)

A business plan is also very important to communicate with external entities, it presents the knowledge of the founders to others in order to gain support and resources (Gartner & Liao 2009: 9). According to Castrogiovanni (1996: 804), “planning legitimizes the new venture proposal and improves communication with various external stakeholders, particularly potential investors or other financiers”. Creditors and investors are the ones that right after entrepreneurs that benefit the

most of business plans. The majority of them ask for a business plan before entertaining a request for money coming from entrepreneurs. Investors and creditors benefit a business plan because it gives them better information on which to decide whether to help financially the entrepreneur (Sirpolis, 1986).

In another way, most people who wants to go into business for themselves need to borrow money. No bank will loan funds without a detailed business plan that shows what the company is going to do, its projected expenses and earnings, and its plans for repaying the loan. Even those who do not need to borrow money can profit from preparing a plan (Ackelsberg and Arlow, 1985).

The actual situation is that less than five percent of the entrepreneurs prepare formal Business Plan, the remaining ninety-five percent plan it in improper ways. They structure it in their heads or simply write on a draft paper. (Sirpolis, 1986: 156) According to Dr. William R. Osgood of Northeastern University, going into a Business is rough – “half of all new business fail within the first two years of operation. The best way to enhance your chances of success is to plan and follow through on your planning. (...)” (Osgood, 1980:4).

If your proposed ventures is marginal at best, the business plan will show you why and may help you avoid paying the high tuition of a business failure. It is far cheaper not to begin an ill-fated business than learn by experience what your business plan could have taught you at a cost of several hours of concentrated work. Rise a plan then, do it (M.Hodgetts & F.Kuratko, 1992: 82).

According Jerry Casilli of Genesis Capital “the value of a business plan is in the process. The important part is the thinking that goes on to come up with it.” (Sirpolis, 1986: 160).

1.1.3 Components, structure and layout of a Business Plan.

Every Business Plan should be well organized and complete. Entrepreneurs in order to create a well-structured plan should include and respect some main steps:

An executive Summary should count on first in the list. Basically it consists in a short description of the venture. It includes the more important aspects of the plan, such as the unique characteristic of the venture, the major marketing points, and the end result. It will guarantee that the rest of the plan will be read (M.Hodgetts & F.Kuratko, 1992). According Mullins, J. (2009) a logical statement of the problem and its solution in a key element that makes a successful Business Plan. A Business Plan that starts without identifying what is the problem that make it's conception worth is a plan that go quickly into the trash without further consideration (Mullins, 2009). If you can prove to readers the problem presented is real, they will be hooked until confirm if whether you've found a solution that can resolve the "pain". Otherwise, if that problem isn't real is better to stop writing, there is no need for a solution (Mullins, 2009). It's a common mistake with first time Business Plans, that is all about the idea going out there, but in fact, entrepreneurs need to look at the market and where the gaps are (Reid, 2011).

The business description is also an important point and it basically consists in a brief history of the company and the industry in order to create a more comprehensive description of the venture.

Right after, Marketing is one of the most extensive and important points in a Business Plan, it should include and discus in a first stage the target market, market size and trends, market share should be estimated and competition must be studied e in detail. And in a second stage a marketing plan should be prepared including, marketing strategy, sales and distribution, pricing, advertising, promotion, and public relations. It's very important that these two steps get the same attention when developing a Business Plan. An unbalanced focus, too much on the first step or vice-versa, can compromise the plan success when released on market.

The next stage of a Business Plan includes developmental research focusing on product design.

Technical research should be evaluated, and the cost structure of the newly designed product should be determined.

In order to create a plausible structure for the business plan, the objectives should be clear as well as the respective accomplishing timings. Milestones and deadlines should be established and monitored while the ventures is in progress.

Constructing a Business Plan is challenging due the huge amount of processes and information running and changing all the time. A solid and trustful Plan must assemble the components or “steps” described above in good form and it should present a professional image, “remember that a business plan gives investors their first impression of a company” (M.Hodgetts & F.Kuratko, 1992: 85 86).

“There’s not a single business model...There are really a lot of opportunities and a lot of options and we just have to discover all of them” (Tim O’Reilly, CEO, O’Reilly).

An attractive appearance, proper length, an executive summary, a table of contents, and professionalism in grammar, spelling, and typing are important key aspects when assembling a comprehensive and complete Business Plan (M.Hodgetts & F.Kuratko, 1992: 87).

According Sahlman, W. (2008) The more elaborately crafted the Business Plan, the more likely the venture is to fail.

“A plan should be written in a simple and straightforward way. The purpose is to communicate, not dazzle.” (M.Hodgetts & F.Kuratko, 1992: 87).

1.2 Business Risk.

“A ship is safe in harbor, but that is not what ships are for.” William G.T. Shedd

1.2.1 What is Risk?

Risks can come up on different ways: uncertainty in financial markets, threats from project failures, legal liabilities, credit risk, accidents, natural causes and disasters, attack from a competitor, or events of uncertain or unpredictable root-cause (Russelll, 2016). Life is risk, and risk is life. Nobody knows what tomorrow may bring (Brown, 2015). Risk can be defined as an uncertain occurrence which if happens will change the procedure to achieve a certain kind of aim, that change can get either a positive or a negative outcome but with “risk” always comes an opportunity, where the maximum advantages must be taken from that positive outcome. So it reasonable to say that there are two types of events, positive (good outcome) and negative ones (bad outcome), according Brown the positive ones are called as Opportunities and in the other hand the negative ones are called as Risks.

1.2.2 Why take the Risk?

Rewards usually come with the risk, so there’s a balance between both. While most of the people at the first moment think about risk as a bad thing, good surprises happen as well. (Brown, 2016)

“Fortune favors the bold” (Brown, 2015)

In order to avoid this instability, either expect a good or a bad outcome, some companies started to create some policy measures in order to reduce the negative impact of taking the risk. Risk management is about preparing for anything that might happen. Risk management isn’t about forecasting disaster, estimating probabilities or guessing what will happen. It is about building plans and alternatives capable to thrive under unexpected disorder. It’s about planning for anything that may lie ahead and more importantly being ready to seize the most of every opportunity. (Brown, 2015)

“Completely eliminating risk is not an achievable goal, but risk reduction is an essential part of every corporation’s management portfolio.” (Jones, 1995)

1.2.3 Risk Drivers & Categories

It’s really important for an organization to understand the “doors” from where the risk can step in. So the first important step is to understand the qualitative distinction between the different types of risk that organizations face. According Kaplan & Mikes (2012) risk can be categorized in three main categories:

Category I: Preventable risks.

Category II: Strategy risks.

Category III: External risks.

Preventable risks.

These can also be called as internal risks, these kind of risks tend to come up from inside the organization, which makes it possible to eliminate or avoid them. (Kaplan, R. & Mikes, A., 2012)

For instance any incorrect, illegal, unethical, or inappropriate action from employees or managers can damage the organization’s credibility and value. For that kind of issues companies should assure that they have a “zone of tolerance” in order to assuage the damages that it could bring to the organization. That “zone of tolerance” is used when avoiding completely the damages become too costly (Kaplan & Mikes, 2012).

“This risk category is best managed through active prevention: monitoring operational processes and guiding people’s behaviors and decisions toward desired norms.”(Kaplan & Mikes, 2012).

Strategy risks.

Is admissible for a company taking some risks in order to yield more returns from its strategy. For instance a bank when accepting to lend money is taking the credit risk in order to get back a profitable return (Kaplan & Mikes, 2012).

In the other hand strategy risks are not as preventable risks, they are not undesirable and most of the companies are willing to take significant risks. Managing correctly those risks become a key factor when looking for potential gains (Kaplan & Mikes, 2012).

Accepting strategy risks is a flexible model which can not be managed through strict written rules. Companies should adopt a suitable risk-management measures in order to reduce the chance of assumed risks become a serious impact for the company. This measures should reduce as minimum as possible the impact of such possible issues related with the taken risk. Such risk management enables companies to take on higher risks, creating a kind of a stimulus to invest in higher-rewards ventures (Kaplan & Mikes, 2012).

External risks.

Some risks are out of company's control or influence, basically those kind of risk arise from outside the company's structure. For instance this category of risks tend to come from natural and political disasters and major macroeconomic shifts (Kaplan & Mikes, 2012).

External risk creates a completely new approach since these kind of risk are not under company's control and are hardly preventable, so that it is up to each organization trying mitigate the impacts of any possible negative outcome. Mainly it consists in a management process of risks identification and discussion which would lead organizations into taking some precautionary actions (Kaplan & Mikes, 2012).

Organizations should adapt and mold their risk management measures according to different categories, because certain kind of measures and procedures could be extremely effective for one specific category but completely useless for other (Kaplan & Mikes, 2012).

1.2.4 What is Risk Management?

According to *ISO 31000: International Standard on Risk Management*.

In every organization, is essential to understand and become aware about the risks that are being taken during its current activities and processes. For that, organizations must recognize and prioritize risks according its possible impact on the organization health.

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. In order to standardize some policy measures on this topic “Risk Management” was created the *ISO 31000*.

ISO 31000 define the concept of “Risk” as the effect of uncertainty on objectives.

According standard *ISO 31000* Risk management should respect some basic principles as:

Create Value to the enterprise, all the risk management measures and processes should cost less than the possible consequence of the bad happening to the enterprise.

Risk management should be **integrated in the daily basis of the company**, being an integral part of organizational and decision making processes, addressing uncertainty and assumptions. It should be a systematic, structured and tailorable process based on the best available information.

All this **management process must be dynamic, interactive and responsive to change as well as capable of continual improvement**.

For that it should be continually or periodically assessed. And at the end it should respect some ethical aspects, taking the human factors into account and being completely transparent and inclusive (Lark, 2015).

1.2.5 Risk Management Process

The risk management processes can be pointed in a list. These “steps” result from an overall knowledge, so it must adapt the procedures depending on the organization’s nature.

1. Firstly the organization must recognize and identify the risks.
2. Secondly the risks need to be ranked and evaluated in order to create priorities.
3. Third organizations should react pro-actively responding to high-priority risks, tolerating, treating, transferring, or terminating them. Within the previous process a control of resources must be taking in account during this response. After taking some actions, a reaction plan should be developed as also a report and a constant monitoring risk performance.
4. Lastly the risk management framework should be periodically reviewed.

Basically what was stated in the previous paragraph is a structured approach to enterprise risk management and it can be summarized in 4 main points:

- Risk assessment
- Identify the drivers of risk management
- Measure and monitoring
- Learning and reporting

Getting deeper into each aspect stated before its possible to understand why & how a company should adopt a risk management policy based on these four fundamental points.

1.2.5.1 Risk Assessment Technique

There are several procedures and measures that should be taken in order to identify and evaluate the risks within the organization:

Questionnaires and Check Lists – Well-structured questionnaires and check lists allows the organization to collect and record critical information for significant risks identification.

Workshops and Brainstorming – Sharing and discussions of ideas about possible happenings that may affect the organization’s objectives, will bring valuable and vital knowledge for the risk management policies.

Inspections and Audits – A good review on all risk management procedures and systems, in the organization’s activities, will prevent and keep the organization failure-free.

Flow charts and dependency analysis – This might help the organization in the analysis of processes and operations that are critical to the organization’s success. Forcing the risk management policies creating priority measures on identified processes & operations.

SWOT and PESTLE analysis – Making a solid and knowledgeable Strengths Weaknesses Opportunities Threats (SWOT) as well as a Political Economic Social Technological Legal.

Environmental (PESTLE) analysis - Supporting the whole organization on risk recognition.

“...extensive behavioral and organizational research has shown that individuals have strong cognitive biases that discourage them from thinking about and discussing risk until it’s too late.” (Kaplan & Mikes 2012).

1.3 Going International

“Life in modern organizations is no longer what it was for our parents’ generation. The world has changed dramatically. These days, being internationally competitive is the name of the game.”
(Vries & Treacy, 1999)

“With the vanish of trade barriers due the technology & communications development and a completely new and modern economy, most of the companies start looking at the entire world as a market. The only way to be sustainable in the modern world is to participate in the internationalization and expand business to different countries, enlarging the customer pool and decrease the dependency on home markets.” (De Búrca, S., Fletcher, R., & Brown, L. 2004: 554–562).

1.3.1 Foreign Direct Investment

When a Company make the decision to cross borders, expanding their business in foreign markets, faces many different ways to proceed, this investment action or decision is called as Foreign Direct Investment or popularly known by the acronym FDI. This kind of investment can take two different paths: Greenfield investment or Brownfield investment (Alfaro, L. 2014).

Greenfield investment is when a company, usually a multinational Corporations, builds a new facility from the ground up in a foreign country. This means a new fresh venture raising development and growth. These kind of Greenfield investments usually are established in less developed or developing countries due the benefits given by these countries in order to motivate and induce big corporations making the investment. Benefits as taxes, subsidies, preferences, and many others. Less developed countries may lose tax revenue with this “benefits” policy but in the other hand it will raise up job creation because aside of these benefits multinational corporations must use local population to build up the factory and run the business. With this initiatives less developed countries aim to create good paying jobs and an increase on citizens’ work knowledge (Alfaro, L 2014).

In the other hand Brownfield investment is simply when a Company acquire an existing production facility in a foreign country in order to develop a new production. This kind of investment save a lot of time to companies that want to run the business in time.

After the investment decision of building from the ground up or simply acquire an existing firm or asset, companies must define the second step. FDI's are divided in Horizontal and Vertical: Usually companies conduct horizontal Foreign Direct Investments when they want to explore their product or service in another market, basically companies operate the same business abroad that operates domestically. Vertical Foreign Direct Investment occurs when a company decide to build up a business in the foreign country that plays the role of a supplier (backward vertical FDI) or a distributor (forward vertical FDI). This situations come up in order to reduce the cost of raw materials, to supply of certain key components for the main operations of the company or to make easier to find distributors in that specific market (Phung, A. 2006).

For entrepreneurs the thought of going international may look easy, almost like a fairytale. The reality, however, is that the process of internationalization is probably one of the hardest, once it requires time for planning, evaluation and implementation.

Companies must take into account a few important aspects in order to succeed in the foreign market:

1. **Firstly** the company should be aware of its weaknesses and strengths, knowing its business better than anyone else. The firm should also be aware of its own outstanding characteristics, as well as the viability of its products or services in the foreign market. Also a solid financial capacity for this type of investments is vital in order to increase the rate of success in the new market.
2. **Secondly** the company must select the target country to implement the project, taking into account diverse key factors and facilities for instance the culture, opportunities and barriers. It's also a must for the company that pretend to go abroad, learning through other similar companies that eventually are already operating in the target market.

3. **Third** sometimes companies decide to invest in foreign markets without getting a full knowledge about it, in these cases it is worth if the firm decides to collaborate or ally with a local partner. In some countries that kind of partnerships is required by law. Getting local knowledge in business is almost vital to run it successfully.
4. **Lastly** but not less important the **fourth** aspect that companies should pay some attention when going international is about taxes and legal aspects. Being aware of these fields is really important to create a solid and effective business. If the investors do not feel comfortable with these aspects, so getting help from experts is the best way to keep it strait. People endowed with such knowledge can be really helpful to decide which would be most efficient legal structure to run the business in the chosen market, the tax and legal risks that the company may be aware, and the benefits that laws and policies can provide in both, national and international market (Aquino, D. 2014).

“Previous to the internationalization, go through these four steps, along with a thoughtful business plan, as well as with a high dose of ambition and appetite to expand the horizons of your business. These things are essential to guarantee the success of any foreign investment.” (Aquino, D. 2014).

“International business offers great profits along with greater risk. However, if you approach it sensibly, and clearly think through the process, you can maximize the benefits and minimize the risks.” (Widjaya, I. 2014).

1.3.2 Pros & Cons of Internationalization (Hunter, B. 2014)

Small & Medium enterprises would feel a bit uncomfortable taking the first steps of expanding operations abroad, certainly as in every business some highs and lows might happen. Even though the risks of expanding are rough the benefits can outweigh them.

Making a first impression mental balance between pros & cons in every business or action, is probably one common “mental” step that entrepreneurs may do. Specifically when deciding about going global or not, this kind of balance can have a strong role on project development.

Starting with the Pros, it's possible to highlight some points that may benefit most the company when going international.

Opportunity to growth - According to the UKTI global companies get a higher rate of growth comparatively to others operating solely in domestic market. "More than half of Google's revenue (57%) now comes from outside the United States. Apple has a similar split, with 60% of its 2014 fourth-quarter revenue accounted for by international markets." (Kelly, N. 2015).

ROI - Several Studies say that internationalization bring some fresh "energy" for business increasing its services and products lifespan, therefore increasing the company's financial performance and the return on investment (ROI).

Spreading Business Risk - A company operating only domestically is carrying a higher risk rate comparatively to others operating international. Unexpected global disasters and markets upsets such as financial meltdown, earthquake, tsunami or civil unrest can lead a company to bankruptcy. Therefore companies may reduce that risk having a worldwide portfolio. Even if the home market vanishes, drastically reduced or frozen for a long time, the business could be supported by overseas' revenue.

Market Competition - Due to the wide range of markets in which it operates in, an international company easily gains advantage and the ability of being on the forefront observing new trends in products & services quality, design and development, through its competitors.

Exchange rates - When a company starts to run its business globally, currency may change. Having a diversified portfolio may reduce the risk associated to currency upsets.

"The benefits of international trade and investment certainly aren't void of risks though and setting up overseas may not move as quickly and successfully as anticipated. Local customs and legislation can slow things down and a change in policy, cultural difference and exchange rate risks may hinder businesses looking to expand."

In the other hand the whole process of internationalization can face several difficulties in the main points stated below, the cons.

Exchange rate risk - Fluctuations on currency may affect and change a business overnight leading to several losses on revenue and sales. Sometimes companies may not be able to forecast foreign

finances properly, due to that currency fluctuations represent a true risk for international companies health. For instance a drop down on currency value may affect company's assets or liabilities value.

Political risk - Running a business in countries where political regimes may change among the years create a few risk for companies, governments could change laws, regulations or contracts in a discriminatory way. International firms may try to avoid that in order to protect the business with some combination of legal contracts, insurance and trade in financial instruments but the risk still gets high.

Cultural risk - Cultural differences can arise problems when companies are not so well prepared about the foreign cultural habits & beliefs aspects. That kind of cultural mishaps could represent several damages and costs for the companies involved.

Credit risk - The credit risk is perceivable worldwide, companies should define a credit rating for potential clients if they want to avoid and protect themselves from costumer's financial drawback.

“Above all, patience is required as setting up any business overseas will take its time to become successful.” (Hunter, B. 2014)

1.4 Family Owned Business.

“The friction between loved ones and business interests is what makes family business unique.”
(Carlock, R., & Ward, J. 2001: 4).

Ever since the beginning, family owned businesses, have had a huge impact on World’s Economy. It is estimated that two out of three of all business around the world are owned by a family and seventy to ninety percent of global GDP annually is increased by family business (Davis, J. 2016).

“Keeping a family business alive is perhaps the toughest management job on earth.” (Ward, J.1987:1).

Nowadays, family owned businesses are being challenged as never before by government regulations, inflation, increased competition, and management succession. Nevertheless the majority of the companies (family owned business) have been managing to succeed and grow steadily. Several reasons can support this success rate, highlighting three of them: First, family owned business are not controlled and managed under the influence of stockholders who want to command and assert operating strategies. Since this kind of business are hold by family members they assume the total control on defining the company’s strategy in consonance, or hiring someone to assume that company board’s position (Hodgetts & Kuratko 1992).

Another reason why Family owned business grow so steadily and sustainably is that family members due the succession concerns are usually capable of sacrifice short-term profits in order to succeed on long-term goals. Family relationships are usually strong, and this enables the company owners/managers (family members) to look forward for the next generation with a paternal sense (Hodgetts & Kuratko 1992).

Family owned businesses focus primarily on resilience than performance. They save the excess returns during good times in order to increase chances of keeping the family business healthy during the bad times (Kachaner, N., Stalk, Jr, G. and Bloch, A., 2016).

The last main reason why family owned business are succeeding is based on family members special flexibility and predisposition to react and change to various challenges and opportunities in an unflagging way. A great example was when “Joseph Schlitz Brewing Company” was acquired by “Stroh Brewery Company”, this was strictly possible because all 27 family members were willing to accept lower dividends in order to finance the project (Hodgetts & Kuratko 1992)

1.4.1 Life Cycle of a Family Owned Business.

Nowadays a lot of companies face numerous challenges which forces them to adapt to the market changes, competition, new policies etc. The majority of the companies run out of the business after ten years of existence, in another point of view three out of ten survive into the second generation and astoundingly only sixteen percent of the family business succeed until the third generation comes (Fortune 500, 2015).

The live cycle of a company is an average of 24 years which curiously is the average tenure for the founders of the business (Hodgetts & Kuratko 1992).

A research about Life Expectancy of 200 Successful manufactures were made between 1924-1980 coming up with some data revealing that some companies no longer survived and others survived as independent companies under the same name. Basically it shows that eighty percent of the family owned companies failed or just stepped out the business and only twenty percent succeed. Inside the eighty percent that didn't succeed, thirty three percent ceased operations between the first year and the twenty-ninth year of operation, thirty five percent ceased after thirty five to fifty nine, sixteen percent after sixty to eighty nine years and the last sixteen percent ceased after ninety years or longer of operation. In the other hand, behind the twenty percent of family owned business that survived under the same name fifty percent were sold to outsiders, two percent went public consequently disabling the family control on the business and the last thirteen still owned by the same family who founded the company in which three percent grew significantly another three percent keep the same stage and last seven percent declined (Hodgetts & Kuratko 1992).

1.4.2 Family Business Challenges

“The challenges faced by family business extend from internal and external pressures to legal and survival issues” (Hodgetts & Kuratko 1992).

Firstly in a family owned business the “Boss” is overloaded with diverse responsibilities and functions in the company’s development. The “boss” can be noted as the best employee in the company, carrying the responsibility of the owner/shareholder, aiming for the growth and protection of his or her investment, the responsibility of making decisions or planning is also carried by the “Boss” in this situation playing the role of Chief Executive and lastly the “Boss” can also be simply considered as the person who wants to enjoy all fruits of his or her labor.

When a complete family owned business is established many external and internal pressures start to come up. Talking first about pressures that arise from **inside the business and inside the family** is easy to highlight several issues that can damage the family and business structure: who gets or maintain the control of the company, who is nominated to assume the management position, if all members are concerned keeping the investments and the involvement of the company and some rivalry may come up due some personal conflicts. Conflict is a natural element of human relationships, working together intensifies family interactions and sometimes conflict becomes the regular pattern of interaction. All these “inside” aspects work as key points on the development of the business health. Some pressures can also arise **outside the business yet related within the family structure**, for instance inheritance issues or the personal degree of involvement in the business. These kind of issues are strongly related with the nature and the aims of each family member. “It is not an easy task to raise children who are truly interested in the family business. It is an even tougher job to prepare them for management and leadership roles that contribute to the growth of the business” (Carlock, R., & Ward, J. 2001).

Since all the external environment plays an important role on business development, some outside pressures **out of the family but still inside the business** can arise for instance employees can demand and need some recognition and rewards for their loyalty and performance on the company also employees want to feel as part of the business, like they got a stake of the company. This

employees' aspect can create some added pressure on the family management role (Carlock, R., & Ward, J. 2001).

Simultaneously the main **outside forces** present in every business come to add more pressure to the business, forces as the whole market, competitors, products, suppliers, costumers, government policies etc. All the environment that surrounds the business structure and ideals is constantly creating pressure and forcing the companies management sector to adapt and react to the dally changes. (Carlock, R., & Ward, J. 2001)

“Freud observed that the intensity of family and work relationships is created by the conflicts between ‘lieben und arbeiten’ (love and work). He suggested that love and work are the main sources of self-esteem and pleasure in life and only when both are balanced do we achieve satisfaction” (W.C. Handler, 1992: 283–307).

There is another major challenge to maintaining family ownership: the ability to plan objectively the family and the business' shared future. Many family businesspeople resist family business planning and even fail to develop a systematic framework for thinking about the future strategy of their families and businesses. For example, a recent research shows that over two-thirds (69.4 percent) of respondents to the American Family Business Survey reported not having a written strategic plan (Carlock, R., & Ward, J. 2001).

Family firms account for 2/3 (two thirds) of all businesses around the world (Interview with John Davis, Harvard Business School)

- An estimated 70%-90% of global GDP annually is created by family businesses.
- Between 50%-80% of jobs in the majority of countries worldwide are created by family businesses (European Family Businesses, 2012)
- 85% of start-up companies are established with family money (European Family Businesses, 2012).
- In most countries around the world, family businesses are between 70 and 95% of all business entities (European Family Businesses, 2012)

- 65% of family businesses are looking for steady income growth over the next five years (PWC, 2012)
- Contrary to the popular image of modern corporations as being widely held and run by professional managers, many of the world's firms continue to be controlled by families or the State (La Porta et. al., Journal of Finance, 1999)
- Familial capitalism matters in most economies. However it matters in different ways--depending on the context family firms can exhibit best and worst practice ("History of Corporate Governance Throughout the World," Morck and Steier, 2005)

(Global Data Points - Family Firm Institute, Inc. 2016).

Concluding the previous points stand out the importance of having a high level of agreement and commitment between all the family members in that process of internationalization.

“Family-controlled business seems to get a strong ambition about their international expansion.”
(Kachaner, N., Stalk, Jr, G. and Bloch, A. 2016).

1.5 Sustainable Tourism.

Nowadays with all development on technologies and transportation facilities the number of tourist has been increasing steadily over time. Most of the organizations focus and prioritize economic maximization strategies, consequently paying less attention on how to optimize existing tourism systems in order to make it more profitable, stable, resilient and sustainable (Gössling, S., Ring, A., Dwyer, L., Andersson, A. and Hall, C. 2015).

Once the Algarveresorts has been operating in the tourism sector for several years, is far more relevant to talk about a new and modern topic, that may be vital to succeed on this next company's project, instead of talking about the tourism initial stages. Nowadays, "Sustainable Tourism" has become one of the main goals of tourism companies (Fien, J., Calder, M. and White, C. 2016).

"Sustainable tourism is defined as, tourism that respects both local people and the traveler, cultural heritage and the environment" (Fien, J., Calder, M. and White, C. 2016).

The more regions and countries explore their tourism industry, the bigger the footprint on natural resources, consumption patterns, pollution and social systems. Nowadays, it becomes a must sustainable/responsible planning and management to maintain a healthy industry growth. (*Sustainable & Responsible Planning and Management for the Tourism Industry* 2016).

TOURISM IMPACTS:

- International tourist arrivals have increased from 25 million globally in 1950, to 278 million in 1980, 527 million in 1995, and 1133 million in 2014. They are expected to reach 1.8 billion by 2030.
- The average international tourist receipt is over US\$700 per person and travelers spent over \$1.4 trillion.
- Travel and tourism represents approximately 9.5% of total global Gross Domestic Product (GDP) in 2014 (if it include tourism related business (e.g. catering, cleaning) (US \$7 trillion).

- The global travel and tourism industry creates approximately 11% of the world's employment (direct & indirect) in 2014.
- At least 25 million people spread over 52 countries are displaced by violence, persecution and/or disasters – tourism receipts in every country are affected by this.
- Leakage in tourism is as high as 80% in the Caribbean (of every dollar earned in tourism-80 cents leaves the country)

Sustainable Tourism (2016).

Sustainable tourism is about re-focusing and adapting. A balance must be found between limits and usage so that continuous changing, monitoring and planning ensure that tourism can be managed. This requires thinking long-term (10, 20+ years) and realizing that change is often cumulative, gradual and irreversible (*Sustainable & Responsible Planning and Management for the Tourism Industry*, 2016).

Nowadays most of the companies are already focus in ecological measures trying minimize in every time its impacts in world. There are already several examples of companies practicing that kind of initiatives, highlighting some of them according *Sustainable Tourism* (2016):

Robson Club Agadir – fitted with 900 sq. metres of solar panels. Robson Club hotels have been awarded multiple eco labels and have been awarded most environmentally friendly hotel company. The hotel also opened a hotel management training program where youth can undergo training.

The Rubens at the Palace hotel, London- this UK property has the largest living wall in an effort to combat the chronic storm water run-off problem they've been experiencing due to vanishing green spaces.

Hotel Milano Scala – Italy's first zero emission hotel. With their own rooftop garden growing herbs, room magnetic cards to optimize consumption and LEED certified, this hotel is green and groovy.

1.5.1 The three essentials of Sustainable Tourism.

Sustainable tourism nowadays shows a huge gap on practical implementation. Investors and entrepreneurs look at “Sustainable tourism” topic, as a theoretical approach. But in reality it requires a strong and complex hands on management in three main areas **economic, environmental and social** resources (Kubáňková, M., Drozen, F. and Hyršlová, J. 2014).

Sustainable tourism is about maximizing the impacts which are positive and minimizing the negative ones. It is important to recognize that there are clear links between the three aspects of sustainable tourism, the environmental, economic and social dimensions.

1.5.1.1 Economic

According to Swarbrooke (1999) it's possible to make a balance between the economic benefits and costs.

Starting by highlighting some economic benefits:

- The tourism sector provides a lots of job positions.
- Injection of income into the local economy, through the increase in number of visitors.
- Helping to keep local businesses viable.
- Regeneration and restructuring of the economies of towns and cities where other industrial activities are in decline.

In one hand it's easily noticeable the importance the tourism sector in the local economy, but in the other hand there are some costs associated to those benefits:

- Many jobs are low paid and/or seasonal.
- Opportunity costs that cannot be used for other purposes.
- Congestion of infrastructures.
- The need to invest in expensive infrastructure which may only be required for part of the year.
- Over-dependence on tourism which makes the host economy vulnerable to changes in the tourism market.

1.5.1.2 Social

According to Swarbrooke, (1999) linking the tourism economical aspects to the social ones, it's possible to say that the tourism sector brings an enormous benefit for the local economy and for local inhabitants, which consequently creates weighted social responsibilities.

In tourism the engagement of locals plays a key role in the success of any company's development. It has become a core competency in most of the tourism organizations, knowing how local inhabitants understand the concept of sustainable tourism and what is their perception about environmental impacts of tourism in their spaces (Nejati, M., Mohamed, B. and Omar, S., 2014). For tourism to be sustainable in the social and cultural sense, it must be wanted by the local inhabitants and it must be perceived as benefiting the majority of local people, not just for a handful elite. It must be something which provides employment for skilled as well as unskilled and which generates opportunities for social and economic advancement. Sustainable tourism means socially fair tourism. This involves a set of policies well known as four E's, namely: **equity**, **equal** opportunities, **ethics** and tourists & hosts being **equal** partners (Swarbrooke, 1999).

So there's a need to integrate the social dimensions of tourism with the economic and environmental dimensions to allow us to take a holistic view of sustainable tourism.

1.5.1.3 Environmental

Last but not the least, as explained above, the environmental aspect also takes an important role in development of a sustainable tourism. The consumption of resources is very important once tourism is highly demanding on resources. Tourism also clearly creates pressure on fragile natural resources such as beaches and wildlife. It also exploits intangible resources such as an area's cultural heritage. It's possible to say that the tourism industry and the tourist do not pay the full cost of the resources they consume. All this aspects makes the mission/task harder for each tourism company, to keep a sustainable tourism management (Swarbrooke, 1999).

Concluding, in order to successfully achieve and implement a sustainable tourism management, AlgarveResorts must combine and work these three important aspects as a whole, economic, environmental and social resources.

“Sustainable tourism is becoming so popular that some say that what we presently call ‘alternative’ will be the ‘mainstream’ in a decade.” (Fien, J., Calder, M. and White, C. 2016).

2. External Analysis

2.1 PESTLE Analysis

2.1.1 Political Factors That Could Impact Algarveresorts International

Positive aspects:

- As a result of a commitment to invest in tourism-related marketing, the number of tourists coming to the state has been steadily increasing as well as VISIT FLORIDA's budget that has increased significantly over the past several years, increasing from \$24.7 million in Fiscal Year (FY) 2006-07 to \$74 million for (FY) 2014-15. Representing a substantial return on investment (Florida TaxWatch. 2014). +++
- The state has plans to attract 129 million annual visitors and \$100 billion in visitor spending by the year 2020 (Florida TaxWach. 2016). +++
- Promotional efforts over the years from VISIT FLORIDA have led to consistent growth in tourism, breaking consecutive visitation records in recent years (Florida TaxWach. 2016). ++
- Nationally, Florida ranks second in international tourism. Florida (TaxWach. 2016). ++
- 4th best tax Climate in the U.S (*The Future is Here* | *Enterprise Florida*. 2016). ++
- Consistently ranked one of the best states for business, Florida is committed to keeping regulatory requirements and business taxes low. (*The Future is Here* | *Enterprise Florida*. 2016). ++

Negative aspects:

- The danger of terrorism; A terrorist attack or some military conflict can affect international air travel, by scaring people from traveling. For instance, July 2014's plane from Malaysian air lines, the September 11 attacks, etc. These kind of happenings might rise some

international tensions, clearly any problem in air travel would make tourism numbers fall. (Hetter, K. 2016). --

- Another recent issue was the terrorist attack to a club in Orlando ending with the death of 49 people. There is some evidence that terrorists are targeting tourist sites as well as public crowded spaces like shopping centers, night clubs, etc. Such attacks could scarring away potential tourist (clients) as well as increase the need of investment in security systems. (Ralph Ellis, C. 2016). ---
- As the number of state's visitors increase some infrastructure issues come up, concerns in regards to airports, roadways, and cruise ports. Florida must plan ahead to make sure state's infrastructure can handle the influx of visitors, so that the consequences wouldn't be felt by visitors. (Florida TaxWach. 2013). --

2.1.2 Economic Factors That Could Impact Algarveresorts International's Business

Positive aspects:

- Data from the first half of 2015 show that Florida saw more than 54 million tourists, the most ever over any six month period in state history. Sun Sentinel (2015). ++
- Tourism in Florida generated \$11.5 billion in federal, state, and local government tax revenue. (*U.S. Travel Association*. 2016) +
- A return on investment study conducted by the Office of Economic & Demographic Research found that VISIT FLORIDA's marketing campaign generated a positive return on investment of 3.2, meaning that for every \$1 spent on marketing by VISIT FLORIDA, the state saw a return of \$3.20 in increased tax revenues (*Florida: An Economic Overview*. 2015). +
- VISIT FLORIDA has also been successful in terms of maximizing available private resources throughout the state. For example, in F(Y) 2014-15, VISIT FLORIDA was able to bring in nearly \$142 million in private revenue (VISIT FLORIDA. 2014-15 Annual Report.) (Florida TaxWach. 2016). +

- Personal Income Tax 0% (*The Future is Here | Enterprise Florida. 2016*). +
- Credit rating AAA (*The Future is Here | Enterprise Florida. 2016*). +
- 18th Largest global economy, if Florida was a Country. (*The Future is Here | Enterprise Florida. 2016*). +
- Florida Exports greater than \$53 Billion in goods annually. (*The Future is Here | Enterprise Florida. 2016*). +
- Low seasonality. (Florida TaxWach. 2016). ++

Negative aspects:

- Falling oil prices could lead to reduced travel costs and more demand for hotel rooms. Obviously, a potential threat would be any sudden increase in fuel costs, particularly for the airlines. (*Marriott International. 2015*). -
- Such events as the stock market collapse in China and the debt crisis in Europe have greatly reduced individuals' buying power and their ability to travel. (*Marriott International. 2015*).-
- The high exchange rate for U.S. dollar overseas, would discourages Americans and foreign tourists from visiting U.S. destinations. (*Marriott International. 2015*). -
- A long-term economic threat is growing income inequality and stagnation of middle-class wages in the United States, which reduces people's ability to travel. (*Marriott International. 2015*). -

2.1.3 Social and Cultural Factors That Could Impact Algarveresorts International's Business

Positive aspects:

- Populations in the United States and Europe that are growing older could increase the demand for certain kinds of travel experiences, such as packaged tours, luxury resorts and resident tourism. (*Marriott International. 2015*). ++

- Florida is a global leader in tourism and in attracting new and return visitors, and in 2015, Florida attracted 105 million visitors. (Florida TaxWach. 2016). ++
- Data show that Florida is one of the most popular tourist destinations in the world. (*Gov. Scott: Florida Welcomed a Record 105 Million Tourists in 2015*. 2016). ++
- Florida has the ability to market the fact that tourists can experience many different types of vacationing while staying within the state. (Florida TaxWach. 2016). +
- Florida is a national leader in job creation with nearly a quarter million created in 2015. (Florida TaxWatch. 2014). +
- Home of 3 out of ten largest universities in the country. (*The Future is Here | Enterprise Florida*. 2016). +
- 3rd Best State for future jobs growth. (Meet The Richest People On The Planet. 2016). +
- 3rd Most diverse Workforce. (*CNBC International*. 2016). +
- Florida is the 3rd most populous state in the U.S with over 20 Million residents. (*The Future is Here | Enterprise Florida*. 2016). +
- People that planned to travel internationally increased by 13% between 2013 and 2014, according to. (Plautz, J. 2014). ++
- The amount travelers planned to spend away from home annually increased from an average of \$5,136 in 2013 to \$5,955 in 2014. More travelers spending more money. (Plautz, J. 2014). ++

Negative aspects:

- Visitor behavior can have a detrimental effect on the quality of life of the host community. For example, crowding and congestion, drugs and alcohol problems, prostitution and increased crime levels can occur. (Simm, C. 2016). --
- Tourism can even infringe on human rights, with locals being displaced from their land to make way for new hotels or barred from beaches. Interaction with tourists can also lead to an erosion of traditional cultures and values. (Simm, C. 2016). -

- Additionally, increasing illegal immigration is another concern, as there are currently more than 11.7 million people living illegally in the US, further increasing the risk of racial discrimination. (Contributor, P. 2014). --

2.1.4 Technological Factors That Could Impact Algarveresorts International's Business

Positive aspects:

- 20 Commercial service airports. (*The Future is Here | Enterprise Florida. 2016*). ++
- 2 Space Ports. (*The Future is Here | Enterprise Florida. 2016*). +
- 15 Deep water Seaports. (*The Future is Here | Enterprise Florida. 2016*). ++
- 3,000 miles of freight rail tracks. (*The Future is Here | Enterprise Florida. 2016*). +
- 122,000+ miles of highway. (*The Future is Here | Enterprise Florida. 2016*). ++
- Florida offers one of the most extensive multi-modal transportation systems in the world, being home to one in five U.S exporters. (*The Future is Here | Enterprise Florida. 2016*). +
- Florida is known as the world's premier gateway to space, and also one of the largest exporters of high-tech goods and home to over 307,000 high tech employees. (*The Future is Here | Enterprise Florida. 2016*). +
- Florida is leader in the production of STEM graduates (28,000 annually) and total graduates with Bachelor's degrees. (*The Future is Here | Enterprise Florida. 2016*). ++

Negative aspects:

- Huge impact of MetaSearch and OTA's in tourism market related with Automatic room re-selling, room cancellation policies, reputation damage, high commissions basis (can be up to 30%) and high investment on internet image and visibility. (Bainbridge, A. 2016) --
- Huge increase on competition due MetaSearch engines and OTA's. (Goulden, M. 2014). -

2.1.5 Legal Factors That Could Impact Algarveresorts International's Future

Positive aspects:

- Vacation rentals. Subject to certain exceptions, municipal regulation of vacation rentals is prohibited. (Municode. 2012) +
- Sellers of travel. Except as otherwise authorized by state law, municipalities may not levy or collect any registration fee or tax (business taxes excepted), as a regulatory measure, or require the registration or bonding in any manner of any seller of travel who is registered or complies with all state laws. (Municode. 2012) ++
- Subject to certain exceptions, an individual who engages in or manages a business, profession, or occupation as employee of another person cannot be required to pay a local business tax or obtain a local business tax receipt. (Municode. 2012) +
- Access to E2 Investor Visa. (*E2 Visa For Investors and Business in USA* 2016) ++

Negative aspects:

- A factor that will impact Algarveresorts International's future business is the status of online travel agencies like Booking, Airbnb, etc. Authorities in cities as diverse have fined online travel agencies and its hosts for violating zoning laws, hotel regulations and health and safety regulations. (*Marriott International*. 2015). -
- There has been criticism that some hosts are abusing of online travel agencies (Booking, Airbnb, etc.) in some markets to run what amounts to illegal hotels. (*Marriott International*. 2015). -
- Another concern is that online travel agencies (Booking, Airbnb, etc.) hosts do not pay lodging taxes, which are a major source of revenue for some municipalities. (*Marriott International*. 2015). -
- United States increased minimum wage—as high as \$15 an hour in some proposals. That could lead to higher labor costs and service reductions. (Wihbey, J. 2015) -

2.1.6 Environmental Factors That Could Impact on Algarveresorts International.

Positive aspects:

- Florida's geographical location allows for great winter weather and some of the world's best beaches. (Florida TaxWach. 2016). +++
- Low Seasonality. (Henthorn, D. 2016). +++

Negative aspects:

- A potential long-term environmental impact on Algarveresorts International could include increased electricity costs created by efforts to curb greenhouse gases by limiting the burning of coal in power plants. (*Marriott International*. 2015). -
- Climate change could harm Algarveresorts International's business, raising ocean levels and flooding and creating storms could discourage beach going. (*Marriott International*. 2015). -
- Increased temperatures from global warming could make some beach resorts too hot for comfort. (*Marriott International*. 2015). -
- High hurricane risk. (*Hurricanes/Tropical Storms what cities and islands get hit most (rankings)*). 2016). --
- Florida's low elevation, which creates a high risk of tsunami destruction. Mean Elevations in Florida 100ft, Atlantic Ocean, Sea Level. (*U.S. Geological Survey - Elevations and Distances*. 2016). -

2.2 Industry analysis

2.2.1 Five Forces of Porter

In order to create an overall view about the competitive environment in tourism industry, specifically the Hotel & Motel market, it is important to review this industry among the identified competitors, potential entrants, buyers, substitutes, and suppliers that interact and interfere with it. To do so, Porter's Five Forces concept is the most used by professionals. The five forces of Porter evaluate the intensity of rivals and hence the profitability and attractiveness of an industry. (Michael E, P. 2008).

Competition is no more about who is the biggest, is about who is the most profitable. Profitability can be defined by 5 Forces:

1st – Buyers or Costumers – Who always want to pay less and get more. Those can raise price competition, in many business areas, due the huge number of people (costumers) wanting the cheapest price. (Michael E, P. 2008).

2nd – Suppliers – Who ideally want to be paid more and deliver less. Powerful Suppliers can use their bargaining power to increase price or get more favorable terms. Some time major suppliers in industry can manage the product's market price due their huge market share, eliminating small competitors or getting the control of their product's price. (Michael E, P. 2008).

3rd – Substitutes products or services – They offer the same basics you do, these are obvious rivals. The toughest competitors use to come from different industries. (Michael E, P. 2008). Lets look at the example of mp3 technology replacing CD's and Tapes. (RapidBi. 2015).

4th – New entrants – Those can also create tension in business, some times it is pretty easy for new companies to enter in the industry, and the more companies operates in the more competitive it becomes. Factors that can slow down the threat of new entrants are called as barriers, fore instance

high fixed costs, government restrictions and legislation, capital requirements or high loyalty from costumers are some major factors that can difficult the entrance. (Michael E, P. 2008).

5th – Existing Rivals – and high competition between the, could reduces everyone's profitability. The cost of competition is high. It might result for instance from too many players or a mature industry. (Michael E, P. 2008).

*Figure 1: Five forces of Porter adapted by myself
(07/2016)*

2.2.1.1 Define the Industry

- **Which products does this industry have?** (Kyle Baltuch, M. 2016).

1. Accommodations
2. Food Services
3. Arts
4. Entertainment
5. Recreation

- **Which products belong to other industry?** (Kyle Baltuch, M. 2016).

1. Retail Trade
2. Administrative and Waste Management Services
3. Construction
4. Transportation and Warehousing
5. Health Care and Social Assistance
6. Professional, Scientific, and Technological Services
7. Real State and Rental and Leasing
8. Finance Insurance
9. Wholesale Trade

- **What is the competition's geographical area?**

Florida or also known as the “Sunshine State” offers a huge variety of attractions and activities for almost everyone. It's hard to find another place with so many well-known tourist attractions congregated within one place.

The state is mostly known for:

- Endless miles of **sandy beaches with crystal clear waters**. (Florida TaxWach. 2013).
- Numerous **amusement parks**, Florida is home of 3 out of the top 20 water parks in the world. (Florida TaxWach. 2013).

- **Cruise tourism.** Florida is the leading U.S state for embarking on vacations cruises, Port Miami which receive about 4 million annual cruisers and Port Everglades located in Fort-Lauderdale is home of the world's largest cruise ship, the "Oasis of the Seas". (Florida TaxWach. 2013).
- **Arts, History, and Cultural Tourism.** Florida attracts a significant number of cultural tourists to its festivals, events, historical land marks and museums each year. Cultural events such as, Art Basel, the South Beach Wine and Food Festival, the Art Deco Weekend Festival and the Ultra Music Festival. The state is home for more than 340 museums with a wide variety of subjects like history, art, science, technology and space. In Florida for instance Florida is possible to visit the world's largest naval aviation museum. A 2006 Florida TaxWatch Report on tourism, states that 74.9 percent of all Florida tourists participated in diverse kinds of cultural activities. (Florida TaxWach. 2013).
- **State Parks and Nature Tourism.** Florida has hundreds of state parks and conservation lands. The state has also world renowned UNESCO Heritage sites for instance, Everglades National Park and Dry Tortugas National Park. (Florida TaxWach. 2013).
- **Sports.** Florida receive most of the "Southern Swing" of PGA tour, getting the golf world's attention in events like Honda Classic in Palm Beach Gardens, WGC-CA Championship at Doral Golf Resort in Miami, The Players Championship (Known as the 5th major in the world), etc. The state is also Home for professional Baseball, Basketball, Football and Ice Hockey teams, as well as some of the biggest motor-sports events such as the NASCAR races and the American LeMans Series. Due to favorable weather Florida allows also a year-round for Fishing Sports. (*Florida Vacation, Tourism, Travel & Entertainment.2016*)

That said, it is possible to say that Florida has many diverse competitors in different areas of attractions, so it is likely to say that Florida's competitors Geographical area could be anywhere else where visitors could find that same kind of attractions.

2.2.1.2 Identify the players and cluster them

- **Who are the clients and how may we cluster them?**

1. **International and Domestic Visitors.** (*Visit Florida - Marketing Plan. 2016*)

Florida is between the most popular destinations in the world, with approximately 105 million visitors (2015). Foreign (\approx 16 million); Domestic (\approx 89 million).

Figure 2: International and Domestic Visitors. Visit Florida - Marketing Plan. (2016)

Figure 4: Domestic Visitors. Visit Florida - Marketing Plan. (2016)

Figure 3: International Visitors. Visit Florida - Marketing Plan. (2016)

2. Domestic Visitors by Geography. (*Visit Florida - Marketing Plan. 2016*)

Although Florida Domestic visitors come from all over the U.S, there are eight main Market Areas.

Figure 5: Domestic Visitors by Geography. Visit Florida - Marketing Plan. (2016)

3. Domestic Visitors by Lifestage. *Visit Florida - Marketing Plan. (2016)*

Figure 6: Domestic Visitors by Lifestage. Visit Florida - Marketing Plan. (2016)

1. Young & Free (18-34; any income; no kids)
2. Young Family (18-34; any income; kids in HH)

3. Maturing & Free (35-54; any income; no kids)
4. Moderate Family (35-54; <\$75K; kids in HH)
5. Affluent Family (35-54; \$75K+; kids in HH)
6. Moderate Mature (55 or older; <\$99K; no kids)
7. Affluent Mature (55 or older; \$100K+; no kids)

4. **Domestic Visitors by Transportation Mode.** (*Visit Florida - Marketing Plan. 2016*)

Figure 7: Domestic Visitors by Transportation Mode. Visit Florida - Marketing Plan. (2016)

5. **Domestic Visitors by Family Composition.** (*Visit Florida - Marketing Plan. 2016*)

Figure 8: Domestic Visitors by Family Composition. Visit Florida - Marketing Plan. (2016)

The previous chart shows that in 2013, Non-Family Lifestages (those with no children in the household) made up 61 percent of Florida's domestic visitors.

6. Domestic Visitor by Age. (*Visit Florida - Marketing Plan. 2016*)

Figure 9: Domestic Visitor by Age. Visit Florida - Marketing Plan. (2016)

The previous chart shows that in 2013, the Mature Lifestages (55 and older) accounted for a third of Florida's domestic visitors

7. Domestic Visitor by Trip Purpose. (*Visit Florida - Marketing Plan. 2016*)

Figure 10: Domestic Visitor by Trip Purpose. Visit Florida - Marketing Plan. (2016)

Visitors who came to Florida for the purpose of a vacation made up 38 percent of Florida's domestic visitors.

8. Domestic Visitors by In-State Visitors. (*Visit Florida - Marketing Plan. 2016*)

The total area of Florida is 58,664 sq mi (151,939 sq km), ranking 22nd in size among the 50 states. Florida has a considerable size to say that In-State tourism gets a strong impact in the sector with 20.2 million pleasure trips by Florida's residents. In-State tourism helps the industry sustain year-round business. But Florida's Residents take an important role in two important opportunities, as mentioned before they travel In-State and they influence other people, friends and relatives (VFR), to visit the state as well. Representing an important slice of 21.6 million out of all 83.2 million domestic visitors.

*Figure 11: Domestic Visitors by In-State Visitors.
Visit Florida - Marketing Plan. (2016)*

9. International Visitors. (*Visit Florida - Marketing Plan. 2016*)

“International visitors play an increasingly important role for Florida tourism, fueling growth in top gateways and contributing to total tourism spend.”. In 2015 Florida passed through another year of record highs, where Canada remained Florida's top international tourism source. International Florida's visitors are primarily from 5 Top Countries:

1st – Canada

2nd – United Kingdom

3rd – Brazil

4th – Argentina

5th – Colombia

According to Visit Florida's Research in (02/06/2016):

No.	Origin Country	2014 Visitation	2015 Visitation	% Change
1	Canada	4,016,000	3,874,000	-4%
2	United Kingdom	1,642,000	1,718,000	5%
3	Brazil	1,641,000	1,475,000	-10%
4	Argentina	724,000	613,000	-15%
5	Colombia	594,000	598,000	1%

International Tourism represent 15.87% of Florida's Visitors with 15.7 million visitors out of all 98.9 millions in 2014.

- **Who are the suppliers and how may we cluster them?** (Roy, B., Mamun, A., & Kuri, B. 2015). & (Schwartz, K., Tapper, R., & Font, X. 2008).

Tourism supply chain is built by diverse components, not only accommodation, transport and excursions, the supply chain comprises the suppliers of all the goods and services that go into the delivery of tourism products to consumers, like bars and restaurants, food suppliers, waste disposal, and the infrastructure that supports tourism in destinations. Supply Chain is the vital to keep tourism alive and sustainable.

It is possible to cluster them in different elements of tourism products and the respective suppliers. In each cluster is listed the main suppliers.

1. Accommodation

- Hotels, bed & breakfasts
- Self-catering
- (Serviced) Apartments
- Campsites
- Cruise ships

2. Transport to and from destinations

- Public transport (Trains, Taxis, Uber, Bus, etc.)
- Airports
- Scheduled air carriers
- Air charters
- Scheduled sea passages
- Chartered sea passages
- Coaches
- Cruises

3. Catering and Food & Beverage

- Restaurants and bars
- Grocery stores
- Farmers
- Fishermen
- Local commerce/markets
- Bakers
- Butchers
- Food wholesalers

4. Ground transport

- Car rentals
- Boat rentals
- Fuel providers
- Gas stations
- Taxis
- Uber
- Tuc-Tuc

5. Ground services

- Agents
- Handlers
- Inbound operators in the destination
- Gardening
- Maintenance

6. Cultural & Social

- Excursion and Tour providers
- Sports and Recreation Facilities
- Shops and Factories
- Theme Parks
- Museums
- Art Exhibitions

7. Environmental, Cultural and Heritage Resources of Destinations

- Public authorities
- Protected site managers
- Private concessionaires and owners

8. Utilities

- Water Supply
- Energy Supply
- Waste Management

Suppliers Bargaining Power:

Figure 12: Suppliers Bargaining Power by MarketLine Industry Profile (2016)

This industry contains a wide range of companies, with diverse suppliers.

Overall, supplier power is moderate.

• **Who are the competitors?**

Competing Tourism Destinations:

Florida offers a lot of diverse products that a visitor can enjoy, the main ones considering **TripAdvisor, Inc** Traveller choice 2016 are:

- Sandy Beaches with Crystal Clear Waters
- Amusement Parks

It is possible to consider the main competitors the locations who present the same competitive characteristics.

According to **TripAdvisor, Inc** traveller choice 2016 it's possible to highlight the world top 20 beach destinations, listed by popularity:

1. Dominican Republic, Caribbean
2. Playa del Carmen, Yucatan Peninsula, Mexico
3. Maui, Hawaii, United States
4. Cancun, Yucatan Peninsula, Mexico
5. Puerto Vallarta, Mexico
6. Miami Beach, **Florida, United States**
7. Phuket, Thailand
8. U.S. Virgin Islands, Caribbean
9. Cabo San Lucas, Los Cabos, Baja California, Mexico
10. Kauai, Hawaii, United States
11. Cozumel, Yucatan Peninsula, Mexico
12. San Diego, California, United States
13. Sydney, New South Wales, Australia
14. Tulum, Yucatan Peninsula, Mexico
15. Jamaica, Caribbean
16. Fort Lauderdale, Broward County, **Florida, United States**
17. Bora Bora, Society Islands, French Polynesia
18. Ko Samui, Surat Thani Province, Thailand
19. Aruba, Caribbean
20. St. Maarten-St. Martin, Caribbean

(2 out of the world's top 20 beach destination are located in Florida)

According to **TripAdvisor, Inc** traveller choice 2016 it's possible to highlight the world top 25 amusement parks, listed by popularity:

1. Universal's Islands of Adventure **Orlando, Florida**
2. Discovery Cove **Orlando, Florida**
3. Magic Kingdom **Orlando, Florida**

4. Europa-Park Rust, Germany
5. Universal Studios Florida **Orlando, Florida**
6. Universal Studios Hollywood Los Angeles, California
7. Disney's Hollywood Studios **Orlando, Florida**
8. Disneyland Park Anaheim, California
9. Disney California Adventure Park Anaheim, California
10. Beto Carrero World Penha, Brazil
11. Tivoli Gardens Copenhagen, Denmark
12. SeaWorld Orlando **Orlando, Florida**
13. Disney's Animal Kingdom **Orlando, Florida**
14. Epcot **Orlando, Florida**
15. Le Puy du Fo Les Epesses, France
16. Busch Gardens Tampa **Tampa, Florida**
17. Universal Studios – Singapore Sentosa Island, Singapore
18. Dollywood Pigeon Forge, Tennessee
19. Disneyland Park Marne-la-Vallee, France
20. PortAventura World Salou, Spain

(9 out of the world's top 20 Amusement Parks are located in Florida.)

Local Competitors:

After a meeting with Algarveresorts management board was possible to define the pretended model of internationalization for the company. The future algarveresorts project takes into consideration some requirements:

- Three Quality Stars
- Beach
- Pool
- Free WiFi
- Kitchenette

- Air Conditioning
- Concierge

Taking into account the pretended model, was possible to insert the parameters on **TripAdvisor, Inc** (06/07/2016) and find out the strongest competitors.

Listed by Ranking. (273€/Night 2 adults 1 room) Mean 04/01/2017 to 04/07/2017

1. **Sun Dek Beach House** – Ocean Ridge, Florida
2. **Glunz Ocean Beach Hotel & Resort** – Key Colony Beach, Florida
3. **Tides Inn** – Laudardale by the Sea, Florida
4. **Island Inn** – Sanibel Island, Florida
5. **Plaza Beach Hotel** – Beachfront Resort – St. Pete Beach, Florida
6. **Bilmar Beach Resort** – Treasure Island, Florida
7. **Sunset Vistas Beachfront Suites** – Treasure Island, Florida
8. **DiamondHead Beach Resort Hotel** – Fort Myers Beach, Florida
9. **Beach House Suites by Lowes** – Don Cesar, Florida
10. **Disney's Vero Beach Resort** – Vero Beach, Florida
11. **Sundial Beach Resort & Spa** – Sanibel Island, Florida
12. **Pier House 60 Marina Hotel** – Clearwater, Florida
13. **Bay view Plaza Waterfront Resort** – St. Pete Beach, Florida
14. **Guy Harvey Outpost a Tradewinds Beach Resort** – St. Pete Beach, Florida
15. **Ocean Manor Hotel** – Fort Laudardale, Florida
16. **Sanibel Inn** – Sanibel Island, Florida
17. **The Savoy Hotel** – Miami Beach, Florida
18. **Alden Suites** – St Pete Beach, Florida
19. **Hyatt Beach House Resort** – Key West, Florida
20. **Resort on Cocoa Beach** – Cocoa Beach, Florida
21. **Holiday Inn Club Vacations Cape Canavral Beach Resort** – Cape Canaveral, Florida

Figure 13: Competitors Power by MarketLine Industry Profile (2016)

The degree of rivalry varies from segment to segment. Overall, there is a moderate degree of rivalry in the US travel and tourism industry, eased by its healthy growth rates. MarketLine Industry Profile (2016)

• **Who are the substitutes?**

The substitutes are those who satisfy the same purpose (Vacations) with a different product. (Michael E, P. 2008).

Possible Substitute Destinations. (2016 Visitors' Travelers' Choice by **TripAdvisor, Inc.**):

1. London – United Kingdom
2. Istanbul – Turkey
3. Marrakech – Morocco
4. Paris – France
5. Siem Reap – Cambodia
6. Prague – Czech Republic
7. Rome – Italy
8. Hanoi – Vietnam

9. New York City – USA
10. Ubud – Indonesia
11. Barcelona – Spain
12. Lisbon – Portugal
13. Dubai – United Arab Emirates
14. St. Petersburg – Russia
15. Bangkok – Thailand
16. Amsterdam – The Netherlands
17. Buenos Aires – Argentina
18. Hong Kong – China
19. Playa del Carmen – Mexico
20. Cape Town Central – South Africa
21. Tokyo – Japan
22. Cusco – Peru
23. Kathmandu – Nepal
24. Sydney – Australia
25. Budapest – Hungary

Main In Place Substitutes (Without Front Beach) (191€/Night 2 adults 1 room) Mean 04/01/2017 to 04/07/2017 *TripAdvisor: Read Reviews, Compare Prices & Book.* (2016)

1. Hyatt House – Naples, Florida
2. Eden House – Key West
3. Floridays Resort – Orlando
4. Polynesian Isles Resort – Kissimmee
5. The Point Resort – Orlando
6. Sonesta E Suites – Orlando
7. Hilton Grand Vacations Village – Orlando
8. Diamond Resorts – Orlando
9. Sheraton Vistana Resort Vista – Orlando
10. Homewood Suites – Orlando

11. Sheraton Vistana Villages – Orlando
12. Universal’s Cabana Bay Resort – Orlando
13. Hilton Grand Vacation – Orlando
14. Radisson Hotel – Orlando
15. World Quest Orlando Resort – Orlando
16. Parkway International Resort – Kissimmee
17. Lake Buena Vista Resort & Spa – Orlando
18. Quality Suites Lake Buena Vista – Orlando
19. Crystal Palms Beach Resort – Treasure Island
20. Ocean Manor Resort – Fort Laudardale
21. Radisson Resort – Cape Canaveral
22. Alden Suites – St. Pete Beach
23. Countryyard Miami Aventura Mall – Miami
24. Bluegreen Fountains Resort – Orlando
25. Outrigger Resort – Fort Myers
26. Mystic Dunes Resort & Golf Club – Celebration
27. Holidays inn Club Vacations – Kissimmee

Another substitute that is becoming a huge threat on the tourism market, getting attention of actual players, is the ability to stay with local people in their own homes or apartments, either by renting a room or the entire property for privacy. Services like [Airbnb](#), [FlipKey](#) and [Couchsurfing](#) are being targeted as “unfair” competition for tourism associations. (MarketLine Industry Profile, 2016).

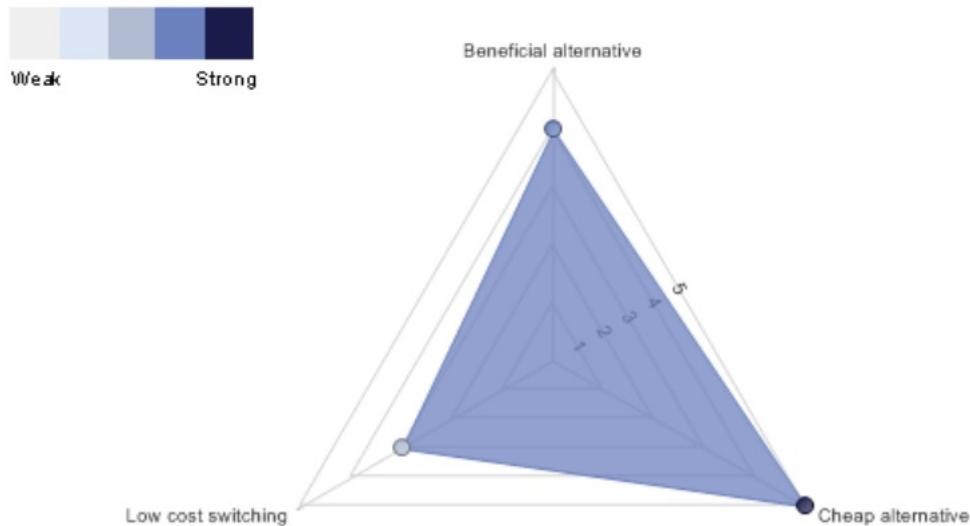


Figure 14: Substitutes Power by MarketLine Industry Profile (2016)

The threat of substitutes is assessed as strong. (MarketLine Industry Profile3, 2016)

• **Who are the potential new competitors**

The threat of potential new competitors depends of the barriers present and reaction from existing competitors. If entry barriers are though, new competitors will not represent a serious treat, in the other hand if the barriers are weak and almost anyone can step into the business, the threat of potential new entrants will be high. (Porter, M. 2008)

According to Michael E, P. (2008) there are 6 main barriers that helps to analyze the industry level of threat by potential new competitors:

1. **Economies of Scale** – These economies forces the potential new entrant to come in on a large scale or to accept a cost disadvantage.
2. **Product differentiation** – Well-Known Brands will force new entrants to spend heavily in advertising, costumers services and other aspects that would promote brand identification. Basically new competitors will need to invest in order to overcome costumer loyalty.

3. **Capital Requirements** – Poses as a huge barrier when there is need to invest large financial resources in order to compete. This factor limits the industry for big corporations that have financial resources to play in almost every industry.
4. **Cost disadvantage independent size** – Sometimes new competitors have some disadvantages in the industry due to some difficulties in get the same quality materials as the actual players, or because other competitors might acquired assets at pre-inflation prices, or due some government subsidies that were given in the past, and also because favorable locations are all already purchased or occupied by industry players.
5. **Access to distribution channels** – The more limited the distribution channels are and the more the existing players control and close them to other competitors, the hardest the entry in the industry for new players it will be.
6. **Government Policy** – The government can control the entry to industries for instance with license requirements, limits on access to raw materials, safety regulations and controls on water and air quality.

All these aspects will influence the decision, for potential new entrants, on whether to step in the industry or not. (Michael E, P. 2008).

The potential new competitors are well-known Brand names with high volume of capital to invest in the tourism market. Or many small competitors that can get in the industry with reduced capital investment as AirBnB type players.

2.2.1.3 What are the conditions required in order to operate in this industry?

Following the same line of thought we can assume that the conditions to operate in this industry are the same as those which represent a barrier to new entrants in the industry. (Michael E, P. 2008).

- High volume of capital, for the asset acquisition and all costs involved.

- Adequate Location for the business.
- Easy access and management of distribution channels.
- Having a well known brand name or operating under a well known one.
- Be competitive and reactive to market competition and changes.

Figure 15: New Entrants Power by MarketLine Industry Profile (2016)

Summing up, there is a moderate threat of new entrants. (MarketLine Industry Profile, 2016)

2.2.1.4 Get a global view and test the consistency.

• What are the main cost drivers in the industry?

1. Labour

Practically in any business in the industry of tourism, labor represents the major portion of the costs. The average of labor costs are in range between 30-35% sometimes it can be as high as 45%. (Mandelbaum, R. 2012) & (Turner, S. 2011).

2. Energy

Utilities can reach the 6% of operating costs. As energy costs rise due some environmental cautions and measures, the tourism industry should get more conscious and adjust their practices. Investing

in a more efficient energetic equipments can represent a huge investment to companies in the first sight, but in the long term the effect and the costs are positive. (Gaggioli, A. 2015).

3. **Marketing**

Marketing a product in tourism industry is expensive. The gross of marketing cost are related with customer acquisition costs. Every tourism unit must diversify their marketing strategy, negotiating with different marketing distribution channels in order to practice a healthy strategy. (Gaggioli, A. 2015).

4. **Software**

Software infrastructure costs can represent a huge portion of unit's operational costs. To run a business in tourism companies will require a software maker to install and manage the information system, charging operating expenses. Some times it could seem impossible for small and independent tourism units to acquire all the software they need. (Gaggioli, A. 2015).

These are the big four operating costs in tourism industry, a company that operates in should control and cut those expenses in order to get healthy profit margins. (Gaggioli, A. 2015).

• **What are the main factors to generate profit in this industry?**

1. High Average Daily Rate (ADR) $ADR = \text{Room Revenue} / \text{Rooms Sold}$
2. High Occupancy Rate
3. Low Operating Costs

$$\text{Revenue} = \text{Occupancy Rate} * \text{Number of Rooms} * \text{ADR}$$

$$\text{Profit} = \text{Revenue} - \text{Operating Costs}$$

(STR Global, 2016).

2.2.1.5 How dynamic is the business model and this industry? Why?

The tourism industry is in constant evolution and changes over the years. With the huge challenge of Internet and new ICTs, since the 90's, companies feel continuous need to adapt and search for innovation in their business models. With this kind of challenges Tourism has been being stimulated to develop new organizations and getting new initiatives in the market. For instance with the on-line growth a new model of on-line travel agencies has surge in industry, threaten the traditional tour operators (Osterwalder, A. 2004). There are different external and internal forces motivating the industry to change, the two most important can be highlighted as the social and technological. In one hand tourism built a more demanding traveler destinations wise, value for money and overall experience, which forces the companies to invest and get a special attention to the social departments. In the other hand the industry faces a constant change and evolution on technologies and on-line trends, which requires companies to spend a large amounts of money on business model's experimentation if they want to be on the forefront of the tourism sector. (Henne, J. 2014).

2.2.1.6 Identify the industry aspects which maybe influenced by the present competitors, by new competitors or by our company.

Nowadays and in the near future there are several factors in the tourism industry being influenced by competitors, new entrants and by the company itself, as they are listed below:

- An increase concern with **guests' safety and security** has been kind of new trend that most companies has been working on. (Kapik, S. 2012)
- The importance of **diversity in the workforce** composition is another aspect that has been getting a huge attention by the industry players in order to increase productivity in this field.
- Tourism industry competitiveness had leading companies to focus on **outstanding services**, creating new costumers experiences, and opening new companies' possibilities for increased revenue. (Kapik, S. 2012)
- Implementing brand **new technologies** in order to improve guests services, has been the most competitive aspect between companies in recent stage of Tourism industry.

- The important correlation between **price&value** has been one of the most important aspect on costumers decision, getting a huge attention and competitiveness between industry players. (Kapik, S. 2012).
- A perceived change on environmental policies is happening in tourism, more and more companies are practicing environmental friendly measures due to the costumers attention on that aspect. Actually this measure, besides the increasing competitiveness helps companies to save money and natural resources. (Kapik, S. 2012).

2.2.1.7 The Five Forces of Porter (Overall Bargaining Power)

Figure 16: Five Forces Barganing Power by MarketLine Industry Profile (2016)

In tourism industry the number of buyers is significant, so that it represents an evident degrease on buyer's power. The majority of suppliers range from large number of fairly low-wage employees due that suppliers power is moderated. High capital requirements and regulations represent the major barriers to new entrants so the level of threat is considerable low. Substitutes are manly self-catering holidays and similar destinations with similar products, these may be cheaper making it more attractive to several clients clearly the threat from substitutes is strong. Rivalry level is moderated, creating opportunity for small companies to succeed. (*MarketLine Industry Profile, 2016*).

2.2.2 Market Segmentation

In order to get competitive advantage, every tourism industry player use market segmentation. It helps them to focus their efforts on the most suitable market niche. Market segmentation is used by tourism managers as a tool to analyze the market structure. Segmentation solution should be taking in consideration to ensure that current market structure is captured. (Dolnicar, S. 2008)

2.2.2.1 Horizontal segmentation.

Figure 17: Market Segmentation – Horizontal Tourism Market Segmentation by Statistics from the Catalan Tourist Information Office Network (2013) adapted by myself (07/2016)

2.2.2.2 Vertical Segmentation

The tourism industry is composed by hospitality, travel and other business models that offer services and products to the visitors. (Dun&Bradstreet Research, 2011)

*Figure 18: Vertical Tourism Market Segmentation by myself
(07/2016)*

Accommodation – Could be hotels and motels, apartments, camps, guest houses, lodge, bed and breakfast establishments, house boats, resorts, cabins, and hostels.

Dinning or Catering - Could be hotels, local restaurants, roadside joints, cafeterias, and retail outlets serving food and beverages.

Transportation Services – Could be airlines, cruise lines, car rentals, and rail companies.

Travel Agents – Providers of information on different travel destinations and creators of travel plans for people who intent to travel.

Tour Operators – Provide packages including travel and accommodations.

Tourist information and guidance – Could be several companies offering insurance, recreational, communication, and banking services; government agencies; tour guides; industry associations; packaging agents; ticketing agents; and holiday sellers.

Attractions – Could be theme parks and natural attractions including scenic locations, cultural and educational attractions, monuments, events, and medical, social or professional causes.

2.2.3 Strategic Groups Segmentation

This analysis shows the strategic groups in tourism industry located in Florida, USA. This tool is used in order to understand competitive strategies and advantages by different competitors. It is a vital analysis for players when planning and implementing their market strategy.

1. **Sun Dek Beach House** – Ocean Ridge, Florida
2. **Glunz Ocean Beach Hotel & Resort** – Key Colony Beach, Florida
3. **Tides Inn** – Lauderdale by the Sea, Florida
4. **Island Inn** – Sanibel Island, Florida
5. **Plaza Beach Hotel** – Beachfront Resort – St. Pete Beach, Florida
6. **Bilmar Beach Resort** – Treasure Island, Florida
7. **Sunset Vistas Beachfront Suites** – Treasure Island, Florida
8. **DiamondHead Beach Resort Hotel** – Fort Myers Beach, Florida
9. **Beach House Suites by Lowes** – Don Cesar, Florida
10. **Disney's Vero Beach Resort** – Vero Beach, Florida
11. **Sundial Beach Resort & Spa** – Sanibel Island, Florida
12. **Pier House 60 Marina Hotel** – Clearwater, Florida
13. **Bay view Plaza Waterfront Resort** – St. Pete Beach, Florida
14. **Guy Harvey Outpost a Tradewinds Beach Resort** – St. Pete Beach, Florida
15. **Ocean Manor Hotel** – Fort Lauderdale, Florida
16. **Sanibel Inn** – Sanibel Island, Florida
17. **The Savoy Hotel** – Miami Beach, Florida
18. **Alden Suites** – St Pete Beach, Florida

19. **Hyatt Beach House Resort** – Key West, Florida
20. **Resort on Cocoa Beach** – Cocoa Beach, Florida
21. **Holiday Inn Club Vacations Cape Canaveral Beach Resort** – Cape Canaveral, Florida

Figure 19: Strategic Groups Segmentation by myself (07/2016)

2.3 Competitive Analysis

Today, in tourism is vital to understand the client perspective and tastes.

Algarveresorts was able to do a small survey considering Florida's top visitors.

- Canada
- United Kingdom
- Brazil

“According to your typical vacation, which are the most relevant factors when choosing your stay? (1 – Less Important ; 5 – Most Important)”

Figure 20: Competitive analysis - Questionnaire results (07/2016)

1. Price (118 points)
2. Online Reviews & Presentation (116 points)
3. Location (103 points)
4. Amenities & Facilities (92 points)
5. Luxury Stars (76 points)

That information becomes vital in a competitive market as Florida, working on the forefront and understanding consumers behaviors can differentiate Algarveresorts among competitors.

3. Internal Analysis

3.1 Value Chain

Value Chain is one of the most important business' tools to gain competitive advantage. It is based on an economic principle of advantage that states companies can increase their competitive advantage if they operate in sectors where they got a slight productive advantage within their competitors. Value Chain help companies to examine and identify areas that can be improved for maximum efficiency and profitability. (Arline, K. 2015).

According to Porter, M. (1985) business' activities could be divided into categories:

- Primary Activities
- Support Activities

3.1.1 Primary Activities

*Ilustração 21: Primary Activities in Tourism Industry
adapted by myself*

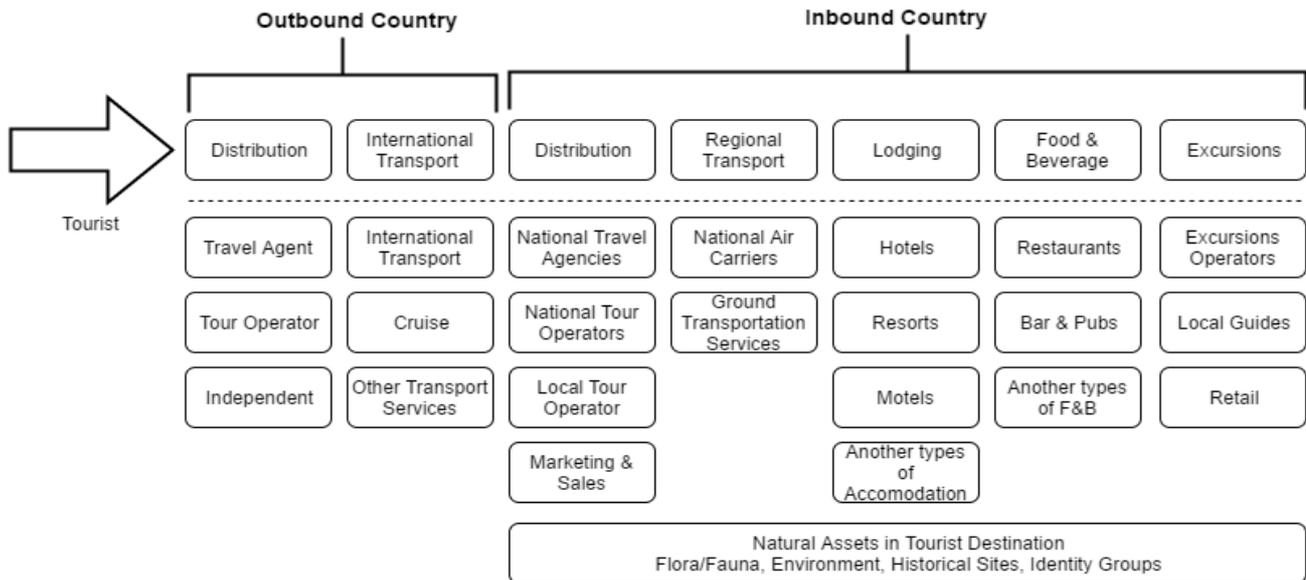


Figure 22: Tourism Value Chain adapted by myself (07/2016)

Distribution in tourism is the first segment contrary to many productions-based value chains. The first step Tourists take is deciding how and where to purchase their trips (outbound country). The next segment, is the one responsible to bring tourist to the “product”. In the inbound country tourists get the attention of **national distribution**, the most of the time international distribution (ID) works directly with national distribution (ND), once Tourists buy a full package tour with ID, ND meets tourists at the airport and guide them along their activities. Then the remaining segments are responsible for many events that tourists get engage in the inbound country as **regional transports**, diverse types of **lodging, F&B** and **Excursions**. (Christian, M., Fernandez-Stark, K., Ahmed, G., & Geref, G. 2011).

3.1.2 Support Activities

3.1.2.1 Firm Infrastructure:

Organizational structure define the hierarchy within the organization. There are many diverse types of organizational structures and its up to each organization adapt and use the most suitable for their specific business. Geographic organizational structure is one of the most used in tourism and other large national and international companies. That kid of organizational structure is used for

companies that operates with business units in different geographic locations. This structure allows different company units operate individually, having a general manager in each location, but at the same time keeping the overall company policies and values. Each general manager should report to an executive who control and oversees the totality or several locations. (Friend, L. 2016).

Figure 23: Firm Infrastructure by Pereira.L (2015)

3.1.2.2 Human Resources Management:

One of the last tendency of tourism sector development has been training and empowering human resources involved in the industry. According to Ardahaey, F. (2012) in the tourism industry Human Resources can have an impact in different aspects in order to sustain a constant success, those can be enumerated below:

- Providing standard services to satisfy the customers;
- Providing services according to the requirements of tourists;
- Better communication between the personnel and the management;
- Increasing job satisfaction and having a dynamic workplace;
- Increasing productivity and efficiency on the personnel involved in business;

- Promoting creativity and innovation;
- Make sure the sense of belonging to the organization is perceived by every entity present in the company;
- Improve the services provided to the tourists;
- Reducing the costs and increasing profitability of businesses;
- Motivate the power of decision making and observation within the personnel;

3.1.2.3 Technology and Development:

According to Haque, M. & Rahman, A. (2012) technology and Development is one of the most important key factors that has been “motivating” global tourism to change. With all technological evolution a lot of opportunities around tourism arose and new business models were created changing the way to do business in tourism.

In tourism industry there are several fields being constantly changed and challenged by technological development. We may start by highlighting one of the most relevant, the **Transportation Sector**, transportation is responsible for the connection between country of origin and tourism destination as well as local transportation is responsible for the connection between interest points. All this evolution in tourists sector more and more facilities re created for the client. For instance the airlines started using Online Check -In in order to reduce waiting time in airports, and other relevant evolution is that Taxis are now using GPS for better control and communication between them and the client. (Haque, M. & Rahman, A. 2012).

The **Accommodation Sector** has been also changing du technological development, for example:

- Tourists can get total on-line access to information regarding accommodation aspects (price, availability, services, also they can have an overall room view whit the 360° image system).
- Programed cards used as Keys.
- Interactive TV
- Many other devices used in tourism.

Other sector that gets a perceptive change by technological development is the **Attraction Sector**. All attractions need some marketing around them to inform and communicate with potential clients about their features, accessibility and location. Some government organizations have been promoting interest points through promotional videos, interactive websites and other technological facilities. (Haque, M. & Rahman, A. 2012).

3.1.2.4 Procurement:

According to O'Neill, S. (2012) procurement segment in tourism has been adapting and changing to new market necessities and polices. The new trend in this segment is called “Responsible Procurement”, making the traditional Procurement goes beyond the parameters of price, quality, functionality and availability. Now products and services are chosen taking into account human health, environment and society. Life-Cycle costing is one main principle responsible for responsible procurement, that principle creates some questions that companies should ask before the product purchase in order to analyze and measure the product life-cycle social and environmental impacts, those questions are:

1. Whether a purchase is necessary at all;
2. What products are made of;
3. Under what conditions they have been made;
4. How far they have traveled;
5. Their packing components;
6. How they will be used;
7. How they will be disposed of;

In tourism and hospitality industry some times companies find themselves under pressure to buy large numbers of goods, making a purchasing decision taking a huge importance regarding it's potential impacts. In this case companies should consider the whole life costs about that purchase, whether it is about food, furniture or an outsourcing gardening services. A tourism company with a

responsible procurement can get several benefits in diverse areas like commercial, environmental and social (O'Neill, S. 2012). Those benefits can be like:

- Costs reduction;
- Improved company's reputation which increase costumers loyalty and attract new ones;
- Easier access to capital;
- Companies can take advantage of some government incentives;
- Improved company's innovation;
- High commitment to social and environmental issues by the Staff;

Responsible look on the Procurement segment offers a wide range of opportunities for companies that aim for evolution. (*Public procurement policy - Detailed guidance - GOV.UK. 2015*).

3.2 Competencies Analysis

How Value Chain is ensured by the Company Structure?

AlgarveResorts company's structure duties and responsibilities.

Corporate staff:

- Finance
- Marketing & Accounting
- Strategic Planning
- Corporate Communication
- Taxes
- Laws
- Human Resources
- Information Technology

General District Manager:

- Effective Planning
- Delegating, Coordinating and Organizing
- Manage professionals on daily basis to meet company objectives
- Decision making to attain financial goals and sales estimates
- Manage and control district financial aspects
- Overseen achievement of results
- Recruit, Train and develop staff
- Drive sales growth
- Resolve all consumers issues and ensure outstanding consumers services
- Plan and coordinate business operations in district offices

District Staff is responsible for all the daily basis work in the field (Font Desk services, House Keeping, Maintenance, etc.)

Figure 24: Competencies Analysis "How is the Value Chain ensured by the Company?" by myself (07/2016)

3.3 Operational Risk

(See Attachment 1)

4 Strategy Definition

4.1 SWOT Analysis

Figure 25: SWOT Analysis adapted by myself (07/2016)

4.1.1 Internal Origin

Strengths

1. Solid Financial Department
2. Solid Accounting Department
3. Extraordinary achievement of Financial Goals
4. Extraordinary achievement of Sales Estimates
5. Outstanding District Management
6. Outstanding Corporate Staff

Weaknesses

1. Weak focus on Marketing
2. Weak Strategic Planning
3. Weak Human Resources Department
4. Weak Management on daily basis
5. Issues on Recruitment and Training processes
6. Weak Maintenance Department
7. Issues on Front Offices Services

4.1.2 External Origin

Opportunities:

1. High Florida's commitment to invest in tourism-related Marketing;
2. State objective to attract 129 million annual visitors for 2020;
3. 4th best tax climate in U.S;
4. Ranked one of the best states in U.S for business;
5. Florida is committed to keep regulatory requirements and business taxes low;
6. Florida's credit rating AAA;
7. 18th Largest global economy, if Florida was a Country;
8. Low seasonality;
9. Florida is one of the most popular tourist destinations in the world;
10. Tourists can experience many different types of vacationing while staying within the state of Florida (Sandy beaches with crystal clear water, Amusement parks, Cruise tourism, Arts, History & Cultural Tourism, State Parks & Nature Tourism and Sports);
11. 20 Commercial service airports;

Threats:

1. Danger of terrorism;

2. As the number of state's visitors increase some infrastructure issues can come up;
3. Sudden increase in fuel costs could affect the number of Florida visitors;
4. The high exchange rate for U.S. dollar overseas;
5. Growing income inequality and stagnation of middle-class wages in the United States, which reduces people's ability to travel;
6. Visitor behavior can have a detrimental effect on the quality of life of the host community (crowding and congestion, drugs and alcohol problems, prostitution and increased crime levels);
7. United States increased minimum wage could lead to higher labor costs
8. Increased electricity costs created by efforts to curb greenhouse gases by limiting the burning of coal in power plants;
9. Climate changes, raising ocean levels, flooding and storms could discourage beach going.
10. High hurricane risk.
11. Florida's low elevation, which creates a high risk of tsunami destruction.
12. High number of tourism players;
13. Substitutes are a cheap alternative;
14. High concentration of players in High Quality/Medium Price range.

4.2 Strategy Selection

4.2.1 Strengths & Opportunities

Figure 26: Strengths and Opportunities by myself (2016)

STR/OPP	O1	O2/O9/O10	O5	O8
S1			*	
S2			*	
S3		*	*	*
S4	*	*		*
S5	*		*	
S6			*	

O1 – S4,5

- Florida’s Marketing concern could increase the number of visitors which will help Algarveresorts International achieving their Sales Estimate goals and boost Corporate marketing strategy.

O2,9,10 – S3,4

- Florida’s effort to increase further the already high number of visitors founded on the large array of attractions tourists can experience in the state, will help Algarveresorts International increasing their Sales Estimates and Financial Goals.

O5 – S1,2,3,5,6

- Florida’s stable regulatory and tax environment positively influences and helps the goal achievement of most of the Internal Strengths of Algarveresorts International, namely Financial and Accounting Departments, Distric Management and Corporate Staff.

O8 – S3,4

- Low seasonality is the “Holy Grail” of tourism investors, allowing higher occupancy rates and continuous revenues. This particularly reduces the Financial Department stress and boosts Sales.

4.3 Product Mix & Marketing Mix.

According to Algarveresorts Board Management this is the pretended model for the respective internationalization to Florida, U.S.

4.3.1 Product Mix – Product Characteristics, Presentation Form, Complements;

Product Characteristics:

- 80-100 units building;
- Three Star Superior Hotel/Apart-Hotel;

Presentation Form:

- U Shaped;
- Modern Decoration and Furniture;
- Ocean view;
- Direct beach access;
- Kitchenette, bedroom, bathroom, living room, balcony;
- Shared Pool;
- Small Pool Bar;

Complements:

- Full Amenities & Facilities;

4.3.2 Marketing Mix – Price, Place, Promotion;

Pice:

- Average Price between competitors;
- (100-130)€/pax per night High-Season;
- (70-90)€/pax per night Low-Season;

Place:

- Central location (nearby local commodities);
- Beachfront;

Promotion:

- Online advertising;
- Use of actual Algarveresorts platform;
- Newsletters advertising;
- In Local Sales & Marketing Manager

5. Market Study

How do you feel about 120€/pax per night High-Season (Considering that average competition price = 135€) for a 3 Stars superior Hotel/Aparthotel, located in South Florida (USA) with Ocean View, Direct Beach Access, Full Amenities & Facilities?

Figure 27: Market Study - Questionair Results (07/2016)

This result strengthens Algarveresorts conviction that it's product design is viable and will succeed if implemented within the foreseeable business environment.

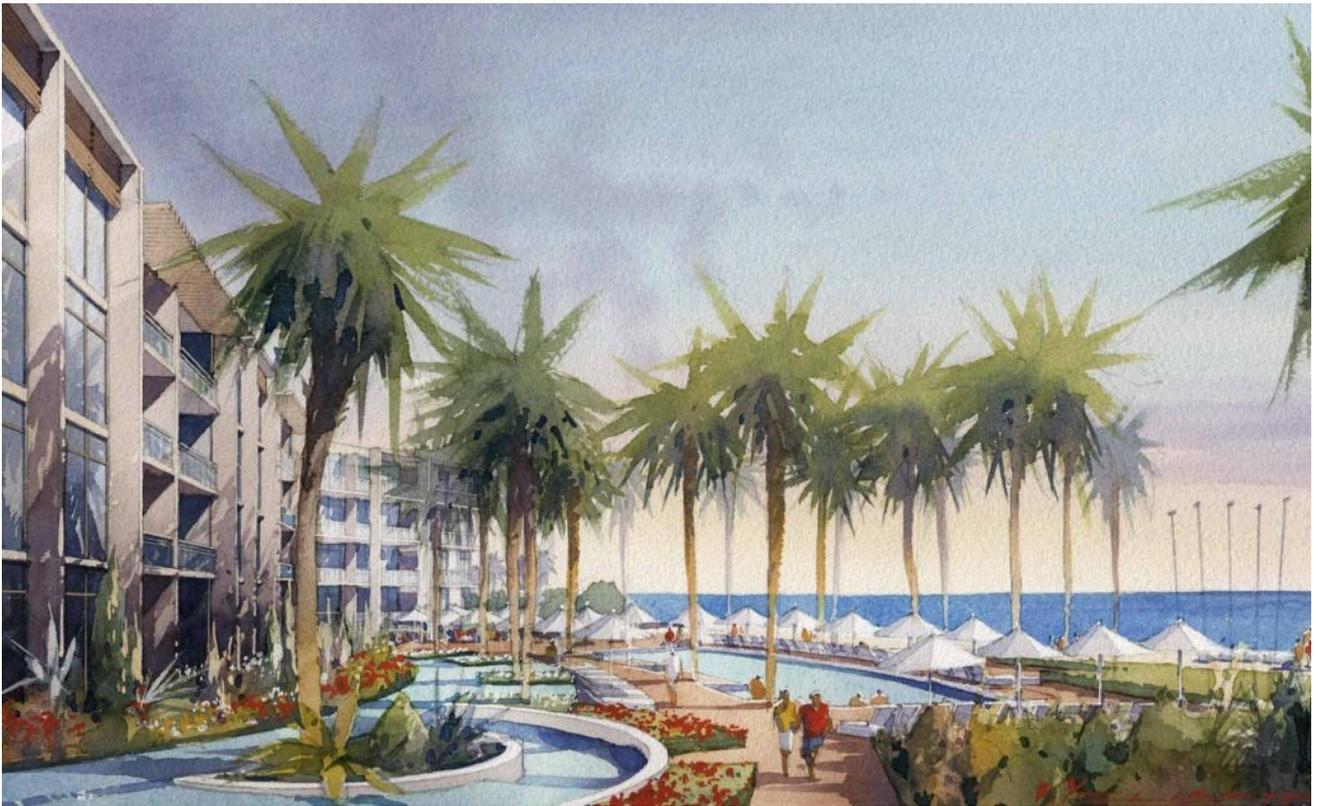


Figure 28: Project of a possible final product of Algarveresorts internationalization (07/2016)
Source: <http://nathanabbottteam.com>

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Attachment 1

** Conclusive Explanation by Algarveresorts Board of Directors*