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Business Plan for a Local Accommodation Management Company
Creation of a business plan for a company specialized in the management of properties for local accommodation in Lisbon

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Master in International Management

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Joaquim Vicente Rodrigues, Associate Professor,
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november, 2020

Department of Marketing, Strategy and Operations

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Resumo

O setor turístico é um dos principais motores económicos para a região de Lisboa, que se tem vindo a destacar como um destino seguro e apelativo para turistas de todo o mundo.

Um dos segmentos com maior crescimento dentro do setor turístico em Lisboa é o do Alojamento Local, que contribuiu para mais de 20% das dormidas na região, em 2019.

Este segmento, que permite que proprietários de casas e apartamentos na cidade rentabilizem as suas propriedades através do alojamento temporário de turistas, tem sido alvo de um crescente interesse da parte de visitantes e investidores, comprovado por aumentos acentuados de dormidas e registos de novas propriedades em anos recentes.

Esta tendência de crescimento foi contrariada no início de 2020, com o surgimento da pandemia COVID-19, que obrigou a uma paralisação quase total do setor turístico durante grande parte do primeiro semestre de 2020. É previsível que o impacto económico causado pela pandemia e a consequente crise financeira sejam duradouros e especialmente duros para o setor turístico.

O presente projeto, com vista à criação de uma marca especializada na gestão de propriedades para acomodação de turistas em regime de alojamento local, apresenta um modelo de negócio a implementar numa fase posterior à crise, num momento de recuperação económica e retoma da atividade turística.

O Plano de Negócio apresentado neste projeto descreve a ideia de negócio, as principais estratégicas e o plano de implementação do projeto, tendo por base uma análise de mercado detalhada.

Palavras-chave: Hotelaria, Turismo, Alojamento Local, Gestão, Gestão Internacional

Classificação JEL: M10; M31

Abstract

The tourism sector is one of the main drivers of economic activity in Lisbon, which became a safe and attractive destination for tourists from all over the world.

One of the fastest growing segments within the tourism sector in Lisbon is Local Accommodation, which contributed to over 20% of overnight stays in the region during 2019.

This segment, which allows home and apartment owners in the city to monetize their properties through temporary accommodation for tourists, has been the target of growing interest from visitors and investors, as evidenced by sharp increases in overnight stays and registrations of new properties in recent years.

This growth trend was halted in the beginning of 2020, with the emergence of the COVID-19 pandemic, which forced an almost total shutdown of the tourism sector for much of the first half of 2020. The economic impact caused by the pandemic and the consequent financial crisis are expected to be long and especially hard for the tourism sector.

The project at hand, is aimed at creating a brand specialized in managing properties for the accommodation of tourists in a local accommodation regime, with its implementation to occur on a post-crisis phase, at a time of economic recovery and resumption of tourism activity.

The business plan presented in this project describes the business idea, the main strategies and the project implementation plan, based on a detailed market analysis.

Keywords: Hospitality, Tourism, Local Accommodation, Management, International Management

JEL Classification: M10; M31

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1. Executive Summary

The main objective of this project is to produce a business model and an implementation plan focused on starting a company specialized in the management of properties for local accommodation.

The project was designed to, in an initial phase, be possible to implement by a single person, who can focus on realizing the strengths and weaknesses of the project, improving it over time and, eventually, making it scalable. The promoter, in this case, has previous experience in the tourism sector, more specifically, a specialization in hotel management and professional experience in the sector, including in the management of local accommodation units.

The original idea for the project emerged in 2018, at a time when tourism and the local accommodation segment were experiencing remarkable growth in Lisbon. Currently, the sector is going through a very different moment, due to the emergence of the COVID-19 pandemic that precipitated the implementation of restrictions on international mobility, with deep repercussions for the tourism sector.

The project was then rethought with this new environment in mind. Its implementation was postponed to a stage after the health crisis, at a time when tourism activity in Lisbon is recovered. Not being sure when that moment will come, a hypothetical year Y1 was used, to map the implementation plan.

The original idea, however, has remained largely unchanged. The project focuses on the creation of a company operating in the local accommodation segment, which works for two target audiences:

On the one hand, there are apartment owners in Lisbon, with whom the company maintains a commercial relationship. The owners are the company's clients, to whom the property management services are rendered.

On the other side, there are tourists. Visitors to the city of Lisbon are the company's consumers. They are the ones who consume the accommodation service available in the managed properties, where a local accommodation service will be implemented.

The company finds itself in the middle of these two target audiences and acts as a bridge to connect them, with benefits for both. The company's marketing policy serves to define all components of the accommodation service provided to tourists. For the owners, a commercial policy was created, detailing how they are approached and how the relation between them and the company is to be managed.

Both marketing and commercial policies, detailed throughout the current project, were based on an analysis of the general context of the business and the attractiveness of the sector in Portugal and, more specifically, in Lisbon. This analysis reveals the existence of several opportunities to be explored in the local accommodation sector, such as the increase in international travels, the increase in local accommodation units and the clear increase in interest in this segment, both from visiting tourists, interested in affordable accommodation and an immersive tourism experience, and from owners and investors, who see in this sector an excellent way to monetize their properties.

Throughout the project, an implementation plan is presented, focused on the first year of business, during which the company's main objectives are:

(1) The acquisition of an owner to provide the management services, to implement and test the local accommodation concept and (2) the provision of accommodation services to visiting tourists, with the objective of maximizing the occupation and revenue generated with this activity.

2. Literature Review

2.1. Tourism

Tourism is a phenomenon with strong socio-economic and environmental impact. Its relevance as an economic activity has led to the need to find a clear but comprehensive definition for all those who dedicate their work to it (Cunha, 2010).

The attempt to define it has been the focus of several authors, and it is difficult to find a single and comprehensive definition, as it is a human activity that involves human movements and behaviors, the use of resources and interaction with other people, in addition to also being an activity with close relations with other social sciences, including economics, politics, sociology, anthropology, psychology and even law and statistics (Bull, 1995).

A good starting point to come closer to a definition of tourism may be at the one provided by the United Nations World Tourism Organization (UNWTO) in the publication "International Recommendations for Tourism Statistics 2008", which is widely used by companies and academics alike. The definition states that "*tourism is a social, cultural and economic phenomenon that involves the movement of people to countries or places outside their usual environment for personal or commercial / professional purposes. These people are called visitors (who can be tourists or hikers; residents or non-residents) and tourism has to do with their activities, some of which involve spending on tourism.*" (UNWTO, 2010). This definition suggests, therefore, that tourism is seen as the set of activities carried out by visitors, who may be residents or non-residents, who move for personal or commercial / professional purposes.

Cunha (2010), argues that this definition is fragile because it summarizes tourism as "visitor activities", ignoring the essential characteristics of tourism or how it differs from other similar phenomena.

For the author, the phenomenon of tourism is distinct from similar ones for two reasons - the centrality on the consumer and the importance of resources.

On one hand, "*it is the act of consumption that qualifies an activity as touristic*", on the other hand, tourist trips are made to "*places where there are attractions that correspond to a wide variety of needs that, to be met, demand a wide variety of goods and services: transportation, food, accommodation, entertainment, health care, sport and many others*"(Cunha, 2010).

Cunha then suggests that tourism should be defined as "*the set of licit activities developed by visitors due to their movement, the attractions and the motivations that originate them, the facilities created to satisfy those needs and the phenomena and relationships resulting from these*" (Cunha, 2010).

This definition includes several elements that the author considers indispensable for a comprehensive definition of the tourism phenomenon, such as:

- Activities developed by visitors, an integral part of the UNWTO definition,
- Visitors, "a traveler who travels to a main destination outside his usual environment, for less than a year, for any main purpose (commercial, leisure or other personal

purpose) that is not employed by an entity resident in the country or place visited ", As described by the UNWTO and quoted by the author;

- Movement, which includes visitor travels, transport and accessibility;
- Attractions and motivation, which are the main natural or artificial elements, tangible or intangible, that motivate the movement;
- Facilities created, composed of all the infrastructures and activities related to the provision of touristic services, such as hospitality and catering;
- Phenomena and relationships, the result of the interaction between visitors and communities, but also economic, psychological, social, cultural, political, geographical and environmental phenomena created by the movements of visitors or by communities, with a view to attracting and welcoming them.

This definition, built on common points contained in the most representative definitions advanced throughout the 20^{th} century is comprehensive enough to define tourism in a holistic way, while taking into account the importance of the phenomenon on the demand side, but also on the supply side, something neglected by the official definition of the UNWTO.

2.2. Digital Tourism

Approximately thirty years after the surge of the Internet, we can see how it fundamentally changed the way that most individuals interact with each other and with the economy. Today, a large part of the world population lives in a digital economy, surrounded by mobile devices, instant messaging, social networks and virtual reality that have transformed and continue to transform and define our personal and social experiences (Montgomery, Chester, Grier & Dorfman, 2012).

In the context of digital economy, digital marketing has therefore become a fundamental component of any successful business, allowing companies to achieve better performance in terms of producing results, process efficiency and measuring the success of their communication campaigns. (Pepelnjak, 2008).

In the tourism sector, the development of the internet has brought about several changes related to the tourism experience. Consumers currently buy and access tourist services online with the click of a button, comparing in real time, between countless companies and destinations around the world (Kaur, 2017).

Digital success in the tourism sector depends, as in many other sectors, on factors such as accessibility, navigation and speed, but also on popularity, associated with the digital word-of-mouth generated on social networks, which add to increase the brand's visibility online and traffic acquisition, that can be converted into consumers (Kaur, 2017).

The tourism sector, being a sector dependent on cooperation between the various products and services available, benefits significantly from the improved connectivity, triggered by the digital revolution (Zsarnoczky, 2018).

Traditionally, tourism was an industry based on interpersonal relationships and connections, where trends and, consequently, travelers' decisions were determined by a limited group of large international travel and tourism companies. However, the development of information and communication technologies (ICTs) and, in particular, the internet, has had a transformative effect on the tourism sector and on the behavior of travelers, who today turn to the internet to search for destinations, plan and buy trips (Zsarnoczky, 2018).

It is in this context of continuous interaction that the concept of digital tourism or e-tourism emerges. The concept refers to all the digital means designed to support and improve the tourist experience, before, during and after the trip. These means include tools such as comments on websites for evaluating experiences and recommendation systems that suggest the best accommodation options or most economical flights during the planning phase of the trip; mobile applications that function as a virtual tour guide during the trip; and photo and video sharing platforms, that are used both during and after the trip.

The buying behavior of online tourist services can be divided into three phases: (1) Selection of the destination, (2) Preparation of the trip and (3) Booking and buying the trip (Hikkerova, 2010).

In the selection phase, the internet plays a secondary role, behind the opinions of friends, colleagues and family and television ads. However, in the next two phases, the internet assumes a much more relevant role, both as a source of information and as a mean to purchase and book tourist products (Hikkerova, 2010).

The last decade has also seen the emergence of new categories of tourism service suppliers, which have emerged in this digital context and currently make up the digital tourism market. Hikkerova summarized the main new categories of online service providers, what their role is and what added value they offer when compared to traditional tourist service providers on a 2010 study. According to the study, the main new players in the digital tourism sector are:

- Tourist service providers (airlines, hotels, car rental companies, etc.) - typically aimed at travelers, who use online sales to greatly reduce distribution costs, significantly reduce or eliminate the need for intermediaries and take almost full control over prices and conditions. In addition, online selling attracts more customers, through personalized offers, lower prices and greater convenience;
- Global distribution system (GSDs) - B2B operators that provide and maintain centralized and automated systems, which connect the main providers of tourist services (airlines, hotels, car rental companies, etc.), and provide in time real detailed information on rates, conditions and availability;
- Tour operators - companies that combine different tourism products and services they purchased from other suppliers to resell in a single travel package;
- Online travel agencies (OTAs) - large international agencies that function as online distributors of tourism products and services. They offer a wide range of products and services, allowing customers to compare offers in real time from different suppliers and thus choose the best option. In addition, they also distribute the products of tour operators, sell their own packages (including airline tickets, accommodation, rental car offers etc.) and offer customers the possibility to create their own trip (dynamic packages).

These new players make up the competitive landscape of the digital tourism sector. Their emergence has created a space for smaller internet-based companies to thrive in this sector, taking advantage of the improved connectivity and exploring new digital opportunities.

2.3. Local Accommodation

The ease of contact between people from all over the world, made possible by technology and the increasing ease of access to the internet, combined with the democratization of air transport has enabled the emergence of a new class of visitors (Almeida et al., 2017). With this new class also arose a demand for more affordable accommodation alternatives to the traditional hotels, especially in urban and cultural destinations (Almeida et al., 2017).

At the same time, a series of social, economic and technological factors contributed to the popularization of the concept of collaborative consumption or sharing economy, focused on the provision of services from person to person, or peer-to-peer (P2P), worldwide (Dredge & Gyimóthi, 2017). On one hand, collaborative consumption allows, in theory, a more efficient use of existing resources and eliminates the need to invest in the purchase of new products or in the construction of new infrastructure, considerably reducing the environmental impact of travelling. This is a factor highly valued by consumers who are increasingly aware of the negative impacts of their consumption habits and who are looking for new, greener forms of consumption (Botsman & Rogers, 2011). At the economic level, the main factor driving collaborative consumption is the fact that it is possible to pay exclusively for the momentary use of a good, instead of becoming entirely responsible for it, which provides greater financial flexibility (Owyang, 2013). Finally, there are the technological factors, perhaps the ones that most contribute to the growth of this phenomenon. According to Belk (2014), the adoption of collaborative consumption on a global scale is due to the development and evolution of information and communication technologies, including mobile technologies, online communication, social networks and digital payments.

As an increasing number of people joined the collaborative consumption and saw the growth of companies that facilitate P2P interactions, such as Uber or AirBnB, it became evident that this phenomenon would bring about profound changes in consumer behavior and would have a great impact in several sectors, including tourism (Pesonen and Tussyadiah, 2017).

In the case of tourism, the P2P phenomenon has enabled any individual to offer accommodation services to their peers. P2P accommodation services or local accommodation can be considered as a type of collaborative consumption in which anyone can rent their property (houses, apartments, rooms, etc.) to host visitors (Dredge and Gyimóthi, 2017). In this context, there is, on the part of the visitors, a set of expectations and demands in relation to the service that are different from those required to traditional hotels (Tussyadiah, 2016).

Local accommodation guests can benefit from better prices and amenities and the possibility to live an authentic experience, far from typical tourist areas. This last factor meets a trend among visitors who are increasingly looking for genuine, unique and, above all, memorable experiences (Dredge and Gyimóthi, 2017).

In addition, local accommodation also allows interaction between guests and hosts, which means that this type of cultural interaction also plays a central role in the experience of the visitor. In fact, the objective of local accommodation is precisely to enable the visitor to engage in the way of life of the people who host him, in typical and well-located properties.

In Portugal, local accommodation units began to emerge in the main tourist regions, namely in the beach areas and large urban centers, with emphasis on Lisbon and Porto.

The popularity of this type of experience has also given rise to new business models, as is the case with digital platforms that enable interaction between guests and hosts before, during and after their stay. The most famous example of this being AirBnB, whose global success has contributed, in turn, to further increase the phenomenon of local accommodation.

The business model of AirBnB and other similar platforms is known as a multilateral platform, because it allows the connection between two or more players within a market - consumers, buyers, sellers / suppliers, supplementary service providers (Dolnicar, 2018).

On one hand, the hosts offer physical space, in the form of accommodation. Guests, on the other hand, are looking for a place to stay during a tourist visit. Finally, there is the side of the supplementary service providers that offer cleaning services, for example, so that the hosts maintain their accommodation in the most pleasant way to receive guests. The sources of revenue for the multilateral platform, in this example, are the commissions charged to the host and the service fees charged to the guest (Dolnicar, 2018).

It can then be said that the economic impact of the growth of local accommodation goes beyond the value generated for hosts and guests, as it creates unique opportunities for new business models to explore this collaborative consumption network.

2.4. Service Marketing

The concept of service marketing, which includes the marketing of tourist services, as opposed to “traditional” product marketing, is a concept that began to gain strength in academic literature in the 1970s, when several authors began to focus on the importance of recognizing that services fundamentally differ from products and, therefore, need a marketing mix that takes these differences into account (Fisk et al., 1993).

Fisk, Brown and Bitner, in a 1993 article detailing the evolution of the concept of service marketing in academic literature, highlight the importance of a 1977 article by Lynn Shostack, published in the Journal of Marketing, for its contribution to the conceptualization of service marketing, as we understand it today.

In the article mentioned, Shostack (1977) suggests that traditional marketing is "myopic" to the needs of service marketing and suggests a series of ideas in order to develop a new framework and a series of new marketing principles that accommodate the idea of intangibility, one of main elements of differentiation between products and services (Shostack, 1977).

The fact that they are intangible is not the only difference between services and products. Several academics and marketers today agree that there are four fundamental characteristics that distinguish services from products (Wolak et al., 1998):

- Intangibility, because unlike products, services are not palpable and cannot be touched, seen or examined before consumption;
- Inseparability, which implies that the "production" of the service and the consumption of the service are two processes that occur simultaneously;
- Heterogeneity, which suggests that services are inseparable both from the people who provide them and the expectations of the people who consume them, making them susceptible to vary greatly depending on the provider and the consumer;
- Perishability, which highlights that services, unlike products, exist when they are being provided and are not storable for a future occasion.

From these differences, it can be concluded that the success of a service provider does not depend on material resources, such as equipment or machinery, but on organizational resources, processes and the capabilities of its human resources to provide a service that meets the expectations of consumers.

This dependency is addressed by Bernard Booms and Mary J. Bitner (1982), who propose the use of tangible "clues" to better sell services, intangible by nature. They suggest to add to the traditional marketing mix, composed of the variables known as 4Ps - Product, Price, Placement and Promotion -, three new variables that take into account the main differences between services and products, and use them as the generator of the above mentioned tangible “clues”.

The three new variables proposed were People, Processes and Physical Evidence (Booms, B & Bitner, M.J., 1982).

These variables are currently accepted as part of the marketing mix of services, composed of not 4 but 7Ps, described by Kotler and Armstrong (2015) as:

- Product, composed of a combination of goods and services that the company makes available to its consumers;
- Price, the monetary amount paid by the consumer to the company, to obtain the Product;
- Placement, activities performed by the company, to ensure that consumers are able to access the product;
- Promotion, which includes the various means through which the company presents and communicates its product to its current and potential consumers;
- People, the human resources responsible for the design and delivery of the Product to consumers;
- Processes, which encompasses all procedures, mechanisms, activities and routines, needed to create and deliver the Product to consumers;
- Physical evidence, the surrounding environment or atmosphere in which the service is provided, where consumers interact with the company and its people and where all tangible and intangible elements of the Product are delivered to the consumer.

2.5. Brand

When launching a new company, it is essential to create a brand to build its identity and consolidate its intended positioning.

The concept of brand and branding and its strategic importance has undergone, in recent decades, a successive revision (Guzmán, 2005).

A more traditional definition, identifies a brand as an integral part of the product, made up of a name, term or symbol associated with one or more items in the product line, used to identify their origin and character and to differentiate them from the competition (Kotler, 2000).

In this definition, the purpose of brands goes little beyond as serving as identifiers, a limitation identified by Kapferer (1997), who highlights that a brand is more than a name, logo or symbol to identify a new product.

In this sense, the author suggests that brands aim to generate monetary value for the company by creating a clear, exclusive and positive meaning in the minds of a large number of consumers (Kapferer, 1997).

Keller (2003) reinforces this idea of brand as an intangible element capable of adding value to the company, based on the value that its consumers attribute to it. The author proposes that the power of a brand lies in what its consumers have learned, felt, seen and heard about it, as a result of their experiences over time (Keller, 2003).

For Keller, the value attributed to a brand, in the minds of consumers (brand equity), depends on two factors - brand awareness and brand perception.

Awareness consists of brand recognition - the consumer's ability to remember previous exposure to the brand when it is shown or mentioned - and brand recall - the consumer's ability to remember the brand when the category, consumption occasion or the need that the category satisfies are mentioned.

Brand perception refers to all images and associations that the consumer mentally attributes to the brand. These associations are established by the company's marketing policy, which strives to create strong and positive associations with the brand, based on the consumer's personal experiences with the brand (Keller, 2003).

Morrison and Crane (2007), proposes that in the case of services, the brand strength and loyalty come from all the experiences provided. For the authors, brand experiences are a fundamental aspect in creating positive emotional associations. These associations are created through a consistent and attractive context, consisting of all the physical, relational and emotional characteristics involved in the provision and consumption of the service (Morrison & Crane, 2007).

This proposal is in line with the ideas presented by Booms and Bitner (1982), reinforcing the importance of the variables of People, Processes and Physical Evidence for the construction of a marketing mix capable of generating a strong service brand, based on positive experiences.

2.6. Revenue & yield management

The appearance of distribution channels made possible by the internet created, as already discussed, opportunities and challenges for managers in the tourism sector (Choi & Kimes, 2002). The online purchasing of tourism products and services forced companies to adapt to variations in demand by setting price policies that adjust directly and automatically to these variations, with the aim of maximizing profit (Vaculčíková, Tučková & Dorková, 2019).

Revenue management or yield management is a management practice that, like many others, has evolved over time. Over the years, revenue management has gone from a tactical management tool to a strategic component of hospitality management, which integrates sales, marketing and distribution channels management (Noone et al., 2011).

The concept of revenue management was initially used in the airline industry, having, however, expanded to other sectors, including the tourism sector. Currently, several segments of the sector, including restaurants, spas and nightclubs, implement revenue management techniques (Anderson & Xie, 2010). The accommodation segment was pioneer in applying airline revenue management concepts to the sale of rooms (Jiang & Erdem, 2016).

Today, the vast majority of companies operating in the accommodation segment use revenue management techniques with dynamic pricing policies, to maximize their revenue, considering the different customer segments and variations in demand. This tool is especially important in the hospitality segment because it is a business that deals with a finite, perishable, non-storable and non-transportable product (Schutz, 2008).

One of the most popular definitions characterizes the concept of revenue management as “selling the right product at the right price, at the right time and to the right customer” (Choi & Kimes, 2002). A more precise definition of revenue management characterizes this practice as “… the art and science of forecasting demand in real time, at a micro level, and of optimizing the price and availability of the product or service to serve that demand” (Cullen & Helsel, 2006).

Křížek and Neufus, in the 2014 publication “Modern Hotel Management”, identified the prerequisites for the implementation of revenue management systems (Křížek & Neufus, 2014):

- Fixed and limited capacity - for example, hotel rooms or seats on an airplane;
- High fixed costs - A high weight of fixed costs combined with low usage, increases the average relative cost and reduces profitability;
- Low variable costs;
- Different customer segments - in this case, different marketing strategies can be applied to different segments, and the use of a uniform marketing policy is not mandatory. The market must be possible to segment, and price elasticity must exist and be predictable;
- The product offered is non-storable;
- Minimally predictable and variable demand over time;
- The product offered is homogeneous;
- The product can be sold in advance, before use.

Finally, the implementation and use of a revenue management system implies two levels of decision - the tactical and the operational levels (Vaculčíková, Tučková & Dorková, 2019).

At a tactical level, the decision is to define the maximum daily number of reservations to accept per market segment. At an operational level, decisions are made on a case-by-case basis and involve determining whether a room or place can be sold on a given advance order. In deciding whether a reservation is accepted, some factors considered are the number of reservations already made or the number of potential customers who still wish to make a reservation, according to the forecasts (Vaculčíková, Tučková and Dorková, 2019).

These two levels of decision serve, as already mentioned, to maximize the revenue generated from the products offered, but also to prevent the risk of no-shows or cancellation of reservations (Bitran & Mondschein, 1995).

The concepts covered in this literature review strengthen the development of this project, aimed for the tourism sector, one of the main economic drivers of Portugal. More specifically, the business model to be presented falls within the segment of local accommodation, which is fastly growing worldwide, driven by a series of trends, among which stands out: (1) the greater access to international travel that resulted in the emergence of a new segment of consumers, interested in more affordable accommodation offers; (2) the increase in digital consumption and the development of the internet as a mean to choose and buy touristic experiences; (3) the growing trend of peer-to-peer consumption and the search for authentic tourist experiences, where the visitor immerses themselves in the local culture and, finally, (4) the emergence of digital players such as OTAs, which allowed for the sale of single rooms in their portals, paving the way for small units to compete directly with large hotel chains.

It is also worth mentioning that the success of a new company in this sector depends on its ability to create positive associations to its brand, in the minds of consumers. Being a service company, it’s imperative to provide positive, consistent and memorable experiences, which can be achieved through the inclusion of three new variable to the marketing mix, that are responsible for providing the tangible “clues” that drive the customer’s satisfaction with the service.

Finally, the topic of revenue and reservation management was addressed, as a fundamental element of management to maximize the revenue generated by the company.

3. International context and trends

Tourism is an important sector that heavily contributes for the economic activity, employment and exports' revenue of numerous countries around the world. Despite of, since the early 2010s, the existence of a global downward pressure over public finances, the level of investment in the touristic sector has been on the rise, proof of its economic importance.

Over the last few decades, the tourism sector has been growing sustainably and continuously. The rise of globalization and a series of new technologic advances have given rise to lower travelling costs and greater ease of planning and purchasing of travels. On top of that, the growth of international tourism, especially in markets such as Asia, has unlocked worldwide opportunities.

According to the World Travel & Tourism Council (WTTC, 2019), between 2009 and 2019, the tourism sector grew above the global economy, being one of its core drivers, surpassing both the food and auto sectors (United Nations World Travel Organization, 2019)

This trend has suffered a disruption in late 2019-early 2020, with the surge of the COVID-19 pandemic. Protecting populations and keeping the health systems from collapsing have been the major priorities of governments worldwide, who have put in place confinement and isolation measures, in an attempt to control and contain the virus. The sanitary crisis is having an immense impact on worldwide economic activity.

The World Economic Outlook report, published in April by the International Monetary Fund (IMF), has predicted a contraction of the global economy of -3% for 2020, a scenario that is way worse than the previous global financial crisis. Assuming that the pandemic is contained by the end of 2020, the report suggests that the global economy may have a +5,8% growth in 2021, as economic activity stabilizes, and governments implement recovery policies.

The real damages to the global economy are still hard to predict, because they depend on how different factors, such as the pandemic's course, the intensity and efficacy of the containment measures, the extension of the interruptions to sourcing, the shifts in consumptions behaviors and thrust, and the volatile changes on essential goods' prices, will play out.

The tourism sector is one of the worst affected by this pandemic, with planes grounded, hotels closed and severe restrictions to circulation being put in practice all over the world (UNWTO, 2020). The UNWTO estimates that the COVID-19 pandemic may have had an impact of -22% on international touristic arrivals, translating in losses of over 67 million flights and close to 80 million dollars in touristic revenue, worldwide.

The organization has published a series of scenarios of how the sector might reacts current events, the most recent ones (may 2020) point to yearly losses between -58% and -78% of international touristic arrivals, versus 2019. The severity of this drop depends on the duration of confinement measures, such has travel restrictions and closing of borders. These scenarios also put in risk between 100 and 120 million tourism related jobs.

The UNWTO points to a slow recovery, begging in 2021, with domestic markets recovering faster than international markets. For this recovery, the role of the government and recovery policies is decisive. All around the world, several relive plans have been put in place, to contain the impact of the pandemic and stimulate the recovery of the tourism sector.

4. External Analysis

4.1. General Environment Analysis

4.1.1. Political environment

Integrated on the Ministry of Economics, Turismo de Portugal, I.P. is the top national touristic authority. They're responsible for the planning and implementation of tourism related policies, such as promotion, value creation and sustainability of touristic activities (Turismo de Portugal, IP, 2018).

Regionally, the main institutional partners regulating tourism activities are:

- Entidades Regionais de Turismo (ERT) – public associations, responsible for the touristic development in each of the regions they represent, according to national directives;
- Agências Regionais de Promoção Turística (ARPT) – public agencies, responsible for the region's external promotion;
- Comissões de Coordenação e Desenvolvimento Regional (CCDR) – public commissions, responsible for the execution of environmental, territory and regional development policies;
- Câmaras Municipais – local city councils.

The main challenge in managing the touristic sector in Portugal is, according to the Organization for Economic Co-operation and Development (OECD, 2018), is to assure its sustainability, devising strategies on "…how to remain competitive while promoting tourism as a tool for regional development, preserving the natural and cultural resources and authenticity of destinations, creating quality jobs, reducing seasonality and regional imbalances, and maintaining a good balance between residents and tourists" (OECD, 2018).

To meet this challenge and work on "preparing for the future, making long-term commitments, promoting joint work among all those involved in the activity and anticipating the challenges of the next decade" (Turismo de Portugal, IP, 2017), the Ministry launched, in 2017, the Tourism Strategy 2027 (TS27), a report developed alongside multiple stakeholders of the sector, from all over the country.

The TS27 establishes a long term vision for Tourism in Portugal and delivers an action plan for the short/medium term, aiming at "affirm tourism as a hub for economic, social and environmental development throughout the territory, positioning Portugal as one of the most competitive and sustainable tourist destinations in the world." (Turismo de Portugal, IP, 2017). The three sustainability pillars of the TS27 – economic, social and environmental – are associated with the following metrics:

- Economic: Increase demand across the whole country to 80 million stays and grow generated revenue to reach 26.000 million of euros.
- Social: expand tourism activity throughout the year, reaching the lowest seasonality rate ever in 2027; Doubling the level of secondary and post-secondary education in

tourism (from 30% to 60%) and ensuring that tourism has a positive impact on resident populations;

– Environmental: Ensure that more than 90% of tourism companies adopt measures for the efficient use of energy and water and develop environmental waste management actions.

It is not yet clear how this strategic framework will be affected and changed as a result of the health crisis caused by the pandemic. In the short term, Turismo de Portugal, I.P. released several support policies for the tourism sector, aimed at minimizing the damage caused in this important economic sector, such as the creation of a treasury financing line for tourist micro-enterprises with a reduced capacity to react to the drop in demand, and the suspension of the reimbursements of all financial supports granted by Turismo de Portugal, differing them to 2021.

As for the region of Lisbon, is up to the Entidade Regional de Turismo da Região de Lisboa (ERT-RL) to develop the touristic potential of the Regional Tourism Area of Lisbon and perform the integrated management of the destination, according to the political guidelines of tourism, defined by the Government. Its responsibilities include defining and implementing the regional tourism plan, promoting the region in the domestic market and creating regional tourist products.

The promotion of Lisbon as a destination for the foreign market is the responsibility of Turismo de Lisboa, IP., who guarantees: (1) the promotion of the region as a touristic destination and venue for congresses, fairs and other similar organizations, (2) support to visiting tourists, (3) the monitoring of tourism supply and activity in the region, (4) the assessment of the impact of plans, programs and actions carried out and (5) the preparation, analysis and dissemination of studies of interest to the sector in the region.

At last, the City Council of Lisbon (CML) has the responsibility for the organization and promotion of the region for both residents and tourists. The current vision of CML for the city is to "transform Lisbon into one of the most competitive, innovative and creative cities in Europe" (Turismo de Lisboa, n.d.).

A series of initiatives related to entrepreneurship and sustainable innovation in the city, such as Startup Lisboa, were carried out by CML, resulting in major international recognition. After being considered as "European Entrepreneurship Region 2015", Lisbon was the capital chosen to host the largest and most important technological conference in Europe - the Web Summit - between 2016 and 2018, having announced a partnership between the organization and the Portuguese government to maintain the conference in Lisbon until 2028 (Machado, A., 2018).

In a phase prior to the development of the TS27, the ERTL together with Roland Berger, promoted a wide-ranging discussion with several public and private entities in the tourism sector, with the aim of developing a strategic plan for tourism in the region of Lisbon.

The result of this project is the "Strategic Plan for Tourism in the Lisbon Region 2015-2019" (2014), which suggests that the increased contribution of Tourism to the economy of the Lisbon region is based on the creation of a new value added concept, that emphasizes the diversity of tourist offers in the region, taking advantage of the multiple experiences available in the regions of Lisbon and its surroundings – Sintra, Cascais and Vale do Tejo. The creation of a new concept that allows the region of Lisbon to be recognized as the best European destination in terms of diversity, would allow an increase in average stays, due to the greater number of attractions available, and an increase in repeat visitors¸ given the amount of combinations of possible touristic products.

In order to achieve the redefinition of the region, the report suggests the development of new niche products, such as nature tourism or religious tourism, while betting on core products, such as culture, shopping and gastronomy, necessary for Lisbon to remain a top city break destination. Emphasis is also given to the importance of promotional communication catered to each of the different markets, especially customized for priority markets - Spain, Germany and Brazil - and high potential markets, such as China.

This plan is also expected to undergo changes, in light of recent events. However, it is possible to maintain the strategic idea of promoting the region and strengthening its external positioning through the idea of development and promoting of the great diversity of touristic products available.

4.1.2. Economic environment

Portugal was, since 2016, going through a moment of economic revitalization, recovering from the global financial crisis that affected the country in the end of the last decade.

In the first quarter of 2019, Banco de Portugal (2019) made a 3 years projection of continuous economic growth for the Portuguese economy, albeit at a slightly slower pace than that registered between 2016 and 2018. Sustaining this growth were factors such as the dynamic evolution of investment, the sustained increase in private consumption and the growth in exports of goods and services, in which tourism has been highlighted.

Contributing to the positive evolution of investment would be the business component, motivated by a set of favorable factors, among which: positive expectations for the evolution of demand, favorable business financing conditions, and the realization of major infrastructure projects.

The growth in private consumption, relatively stable between 2016 and early 2020, was due to the increase in disposable income per family, improvements in employability and nominal wages and a contained price evolution.

Banco de Portugal (2019) projections revealed that, given the context of positive economic developments in the euro area, Portuguese exports would continue to grow at a steady pace, in line with external demand directed at the Portuguese economy and share gains market, essentially related to the tourist activity.

According to the OECD Economic Survey: Portugal 2019 (2019), the positive evolution of Portuguese exports in the tourism sector was in line with the strong worldwide growth of this type of transactions, coupled with the increase in the offer of accommodation for tourists, a greater number of low cost airlines flying to the country and also the increased security risks in competing markets. The same source also states that the weight that exports have in the Portuguese GDP increased substantially between 2010 and 2017, standing at 7,8% at the end of that year, almost double the value recorded between 1999 and 2009, which was around 4%. The tourism sector currently represents about half of Portuguese exports.

In fact, the sector is among most contributive to the recovery of economic activity and employment. According to the Statistical Yearbook of Portugal (2018), published by the National Statistics Institute (INE), in 2016 the accommodation, catering and similar sectors had generated, 11,6 billion euros and more than 317 thousand jobs, nationwide.

In 2017, and in Lisbon alone, the tourism sector generated 13,7 billion euros, almost doubling the sector's share of the Lisbon metropolitan area's GDP compared to 2014 and represented equivalent to approximately 93 thousand jobs, about 14,3% of the total employment in the region (Moreira, 2019).

Based on this recent history and assessing the importance that the sector has had for the country's economic revitalization; it is possible that tourism will once again be preponderant for the recovery of Portugal's economic activity in the post-pandemic period.

In Portugal, all the main economic indicators of the first quarter of 2020 dropped versus the previous year, reflecting the impact of the pandemic and the containment measures adopted. Values released by INE in April 2020 show that the contraction of tourism activity led to a drop in service exports (-9,6% in the 1st quarter, compared to the same period in 2019), and the GDP, which registered a year on year drop of -2.3%. The consequences of the pandemic extend to employability, which dropped -0.5%, and in consumer confidence indicators that have fallen to minimum values since 2013.

Banco de Portugal's projections for the period between 2020 and 2022, published in June (Banco de Portugal, 2020), point to a scenario of economic crisis in Portugal that, although short-lived, will have persistent effects. The recovery is expected to be faster than in previous recessions, such as that of 2011, due to a faster recovery of investment. Exports, however, are expected to recover slower than in recent crisis, due to a difficult recovery of the tourism sector, which is being deeply shaken by the health crisis and consequent contention measures.

The same report points to a significant increase in the unemployment rate, up to approximately 10% in 2020 and gradually falling to 7,5% by 2022. The real disposable income of households will also drop, although not as sharply as private consumption, due to the government's efforts to secure jobs and support the income of independent workers.

As mentioned, the tourism sector and other exports of services associated with it are and will continue to be strongly affected by the constraints created by the pandemic, which resulted in a drastic reduction of international tourism flows. Given the relatively high weight of the sector tourism in its exports, Portugal is particularly exposed, with an esteemed drop of -60% in tourism related income.

The subsequent recovery will be slow and gradual, in a context of high uncertainty and may bring significant changes to the preferences and behaviors of consumers of these services.

4.1.3. Sociocultural environment

The Lisbon Social Atlas, the result of a collaboration between CML, the Institute of Geography and Spatial Planning of the University of Lisbon (IGOT-UL) and the Pontifical Catholic University of São Paulo, constitutes a comprehensive portrait of social characterization of the Municipality of Lisbon, published in June 2017.

In this Atlas, information is presented regarding the territory, population, education and the labor market, among others. Some of the highlights include:

The city of Lisbon has a resident population of nearly half a million inhabitants, spread over 24 parishes. As in other parts of the country, Lisbon has been experiencing a constant loss of inhabitants and an aging of its resident population. These trends do not occur so intensely in areas where the city has expanded in recent decades, namely the northern part of the city and the eastern zone, in places like Parque das Nações and Alta de Lisboa.

The pattern of residents has changed significantly over the past two decades. Traditional families are diminishing and giving way to new types of family, that tend to be smaller, a result of the fall in fertility, the postponement of motherhood and the decrease in the average number of children. In the case of Lisbon, the average size of families has been declining - In 2011, 35% of families residing in Lisbon were made up of a single individual, in multiple cases over 65 and living alone in the accommodation. Together with the increase of single parent families or families with 3 or more children, resulted in an increase of a particularly vulnerable segment given the context of an economic crisis.

In terms of education, the city combines very different realities. Living alongside a large number of inhabitants with higher qualifications well above the national average, there is a large fringe of residents that have very low levels of education or literacy, facts partially associated with an aged population.

Despite the improvement in the qualifications of the working population, between 2009 and 2014 there was an unfavorable evolution of the labor market, as a result of the 2008 crisis, which resulted in greater precariousness and in an increase of overall unemployment.

In terms of housing, the city seems to favor height construction, a fact that is evident when comparing the evolution of the number of buildings (which decreased by 1%) with the number of inhabitants (which increased by about 10 times), in the period between 2001 and 2011. This new trend occurred mainly in the parishes mentioned above, to where Lisbon has expanded. After a period of strong dynamism in construction, the focus of the city's management started to be based on the requalification and on fighting degradation and abandonment, especially around the historic center and central area of Lisbon.

A constant feature in the city is the high dependency of renting/leasing. The city is mainly inhabited by people who rent apartments, which represent about 40% of the total residing population. This value has nonetheless been decreasing since the 90s, as a result of incentives for the acquisition of houses, such as eased access to loans and youth credit programs.

Regarding the profile of the visitors, according to the annual report of Internationale Tourismus-Börse (ITB, 2019), the most valuable market segment for the coming years will be composed of the so-called Millennial generation. The publication states that people born between

1980 and 2000 make up 40% of the international tourism market. They are generally more informed than the other segments and use more sources of information at the time of planning. Holidays are the main reason for international trips made by this segment, which prefer “City Trips” and “Sun & Beach” types of holidays.

The main source markets for international travelers belonging to the Millennial generation in 2017 were the United States, followed by China, the United Kingdom and Germany (35% of millennials traveling internationally came from one of these markets).

Regarding the main source markets for tourists in Lisbon, the domestic market was the largest single contributor to the number of overnight stays registered in the city between 2015 and 2018. In terms of international arrivals - which represent 78,7% of the total overnight stays registered in 2018 - the 15 largest source markets are concentrated in Europe (7,62 million overnight stays), followed by Brazil (1,41 million) and North America (1,55 million).

In terms of growth evolution among the largest markets, the USA stands out with a 3-year Compound Annual Growth Rate (CAGR) of +26,8%, followed by Canada (+25,2%), Brazil (+19,0%) and China (17,7%). With an opposite trend there’s France, the United Kingdom and Northern Ireland and Switzerland, all with a negative evolution in the number of overnight stays in Lisbon in the last 3 years.

Table 1 – Stays on touristic accommodations in Lisbon, by country of Origin			
Country of Origin	**Number of stays (2018)**	**Δ% vs. 2017**	**CAGR 3 years**
01. Portugal	**3 736 020**	**+4,4%**	**+4,9%**
02. France	1 493 664	-1,7%	+5,3%
03. Brazil	1 410 447	+10,7%	+19,0%
04. Spain	1 385 701	+1,0%	+4,1%
05. Germany	1 259 212	+0,1%	+6,9%
06. United States of America	1 204 369	+26,3%	+26,8%
07. United Kingdom and Northern Ireland	960 178	-3,2%	+8,4%
08. Italy	779 370	+2,2%	+7,5%
09. Netherlands	469 925	+8,2%	+8,5%
10. China	348 234	+7,1%	+17,7%
11. Canada	347 227	+29,0%	+25,2%
12. Belgium	310 844	+4,2%	+2,1%
13. Switzerland	280 267	-3,4%	+7,8%
14. Russia	250 976	+12,4%	+15,4%
15. Sweden	223 810	+5,8%	+2,9%
16. Poland	204 810	+1,7%	+11,4%

Table 1 - Stays on touristic accommodations in Lisbon by country of Origin; Yearly. Source: National Institute of Statistics, 2019

According to World Bank data from 2018, shown in Figure 1, it appears that all the main source markets identified, except for Brazil, registered an increase in their expenditure on international tourism, compared to the previous years. The evolution of expenditure on international tourism between 2015 and 2018 was of growth trend in all the markets analyzed, namely, United States (CAGR 3 years of + 7,5%), China (+3,5), Eurozone countries (+ 8,0%), Brazil (+3,0%) and the United Kingdom (+0,4%).

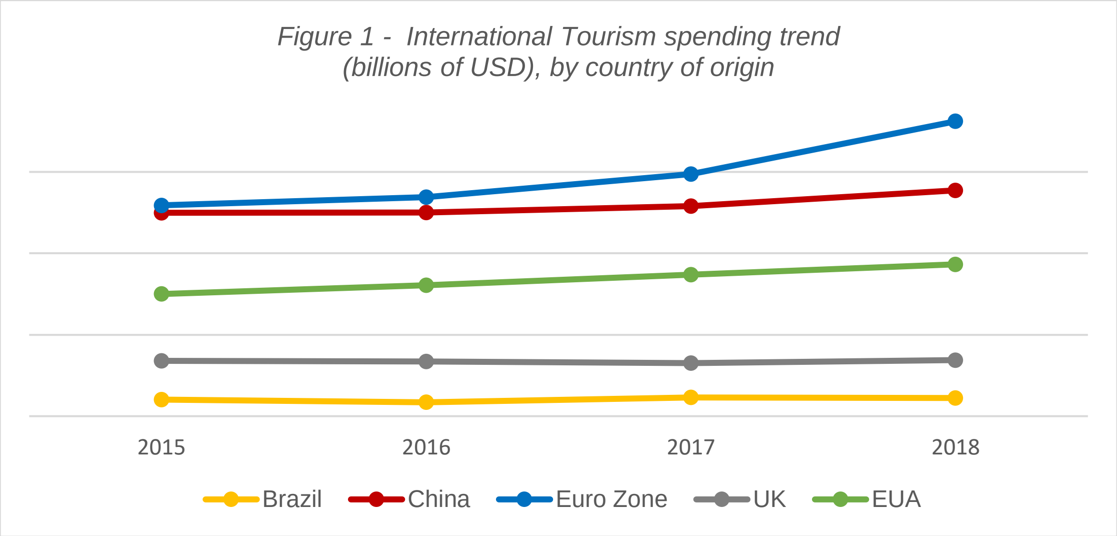

Figure 1 - International Tourism spending trend (billions of USD), by country of origin. Source: World Bank, 2018

It is still very hard to predict the behavior of the main source markets in the period after the pandemic. During the first quarter, the effects of the pandemic and consequent worldwide measures had a major impact on the tourism sector, with data from the UNWTO pointing to a -22% reduction in international arrivals worldwide. The opinion of the panel of experts surveyed in May by the organization is that domestic demand will recover faster than international demand, which is only expected to recover throughout the year 2021.

Other factors conditioning the sector's recovery include the severity and duration of the economic crisis caused by the pandemic and the effect generated on the monetary availability and purchasing behavior of visitors. Political support is also seen as decisive in the recovery phase that is likely to last, at least, throughout the year 2021.

In terms of changes in consumer preferences, an Accenture study of how the COVID-19 pandemic accelerated the adoption of new consumer behavior identified three major trends that will shape consumer behavior in the long run - first, it is to highlight the growing focus on health, hygiene and well-being, which translates into greater awareness and selectivity in relation to the origin and nutritional value of the products consumed, secondly, there is a great increase in the preference for local products, which support the community and people. Finally, it is worth highlighting a greater environmental and sustainability awareness, a concern that will affect the purchase options of consumers, who will tend to prefer more sustainable products, which avoid waste and the use of disposable materials (Accenture, 2020).

4.1.4. Technological environment

Due to the increased focus on the consumer and the constant emergence of new technologies, tourist experiences have become increasingly motivated, co-created and facilitated by social and mobile technologies. Due to its immense potential for implementation, through the entire purchase process, whether before, during and after the trip, technology has been transforming the nature of contemporary tourist experiences. (Neuhofer et al., 2014).

The tourism sector has, in recent decades, witnessed technological innovations that have profoundly altered the way one buys, sells, lives and shares tourist experiences.

Firstly, tourist experiences no longer depend on services offered on the spot, extending to virtual spaces, available at the different stages of a tourist experience, as summarized in the figure below, adapted from Neuhofer et al. (2014):

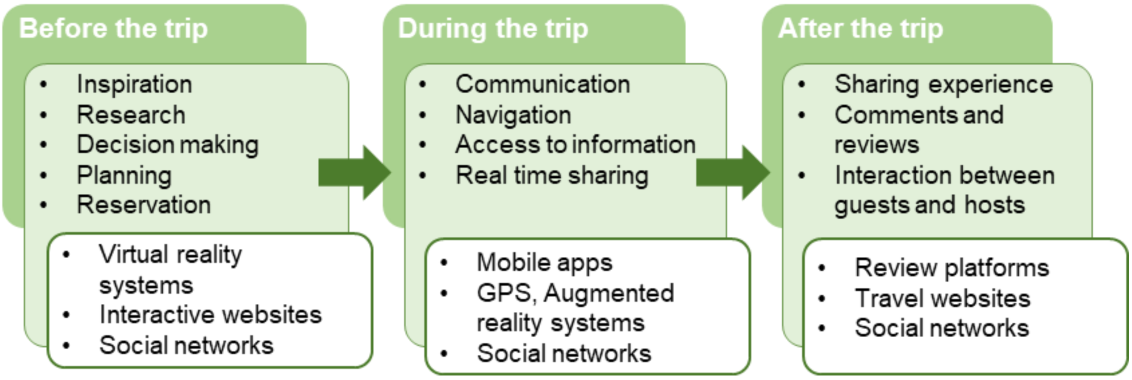

Figure 2 - the modern touristic experience. Source: Neuhofer et al., 2014

The nature of the travel experience was also changed with the appearance of technologies that made it possible for the sharing economy to reach the tourism sector. According to the European Parliamentary Research Service (2017), the emergence of channels such as AirBnB or Couchsurfing.com, which promote tourist experiences of cultural immersion, has led to profound changes in relations between operators in the sector.

Recognizing the importance of digital media at the moment of decision that precedes the choice of a tourist destination, Turismo de Portugal, IP, has been investing the totality of its promotion budget in digital communication, replacing all traditional means of communication. The campaigns to promote Portugal as a destination began to be customized in order to meet the tastes and preferences of tourists from various target markets. The first fully digital implementation took place in 2013, it had 13 target markets and focused on Google AdWords and Google Display, YouTube and Facebook. About 400 campaigns, in 11 languages, were published in these media and on specific websites for each of the sourcing markets, redirecting online traffic to the institutional channel VisitPortugal.com and social networks (Turismo de Portugal, IP, 2014).

4.1.5. Legal environment

The new dynamics in terms of international mobility, which made the tourism sector accessible to low-income segments, and the increased sophistication of information and communication technologies, which opened space for the dissemination and remote acquisition of tourism products, including accommodation, allowed a considerable reduction in the costs of intermediation and tourist agency, opening the accommodation sector to the entry of owners, interested in the profitability of their property, via rental to tourists.

This new segment managed, in a short time, to reach a considerable relevance, mainly in Europe, in cities like Lisbon or Barcelona.

The Portuguese Law Decree (D.L.) 39/2008, of March 7, 2008, which regulates the legal regime for tourist enterprises, contemplated the creation of the figure of Local Accommodation, in recognition of the importance of this segment.

Currently, the operation of Local Accommodation establishments is regulated by D.L. 128/2014, dated 08/29/2014, as amended by D.L. 63/2015, dated 04/23/2015 and D.L. 62/2018, dated 08/22/2018.

According to the law, are considered 'Local Accommodation establishments' all those that provide temporary accommodation services for a fee, and that meet a series of requirements related to basic sanitation.

Local accommodation establishments can be integrated into one of three modalities, Apartment, Residence or Accommodation Establishment (also called “hostel”) and, with the exception of the hostel, must respect a maximum capacity of 9 rooms and 30 users.

The provision of accommodation services is presumed when a property or fraction thereof is advertised or made available by any means or entity, namely travel and tourism agencies or websites.

According to the guide for the creation of a Local Accommodation, provided by Associação Mutualista Montepio (2019), to explore a property as Local Accommodation, it is necessary:

- Make a prior communication to the Mayor, carried out through the Balcão Único Eletrónico;
- Open activity - the income obtained through Local Accommodation is taxed according to category B (business and professional income) or category F (property income);
- Subscribe a mandatory civil liability insurance;
- Own a complaints and information books;
- Communicate the entry and exit of foreigners to the Aliens and Borders Service (SEF).

The way in which the local accommodation segment has grown in Lisbon, particularly in recent years, has also led to the creation of protective measures for the city's inhabitants. In 2018, CML created containment areas in the city center, limiting new registrations of local accommodations in historic districts of the city, such as Alfama, Mouraria, Castelo, Chiado and Bairro Alto. Other measures implemented in order to slow down the sector's growth were to limit the maximum number of properties possible to be exploited by a single owner and the creation of a maximum limit of available housing allocated to local accommodation of 25% (Francisco, 2018).

4.2. Sector attractiveness analysis

The attractiveness of the local accommodation segment was analyzed according to the 5 Forces model (Porter, 1980), used to summarize the competitive dynamics between the main actors in a given sector.

In the case of the present business model, dedicated to the management of properties for local accommodation, operating in the tourist ecosystem of the city of Lisbon, it is considered that the competitive dynamics of the sector is influenced by:

- Potential **Customers** – property owners in the city of Lisbon;
- **Suppliers** - all those that enable the management of a property for tourism purposes, namely online platforms such as Booking.com, where the property is managed and made available to rent, and all companies that provide supplementary services, such as cleaning services or suppliers of amenities;
- The **rivalry between existing companies**, evaluated by considering the different companies that provide property management services to Lisbon owners, for touristic purposes;
- **Substitute Products** can be any other means that an owner has at his disposal in order to monetize a property in Lisbon. Keeping the purpose of making the property profitable for tourism purposes, autonomous management can be considered. Changing the scope and looking at ways to make the property profitable for non-tourist purposes, one can consider options such as long-term tenants, with fixed income or medium-term rental of rooms for students / young professionals;
- **Threat of new entrants** measured by the barriers to entry in the market of any other platform or property management company for accommodation.

4.2.1. Threat of new entrants

The management of third-party properties for local accommodation is an activity with a very small or even non-existent fixed cost structure, which does not require investments or capital. This is partly due to the ease of accessing technological property management platforms online (which act as a distribution channel for the accommodation), which are free to register and built to be used by anyone, regardless of their level of knowledge about the market or the platform.

The level of differentiation between companies that provide this type of service is minimal, with most competitors in the sector proposing a solution that is closely like the others, contributing to low switching costs for potential clients.

In the period before the pandemic, the greatest barrier to new entrants was the guarantee of profitability, proven by its good reputation and years of experience in the sector, determining factors in the choice of a property management company, and impossible to acquire as a new entrant. Entry into the sector may also be hampered by legal restrictions on new registrations in several historic neighborhoods in Lisbon.

Currently, these challenges are worsening by the fact that several owners are starting to opt for long-term leasing, motivated by the recent weakening of the tourism sector.

		Contribution to Force					
		1	**2**	**3**	**4**	**5**	
Economies of scale	High					X	Low
Service differentiation	High				X		Low
Needs for capital	High				X		Low
Switching costs for clients	High					X	Low
Ease of access to distribution channels	Low				X		High
Ease of access to necessary technology	Low					X	High
Effect of experience in the sector	High	X					Low
Probability of retaliation from existing competitors	High				X		Low

Table 2 - Summary of the Threat of new Entrants

4.2.2. Rivalry among existing competitors

The property management market for local accommodation in the city of Lisbon is extremely fragmented, with countless small players and few large players such as the international giants Guestready and Hostmaker, managing a combined total of about 400 properties in the capital (Wong, 2018 ; Peixoto, 2019), a value that is still a small fraction of the properties registered as local accommodation in the city, which is close to 20 000 units, registered by the end of 2019, according to the National Registry of Local Accommodation (RNAL).

Despite the sector's instability, and considering the market's short-term contraction, it is possible that it will remain extremely fragmented among the various players, in the medium to long term, at a time when tourism activity resumes in ways closer to normal activity.

Finally, the access to both customers and suppliers is easy and the offers are little differentiated between them. Barriers to exit are low, despite the limited transferability of tangible assets from this to another industry.

		Contribution to Force					
		1	**2**	**3**	**4**	**5**	
Number of existing competitors	Low				X		High
Market concentration	High			X			Low
Market growth	High	X					Low
Fixed costs	Low	X					High
Differentiation among services provided	High					X	Low
Switching costs for clients	High					X	Low
Diversity among existing competitors	High				X		Low
Barriers to exit (divided into:)							
- Specialization of existing assets	Low			X			High
- Cost of exit	Low	X					High
- Emotional barriers	Low		X				High
- Social and legal restrictions	Low	X					High

Table 3 - Summary of the intensity of Rivalry among existing competitors.

4.2.3. Bargaining power of clients

The clients – the property owners - have, as mentioned above, several options to monetize their property. If choosing to do it through local accommodation, they may choose between several companies that manage the property or provide consulting services on how to do it, with great ease in switching between each of the solutions.

As previously mentioned, the chosen solution will involve a compromise between profitability and required effort, so the market will tend towards solutions that offer the best relationship between these factors.

Currently, due to the pandemic context, many owners are preferring to make their properties more profitable through long lease agreements, in order to face the drop in income from touristic activities. This being a trend forced by the current context, it is possible that the interest in local accommodation will return, as soon as the sector stabilizes.

		Contribution to Force					
		1	**2**	**3**	**4**	**5**	
Number of existing clients	High		X				Low
Switching costs for clients	High				X		Low
Clients profitability	High	X					Low
Weight of provided services on client's costs	Low		X				Alto
Importance of the quality of service provided for clients	High		X				Low
Differentiation of offered services	High					X	Low
Availability of substitute services	Low					X	High

Table 4 - Summary of the bargaining power of clients

4.2.4. Bargaining power of suppliers

Suppliers can be divided in two types - local service providers that support the day-to-day management of the property and the relationship with the guest, such as cleaning services, laundry and amenity suppliers; and the suppliers of the digital platforms where the property is made available for tourists to rent-

In the first case, and partly due to the growth of the sector in recent years, the offer is abundant and little differentiated. The second case, however, concentrates on a small number of suppliers (online booking channels such as Booking.com, AirBnB and Expedia) the total market value. Without resorting to these, it is virtually impossible to survive in the sector.

		Contribution to Force					
		1	**2**	**3**	**4**	**5**	
Number of existing suppliers	High					X	Low
Size and concentration of the market among existing suppliers	Low					X	High
Relevance of the industry for the suppliers	High					X	Low
Average volume of purchases from suppliers	High				X		Low
Cost of switching suppliers	Low					X	High
Profitability of suppliers	Low					X	High
Weight of the cost of products computed by the industry in the total cost	Low					X	High
Differentiation of services acquired from suppliers	Low			X			High
Availability of substitute products to those purchased	High				X		Low

Table 5 - Summary of bargaining power of suppliers

4.2.5. Threat of substitutes

The existing solutions available to individuals who want to monetize their property in Lisbon are plenty, due to the recent increase in the city's attractiveness as a destination, sought by tourists and international visitors, but also by students and professionals who are attracted by the new dynamics of entrepreneurship in the city.

In addition to the autonomous management of the property for tourism purposes, there is the possibility of renting for permanent or temporary housing. Any of these solutions can be implemented quickly, with the help of platforms such as Booking.com or AirBnB (for tourism), Uniplaces (for students) and Facebook or traditional real estate agencies (for long-term tenants), for example. The adoption of any of these solutions may or may not involve a sacrifice of the profitability margin of the property and a lesser or greater level of work required from the owner to optimize the profitability of the property.

As already mentioned, due to the impact the pandemic has had on the tourism sector, house leasing is currently a preference for an increasing number of owners. Even so, interest in local accommodation is likely to resume as the tourism sector gradually recovers.

		Contribution to Force					
		1	**2**	**3**	**4**	**5**	
Availability of substitute products	Low			X			High
Switching costs for clients, for choosing substitute services	High					X	Low
Profitability of suppliers of substitute products vs. the level of effort required from the owner	Low	X					High

Table 6 - Summary of the threat of substitutes.

4.2.6. Summary of the sector's attractiveness analysis

As a result of the analysis of the five forces shaping this market segment, it can be observed that the attractiveness of the sector is medium.

Under normal conditions, the huge market growth would remove competitive pressure, despite the high number of new competitors and the low need for initial investment would be drivers for the sector's high attractiveness. On the downside, the dependence on online booking channels, with enormous bargaining power and the downward pressure on prices, resulting from an intense competition, would be the main factors dragging the attractiveness of the sector.

However, the current situation is of great uncertainty and could cause some of the data and assumptions presented to change slightly or even significantly in the short term.

It is possible that the interest in local accommodation will resume, as the tourism sector recovers, but this is not certain. The attractiveness of the sector, summarized in Figure 3, was determined with a scenario of gradual recovery in mind. There is however the possibility that this may not be the case.

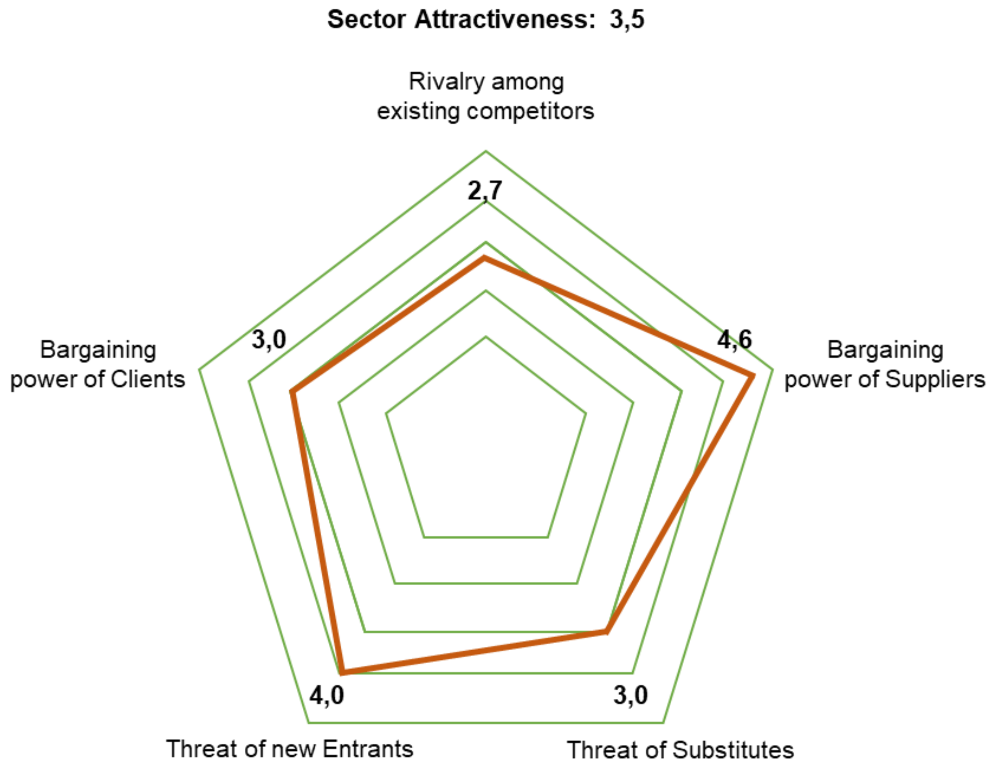

Figure 3 - Summary of the Analysis of Porter's Five Forces Model.

4.3. Market Analysis

The market in which a company operates can be broadly defined as "… the set of «audiences» that are likely to influence the volume of consumption of a product." (Rodrigues et al., 2018).

For the case at hand, the company's activity will be inserted in the tourism sector in Portugal and, more specifically, in the tourist accommodation market in Lisbon.

4.3.1. Characterization of the tourist accommodation market in Lisbon

All the main indicators of the tourism sector in Portugal registered, in recent pre-pandemic years a favorable growth that made tourism the main export sector for the Portuguese economy.

The tourist accommodation market between 2016 and 2018, briefly described in Table 7 shows the growth of the main tourist indicators for the region of Lisbon. The report "Tourism in Numbers", prepared by the Travel BI platform, from Turismo de Portugal, IP, points to the metropolitan area of Lisbon (AM Lisbon) as one of the main touristic regions in the country, having received about 26,97 million visitors in 2018. Of these, about 30% visited the AM Lisbon, resulting in a total income for the region of 1,35 million euros, about 32% of the total tourism related in the country.

INE reveals that, in 2018, there were 17,5 million overnight stays in Lisbon, an increase of 18% compared to 2016. The overall income generated by the tourism sector in the city grew approximately 37% between 2016 and 2018, a year in which over one billion euros were generated with tourist accommodation in the city.

Table 7 – Lisbon's touristic accommodation market analysis

Generic Characteristics	Evolution			Prediction		
	2016	2017	2018	↗	=	↘
1. Total Dimension						
○ Number of stays (millions)	14,8	16,7	17,5	X		
○ Growth rate of the number of stays (%)	+9,9%	+12,8%	+4,8%			
○ Gross Income ('000 million €)	0,93	1,15	1,27	X		
○ Growth rate of gross income	+14,5%	+23,7%	+10,2%			
2. Characterization of the Distribution Channels (total Portugal)[1]						
○ Total number of accommodation properties	4 805	5 840	6 868	X		
○ Growth rate of the total number of accommodation properties	10,7%	21,5%	+17,6%			
○ Total number of available rooms, per segment:						
Total	166 448	175 056	184 435	X		
Hospitality	n.a.	78,3%	77,0% (-1,3pp.)	X		
Local accommodation	n.a.	15,8%	17,2% (+1,4pp.)	X		
Rural tourism sites	n.a.	5,9%	5,8% (-0,1pp.)	X		

Table 7 - Lisbon's touristic accommodation market analysis. Source: INE, 2019

[1] Data for AM Lisbon is non-existent

The vast majority of rooms available for tourist accommodation in Portugal are provided by establishments in the Hospitality sector, such as Hotels and Apartment Hotels, which contribute with 77% of the rooms available in the country.

Local accommodation establishments represented, in 2018, 17,2% of the total rooms available in Portugal and were, in fact, the only type of accommodation to grow in share of available rooms, with +1,4pp., comparing with the previous year. However, a 2017 study by Deloitte on the economic impact of tourism in the region of Lisbon, states that the number of local accommodation rooms available (33 661) could actually be higher than the number of rooms offered by the hotel sector (30 217) (Curvelo, 2019).

These numbers reflect the good moment that tourism was going through in the city of Lisbon up to early 2020. Since then, all indicators have been severely impacted by the emergence of the pandemic. Just in April 2020, there was a decrease of -97% on the number of guests and overnight stays in the city. 81% of the establishments were closed or did not register any movement during that period and the only tourists in the city were non-resident guests who were stranded or who, for professional reasons, had to travel to the country.

4.3.2. Characterization of the Local Accommodation market in Lisbon

According to the characterization used by Turismo de Portugal, as seen in Table 8, the tourist accommodation market can be broken down into the hospitality, local accommodation and rural tourism segments. The hospitality segment is made up of Hotels, Apartment-Hotels, Tourist apartments and Tourist villages, while the local accommodation comprises single apartments owned by locals and lodging establishments, such as Hostels.

Table 8 – Lisbon's tourist accommodation market segments

Segments	Gross Income ('000 million €)			Prediction		
	2016	2017	2018	↗	=	↘
1. Hospitality	0,79	0,97	1,14	X		
2. Local Accommodation	n.a.	0,10	0,13	X		
3. Rural tourism	n.a.	0,002	0,002			X
Total	0,93	1,15	1,27	X		

Table 8 - Lisbon's tourist accommodation market segments. Sources: Turismo de Portugal, IP & INE, 2019

The hotel sector continues to be the major driver of tourism revenue Portugal. However, the local accommodation segment has been growing at a faster pace, with a +23% increase in revenues in 2018, compared to the previous year.

The growth in income generated by the local accommodation segment in Lisbon is supported by an increase in demand, evidenced by the constant increase in guests (1,4 million in 2018, 20,6% more than in 2017) and overnight stays (3,3 million, growing 16,9%). Both indicators show higher growth than registered by the hotel sector: +2.7% more guests compared to 2017 and +2.5% overnight stays.

Table 9 – Local accommodation properties in Lisbon, by typology			
Type of Accommodation	**Registrations (2017)**	**Registrations (2018)**	**Δ% vs. 2017**
1. Apartments	9 628	16 119	+67,4%
2. Houses	674	989	+46,7%
3. Rooms	8	38	+375,0%
4. Guesthouses	872	1 500	+72,0%
5. Hostels	164	222	+35,4%
Total	11 346	18 868	+66,3%

Table 9 - Local accommodation properties in Lisbon, by typology. Source: RNAL, 2020

Of the 21 875 local accommodation registrations made until the end of 2018, 90,9% referred to Apartments, Houses or Rooms. The rest was made up of Guesthouses and Hostels. On top of being the one with the most associated records, the Apartment typology is also the one with the biggest recorded growth in recent years.

It is expected that the number of new registrations and even the continuity of many of the current local accommodation registered in Lisbon will be negatively affected by the pandemic. Without short-term prospects for the return of international tourists to Portugal, the local accommodation market is dependent solely on the national market. According to the President of the Association of Local Accommodation in Portugal (ALEP), Eduardo Miranda, the major challenge for local accommodation units is to turn attention to the national market and, if necessary, resort to medium-term leasing, to survive in the coming months. He stresses however, that when the recovery starts, the local accommodation will be in a privileged position, not being a large structure and, therefore, being able to reopen at any time (Veiga, 2020).

4.4. Clients & Consumers

In this point is of great importance to mark a clear distinction between the two targets to which the company will work – Clients and Consumers.

On one side, the owners of properties located Lisbon, who want to monetize their properties will be considered as the clients of the management services provided by the company. On the other, visitors, who are the ones who “consume” the accommodation services will be regarded as the consumers.

A Customer / Consumer analysis will focus first on the company's customers - the Lisbon property owners - and then on the guests.

4.4.1. Clients – Property owners

Aimed at characterizing the company's potential customers, 12 interviews were conducted with people who own or manage apartments in the city of Lisbon (full interview guide in Annex I). Of these, seven own apartments that they rent to tenants, with long-term contracts. The remaining five have their apartments available for local accommodation, of these two manage the apartment by their own and the remaining three use the services of local accommodation management companies.

The owners who currently have long-term contracts with tenants are mostly people aged 35-44, who recently bought the apartment or who have had it in their family for several years. All apartments in this segment are located in the Lisbon area (Benfica, Roma, Encarnação). The contracts they maintain were created at least two years ago, the majority of which are old contracts.

This segment of homeowners seems reluctant to make their apartments available to tourists. Everyone mentioned never having considered the option of renting to tourists as a way to make the apartment more profitable and the reasons for this are essentially related with trust factors. The interviewed owners mentioned that them not having a prior contact with visitors is an impediment to making the apartment available to tourists. Many say they prefer to rent to people closer to them, such as friends, family or acquaintances whom they trust. Another concern demonstrated is that, at the moment, they do not have the means to requalify and furnish the apartment.

The interviewees who rent the apartment to tourists and manage it for themselves, are of a younger age group (25-34) and manage apartments that were previously in the family. Both properties are located in Lisbon (Chiado and Príncipe Real) and are managed through the Booking.com and AirBnB platforms.

In these cases, the expectation was to obtain a higher return than the average monthly income for the type of apartment in that area. The overnight price charged on these apartments was based on competition - similar apartments in the area.

The service they provide to guests is simple, with a single in person contact, during check-in. The entire process is digitally managed through the reservation platforms and all cleaning services between reservations is subcontracted.

As points that bother them most in the process, they mentioned the time they need to wait for tourists, due to the constant delays in flights and transport. Furthermore, as they receive guests from several countries, arrival times are very different and unpredictable, so they need to always be available. The other issue mentioned concerns the online management of the property and the need to always be connected to the platforms, to keep up with competitors' prices and answer questions from guests before and during their stay, which involves a constant commitment. Both refer that they have already considered using a local accommodation management company but have not yet done so. Both referred that the recommendations of friends and family would be crucial if choosing a local accommodation management company.

Finally, the owners who use local accommodation management companies to monetize their properties are aged between 45 and 64. They are recent owners (in possession of the property for less than 5 years) and have purchased the apartments with the intention of renting to tourists, with the exception of the youngest interviewee, who inherited the apartment. In all three cases, the company that manage their apartments was chosen based on recommendations from friends or acquaintances, thus reinforcing the importance of trust and the power of the recommendation for choosing a local accommodation management company.

The three respondents said they were satisfied or very satisfied with the current management company they work with. As for potential improvements, they mentioned the availability of the team to meet and the visibility over reservations and average prices. One of the respondents, residing outside the country, summarized the relationship she currently has as good, highlighting on the positive that the company she works with deals with all the details of property management, from the decoration and maintenance of the space, to the virtual management of the property and the reception of guests and management of companies that provide the cleaning services. As an improvement, she would like to be able to follow more closely how the property is being managed, highlighting the need to meet the team responsible for her apartment more regularly.

4.4.2. Consumers – Visitors

The data contained on the survey of tourist activities, carried out by the Lisbon Tourism Observatory, allows to trace the profile of the tourists who visit Lisbon, based on more than 3 000 interviews with foreign visitors (Turismo de Lisboa, 2019).

In this survey, it shows that Lisbon is mostly visited by people aged between 25 and 34 (38,0%) and 35 and 44 (28,6%). Visits are made, mostly in couples (41,4%), in groups of friends (31,9%) or in family (25,9%). The vast majority of respondents used airline, travel and accommodation’s websites as sources for information before the trip, having used the internet to book their trip. During their stay in Lisbon, the preferred source of information are mobile applications.

For the majority of respondents (58,3%), Lisbon was the only or main travel destination. For virtually all respondents, this was their first visit to the region.

During the stay, the favorite type of accommodation was hotels (76,6%), followed by local accommodation (23,1%).

The city of Lisbon is, moreover, the most visited area within the entire region, with the main places of interest visited being located in the City Center and Belém, namely Baixa, Chiado, Avenida da Liberdade, Cais do Sodré, Terreiro do Paço, Belém and Bairro Alto, which were visited by virtually all respondents, regardless of their corresponding segment.

The main activities practiced were visiting monuments, attractions or museums, going out for dinner, walking and going to the beach. In the category of monuments and attractions, the main points of interest are also located in the city of Lisbon, namely Torre de Belém, Padrão dos Descobrimentos, Mosteiro dos Jerónimos, Sé de Lisboa and Castelo de São Jorge. Outside the city, the biggest attraction was Palácio da Pena, in Sintra, much sought after by families, but with little demand from young people and groups of friends. In terms of museums, Centro Cultural de Belém was the most visited, followed by Pavilhão do Conhecimento and Museu do Chiado.

Focusing on visitors who opted for local accommodation, they're mostly Groups of Friends (66,6%), and under the age of 35 (47,7%). They come mostly from other countries in Europe, such as the United Kingdom, Spain, France and Germany. For most of these visitors, Lisbon is the only or main destination of the trip and this is their first visit.

When booking their trip, accommodation websites and airline websites were the most used information sources. The reservation was made, in almost all cases, through the Internet. Similar to segments, users of local accommodation choose to stay in the city of Lisbon.

Regarding the activities carried out during their stay, most visitors visited monuments, attractions or museums, went out to dinner, walked in the city and went to the beach. The great difference between this and the remaining segments was that these visitors were very interested in the city's nightlife, as highlighted by 64,7% of respondents. Their main interest areas are also found in the city of Lisbon and Belém.

In 2017, the Portuguese Hotel, Restaurant and Similars Association (AHRESP), presented a study prepared by ISCTE-IUL's Marketing FutureCast Lab, aimed at providing a greater understanding on this last visitor segment and their behavior.

The study - "Quality - Qualification and Valorization of Local Accommodation" -, was conducted with multiple owners, responsible for the management of more than 1 500 properties in the city and allows to characterize the guests of the local accommodation units in Lisbon, from the owners' perspective.

According to their answers, the majority of their consumers were European, travelling from France (the largest issuing market for 46,9% of respondents), Spain (the largest issuer for 28,2% of respondents) and the United Kingdom (the largest issuer for 23,5%). The most common visitor type is Couples (who account for 45,2% of total bookings), followed by Families (32,6%) and reservations with children (31,7%).

Location is one of the aspects most valued by guests of local accommodation units, mentioned as a determining factor for 82% of respondents, followed by Host support (69%) and Decoration (highlighted by 50% of respondents). As for the most valued aspects in the city of Lisbon, most guests highlight the Climate (82%), Friendliness/Hospitality (75%) and Gastronomy (65%).

For respondents, the most effective platforms for promoting their units are Booking.com and AirBnB, both far above any other platform.

The Quality study, also allows to identify three clusters of local accommodation users:

- *Priceless users*, for whom price is not a determining factor;
- Cost conscious, interested in saving on accommodation, valuing low accommodation prices and the existence of a guest kitchen;
- *Followers*, who value good reviews and scores on online booking platforms, more than any other factor.

4.5. Competition

In the same way that a distinction was made between clients and consumers, it is important to distinguish between the two types of existing competitors. On the client side, stand the competitors who offer property management services to property owners. On the consumer side, stand the entire offer of accommodation in the city, intended for tourists.

In both cases, there are direct and indirect competitors. On the client side, direct competitors are comprised of all the companies that offer specialized property management services for tourist accommodation, while indirect competitors comprise all companies that offer specialized property management services, but for short or medium term rentals and student accommodation, not competing directly in the tourism sector.

On the consumer side, the direct competitors are all the local accommodations available in the city of Lisbon that are distinguished from the traditional hotel offers and hostels, hereby considered as indirect competitors.

4.5.1. Client-side competitors – Direct competitors

Homeowners who decide to exploit the opportunity provided by Local Accommodation, can do it on their own or, if they choose to use a specialized company, they can monetize their property in one of the following ways:

- Model 1: leasing the property to a company in exchange for a fixed monthly payment, providing the company with exploration rights to manage and monetize the property;
- Model 2: maintaining exploration rights and use a company to provide all services related with the property management on digital platforms, the reception of guests and cleaning of the apartment, in exchange for a commission on the monthly revenue generated.

By the end of 2018, 21 875 local accommodation properties were registered in the RNAL. According to the registration, 46,1% of those properties had companies owning their registration.

The local accommodation market is, as sated, highly segmented. The 20 companies with the largest share of properties in the city, own the exclusive management of about 7,9% of the total registered properties in AM Lisbon. The vast majority of these companies has 20 or less properties at their disposal, equivalent to less than 0.2% of the existing market.

All of these companies propose a relationship identical to that described in Model 1., and as mentioned above, they manage 46,1% of the properties registered as local accommodation in AM Lisboa.

According to Eduardo Miranda, president of the Local Accommodation Association in Portugal (ALEP), companies that are in the local accommodation sector and opt for this type of business are betting mainly on “niche markets”, such as the “service apartments” – entire buildings dedicated to short-stay accommodation, without the usual hotel services (Lança, 2017).

The most relevant direct competitors are, however, the service providers that propose a contractual relationship as described in Model 2. There are several of these companies operating in Lisbon, among them:

Guestready

International startup created in 2016, currently the market sector in Portugal. They manage more than 200 apartments throughout AM Lisbon (Machado, 2019).

In its institutional channels, Guestready highlights their expertise in property management at AirBnB, despite also working with other platforms. Proof of this focus on the famous platform is the emphasis given to the number of owners who they helped to raise to the status of Superhost AirBnB (78).

The service packages offered include the management of the property before, during and after the accommodation experience, and their commissions varies between 10% and 25% of generated income (Guestready, 2019).

Hostmaker

British company with 5 years of experience in the sector, internationally. They're only present in Portugal since early 2018, but they've managed to secure prominent position in this short period of time. Currently they operate close to 200 properties spread throughout the region of Lisbon.

In terms of communication, the company highlights the ability to guarantee an average increase in income of over 30% for its customers. They claim to be experts in online property management and ad optimization, but they also offer guest reception services and accommodation maintenance and cleaning.

The commissions charged range from 10 to 25% on monthly earnings (Hostmaker, 2019)

Feels Like Home – Holiday Rentals

Feels Like Home Group is a real estate consultant, member of Turismo de Portugal, operating in the country since 2012. Feels Like Home - Holiday Rentals is the branch of the company specializing in property management for local accommodation for tourists and, according to its website, they manage more than 200 properties in Lisbon.

The website communication is aimed at non-residents looking to invest in the Portuguese real estate market, stressing its high potential and their ability to guarantee a safe investment.

Commissions charged are negotiated directly with the owners and depend on factors such as property size and location. All clients have access to the same service package, which includes property management solutions, reception and accommodation of guests and cleaning and maintenance of the property (Feels like home, n.d.)

Lovely Stay

Created in 2015, this Portuguese company currently manages 94 apartments in Lisbon. Its institutional website highlights how owners can increase their revenues, in an effortless way. Its business model differs from the previous ones, being the only company among the analyzed competitors to allow the opening of brand franchises. For those interested, the company allows the use of the brand and provides training and access to its internal revenue optimization and reservation management tools.

In addition to the fixed commissions on revenue, provided by the directly managed apartments (10 or 25%, depending on the chosen package), the company also generates income from royalties applied to its franchisees – 5% on their income (Lovely Stay, 2019).

4.5.2. Client-side competitors – Indirect competitors

Regarding indirect competitors, all companies that offer Lisbon property owners a way to monetize their property, outside the scope of local accommodation, are to be considered.

A rapidly expanding option is temporary student accommodation. The recent growth in the country's attractiveness as a destination and the increase in its reputation for quality education has contributed to the increase in international student arrivals.

The report «Portugal Student Housing 2019» prepared by JLL in partnership with Uniplaces reveals that Lisbon is the Portuguese city favored among international students, hosting 36% of the total international students who arrived in Portugal in 2016/17. The average stay in the city is 5 months, equivalent to a university semester (JLL, 2019).

Student accommodation can be divided into four categories:

- Private apartments: managed individually by an owner, who may use marketing services from platforms such as AirBnB or Uniplaces;
- Private Apartment Operators: groups of apartments owned by a single professional operator, such as Uniplaces;
- Private Accommodation for Students: purpose build students' accommodation (PBSA), owned and managed by professional operators;
- University or religious accommodation: units managed by religious institutions or by the educational institution itself.

According to the same source, the offer of accommodation for students in Lisbon is informal and unstructured. Most of the options available are Private Apartments, managed by the owner or by entities such as Uniplaces, the market leader in this specific sector, managing about 6 000 units, ranging from simple rooms to complete apartments. Rentals on the Uniplaces platform can range from € 125 / month for a room to € 920 / month for a complete apartment. Uniplaces' monetization method is through a service fee applied to tenants and a variable commission applied to the owner, calculated on the value of their contract with the incoming student.

At the level of Private Apartment Operators, the report states the existence of 17 players, responsible for the management of 1 490 rooms in the city. In this segment, Smart Studios stands out, offering "all-inclusive" rooms or studios with rents ranging between 250 € / month per room and 950 € / month per apartment. The minimum contract length is of 4 months, and in these cases, Smart Studios' revenue comes only from rents and services provided to tenants.

The Private Accommodation for Students segment is the smallest, at 700 rooms, but it is rapidly expanding in other European cities. In Lisbon there are 8 residences operating in this segment, with Uhub owning of 3 of them. The rents in this segment are "all inclusive" and vary between 385€ and 1 635€ / month. As in the previous example, operators' revenues come from rents and services provided to tenants.

The areas with the highest prevalence of this type of solutions are mostly university hubs such as Cidade Universitária and Alameda and the City Center, due to ease of access to academic facilities and proximity to touristic areas.

4.5.3. Client-side competitors – Benchmarking analysis

For benchmarking purposes, it was analyzed what can be considered as the best practices in the sector, performed by the two largest international companies specialized in property management for local accommodation, operating in the Portuguese market - Guestready and Hostmaker.

Guestready:

According to its online profile (Crunchbase, 2019), Guestready is an international startup, created in 2016 and headquartered in Switzerland. Present in the United Kingdom, France, United Arab Emirates, Malaysia and Hong Kong, it entered the Portuguese market in November 2018. Currently, it is the market leader in Portugal, where it manages more than 200 spaces, mostly in Lisbon and Porto (Peixoto, 2019).

Since it was created, it has received 9,7 million dollars of total investment, in successive financing rounds, and has acquired 3 international competitors - Oporto City Flats, Easy Rental Services and BnbLord, thus becoming the largest player in the European local accommodation management segment (Peixoto, 2019).

The company describes its process in 3 steps:

- A first meeting in which they get to know the property and the owner, in order to align details related to interior design, logistics, value estimates, technological tools and legal advice;
- Creation of the property's online profile, which involves obtaining professional quality images and videos, designing the commercial name and descriptive content of the property and managing prices on the main booking platforms;
- Management and reception of guests. After creating the profile, the company takes care of the communication with guests, personalized check-in and cleaning after each reservation.

The company's revenue comes from monthly commissions charged on the income generated in each property. There are two standard service packages offered by the company, mentioned on its website:

- Basic Plan (from 10% + VAT on generated income), that includes:
  - Profitability study
  - Ad creation and optimization
  - Management and communication with the guest
  - Calendar and price management
  - Owner's online platform (calendar, earnings, performance reviews)
  - Multiplatform management
  - Payment management
  - Guest screening and selection
- Global Management Plan (from 25% + VAT on generated income) which includes, in addition to the Basic Plan services:
  - Personalized check-in service
  - Verification of guest identity and communication to SEF

    - 24/7 guest support
    - Specialized professional photography
    - Cleaning services, bed linen and toiletries
    - Maintenance support
    - Dedicated account management
    - Dynamic prices defined by algorithms

In addition to the standard plans, the company also offers a type of contract as described in Model 1. of point 6.5.1. regarding Direct Competition. The amount of rent to be paid to the owner is negotiated on a case-by-case basis, based on the potential of the house, determined by the Guestready team.

Hostmaker:

The company's official website states that it was created in London in 2014. It has more than 2 500 associate owners, spread across six countries, mostly in Europe. In Portugal, they've been operating snice 2018, exclusively in Lisbon, where they manage more than 200 properties (Bandeira, 2019)

In 2018, Hostmaker created the Tribute Portfolio Homes in partnership with Marriott International, the largest hotel company in the world. The project, aimed at the premium market, has the management of 200 luxury apartments in the city of London being carried out by Hostmaker, bearing the Marriot quality seal (Marriot International, 2018). The success in the sector has been proven by the successive rounds of financing received, mounting to over 29 million dollars.

Like Guestready, the company's revenue comes from commissions on the income generated in each property. On its website, there are three service packages that Hostmaker makes available to owners:

- Essential package (starting at 10% + VAT on generated income) that includes:
    - Ads on booking platforms;
    - SEO review of ads;
    - Specialized professional photography;
    - Online reservations, by phone and 24/7 sales support;
    - Revenue optimization;
    - Host Dashboard panel;
    - Secure payment management on all platforms;
    - Instruction Manual for the property;
    - Frequently Asked Questions for hosts and guests.
- Handsfree package (starting at 20% + VAT on generated income) offering, on top of the Essential package:
    - In-person check-in service for keyless entries;
    - Guest billing, secure identification verification, registration with SEF and collection of City tax;
    - Toiletries, bed linen and towels for each stay;

    - 24/7 guest support and maintenance;
    - Access solutions through smart locks (at an additional fee);
    - Customized interior design (at an additional fee).
- Plus package (starting at 25% + VAT on generated income) that includes, in addition to all the above:
    - In-person check-in service for all entries;
    - Dedicated account management;
    - At home health check-up, for extended stays.

4.5.4. Consumer side competitors – Direct competitors

On the consumer side, the number of direct competitors is extremely high. The offer of local accommodation for tourists, available on the AirBnB platform in the Lisbon area, is currently over 300 properties.

In order to better map the competition, the AirBnB search tool was used, since it is the most used tools to look and book for local accommodation properties worldwide. In this tool, a 1km zone around Baixa de Lisboa was delimited. This area covers the entire Baixa and Chiado area and extends to Alfama, Bairro Alto and parts of Príncipe Real. In terms of characteristics, competition was limited to properties that have the following features:

- Location: in a 1 km radius of Baixa-Chiado
- AirBnB rate: Superhosts with a rating of +4,5, based on more than 50 reviews
- Overnight Price: Below the average for that specific night
- Typology of accommodation: Private Apartment or Home
- Type of reservation: 1 overnight stay for a couple
- Date: 19-20 March

Applying these filters, the available offer dropped to 31 properties. The average price for an overnight stay, for 2 people in the Baixa-Chiado area for the chosen date is of 152€. Among the defined competitors set, the average price is 110€.

These competitors are spread across the lower Lisbon area, with greater prevalence in Encarnação, São Paulo and Socorro, near all the main points of attraction, such as Baixa, Sé and typical neighborhoods. The types of properties available are always complete apartments, at least T1, with a capacity for 2 to 4 guests. They're ideal for couples with or without children. All properties considered include free access to wi-fi, fully equipped kitchen and private bathroom. Of the 31 properties considered, only 7 have air conditioning and only 1 offers breakfast included in the reservation.

The communication of properties on the AirBnB platform emphasizes the good location and the fact that they are private apartments.

To sharpen the competitor's analysis, the scope of analysis was narrowed to apartments aimed for couples without children or with 1 child. For this reason, only apartments with up to 2 bedrooms and 1 bathroom were considered. All properties in this segment have a rating above 4.70 stars (average of 4.82 based on an average of 182 individual reviews).

The average price per night for 2 people in this segment is 54€ and the majority of these apartments are located around Encarnação, Socorro and Bairro Alto.

A succinct description of these competitors and their key characteristics is provided on the Table below:

Name	Type	Local.	Characteristics	Amenities	Rating	Reviews (nº)	Daily rate/person (Incl. fees)
Tagus river view apartment	Whole Apartment	Alfama	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen	4,75	249	66€
Luxury Apartment with Amazing River View – Alfama	Whole Apartment	Alfama	3 guests · 1 bedroom · 2 beds · 1.5 bathrooms	Wifi · Kitchen	4,81	215	72€
Superb location, stylish: a must!	Whole Apartment	Bairro Alto	2 guests · 1 bedroom · 2 beds · 1 bathroom	Wifi · Kitchen	4,93	454	60€
Music Apartment in the heart of Bairro Alto!	Whole Apartment	Bairro Alto	2 guests · 1 bedroom · 2 beds · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,86	183	45€
Attic Bairro Alto	Whole Apartment	Bairro Alto	3 guests · 2 bedrooms · 2 beds · 1 bathroom	Wifi · Kitchen	4,69	163	45€
Studio in bairro alto for two or Four persons	Whole Apartment	Bairro Alto	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen	4,81	202	35€
Bohemian Studio at Bairro Alto	Whole Apartment	Encarnação	3 guests · 1 bedroom · 4 beds · 1 bathroom	Wifi · Kitchen	4,79	58	50€
Bairro Alto @ Your Feet	Whole Apartment	Encarnação	3 guests · 1 bedroom · 2 beds · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,77	335	70€
SCS Apartments - Palmeira 5 A	Whole Apartment	Mercês	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,89	281	75€
SCS Apartments - Palmeira 5 B	Whole Apartment	Mercês	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,91	282	75€
Dona Lisboa Cozy Chic Apartment in Rossio	Whole Apartment	Pena	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen	4,81	85	44€
Lisbon Center Sweet Studio (Mouraria)	Whole Apartment	Socorro	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen	4,78	79	45€
Capelão 15 - 3º	Whole Apartment	Socorro	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,86	69	44€
Lisbon City Sweet Studio	Whole Apartment	Socorro	2 guests · 1 bedroom · 1 bed · 1 bathroom	Wifi · Kitchen	4,77	135	40€
Capelão 15 - 1º	Whole Apartment	Socorro	3 guests · 1 bedroom · 2 beds · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,78	93	45€
Capelão 15 - 2º	Whole Apartment	Socorro	3 guests · 1 bedroom · 2 beds · 1 bathroom	Wifi · Kitchen · Air Conditioning	4,90	102	50€

Table 10 - Summary of main competitor set and their characteristics. Source: AirBnB, September 2020.

4.5.5. Consumer side competitors – Indirect competitors

Regarding indirect competitors on the consumer side, different accommodation offers were considered, all available within the same distance to Baixa, but excluding 5-star premium hotels, as they are intended for a different target than the one considered above.

The options available in this area vary between hostels and guest houses, some of them registered as local accommodations, and standard hotels up to 4 stars.

To further narrow the indirect competitor set, a series of selection criteria was applied, using the Booking.com search engine, namely:

- Location: in a 1 km radius of Baixa-Chiado
- Booking.com rating: + 8,0 points
- Typology of accommodation: Hostels or Hotels up to 4 stars
- Type of reservation: 1 overnight stay for a couple
- Date: 19-20 March

Following these criteria, 33 properties were found. Of these, most are in Santa Maria Maior, a region that encompasses the regions of the historic center, such as Alfama, Baixa-Chiado, Rossio, etc., and where the old parishes of Encarnação, São Paulo and Socorro are included.

The major factor of differentiation between these properties versus local accommodation units, is the array of complementary services provided. The vast majority of the indirect competitors found, offer a 24-hour check-in service, air conditioning in the room and breakfast included, as well as a private bathroom.

Many of them are still part of a hotel chain, such as the Pestana Hotel & Resorts or the Turim Hotels Group, which gives the accommodation greater notoriety and credibility.

In terms of price, the daily rate in this segment is higher than in the local accommodation segment. For a 2 people reservation, the average overnight price per person is 58€, with prices ranging between 42,5€ and 74€.

4.5.6. Consumer side competitors – Benchmarking analysis

For benchmarking purposes, the two best local accommodation properties and the best accommodation in the hotel segment were analyzed in greater detail, based on their respective rating and total number of reviews.

Superb location, stylish: a must!:

This accommodation, managed individually by its owner, is a 40m2 duplex located on the third floor of a typical Bairro Alto building, 5 minutes waling from Chiado.

In the advertisement and description of the apartment a great emphasis is placed on location, ideal for easily accessing the main attractions of the center of Lisbon and Belém, on foot or by transport.

Check-in in this property can be done every day between 12:00 and 21:00 and, on arrival, guests are welcomed with a welcome drink.

The main target of this accommodation is couples, judging by the type of apartment (duplex with a bedroom, a bed and 1 bathroom) and guest’s comments. The comments are extremely positive, with great emphasis being placed on the quality and cleanliness of the apartment, the convenience of the location and the friendliness and helpfulness of the owner.

Bairro Alto @ Your Feet:

This accommodation is a duplex with a large terrace, also located in Bairro Alto and managed individually by its owner.

In this case, the highlight of the apartment description goes to the terrace and panoramic view over the city and the Tejo river, an element that is also highly praised in the guest's comments.

Check-in is flexible, with the owner inviting guests to personally arrange the most convenient times with him to arrive at the apartment. The cancellation policy is also flexible, with the possibility of canceling the stay until the day before, at no additional cost.

Again, the target of this accommodation is younger couples, who desire to be close to the main attractions of the city, but also to the nightlife.

In terms of comments, the main highlight is the location and the panoramic view, but with several guests mentioning the noise during the night and the fact that the apartment is on a 4th floor without an elevator. Although, even the guests who mention these aspects reinforce that it is a worthwhile stay, due to the unbeatable location and view.

Hotel Mundial, Martim Moniz:

Four star hotel, located in Martim Moniz, 10 minutes walking from Bairro Alto and Chiado. It offers family rooms (double or twin) recently renovated, with private bathroom and air conditioning.

All reservations are entitled to private parking and breakfast in the restaurant, which is located on the terrace of the Hotel. There's also a newly opened Bar and Cellar, where guests are invited to try wines, Ports, sausages and typical Portuguese cheeses.

Check-in can be done anytime, with the reception available 24 hours a day.

The target of this hotel, as assessed by the hotel description on Booking.com, is couples. The comments of the guests positively highlight the Hotel's location, the quality and friendliness of the staff and the view from the terrace, where the restaurant is located.

5. External analysis' summary

5.1. Opportunities

- Greater access to international travel;
- Technological developments and automation of the reservation and pricing management processes;
- Evolution of the consumer profile and emergence of new segments;
- New consumer behaviors, accelerated by the COVID-19 pandemic (e.g.: focus on health, hygiene and well-being, preference for local products and greater environmental awareness and sustainability);
- Recent industry growth, driven by emerging markets, such as the U.S., China and Russia;
- Increased demand for local accommodation by visiting tourists;
- Growth of local accommodation sector in Lisbon;
- High fragmentation of the Local Accommodation management market;
- Little differentiation between the available offer;
- Increase in the importance of online booking platforms in the visitor's decision process.

5.2. Threats

- Slow recovery of the international tourism sector;
- Increased sector regulation and legal barriers;
- High tax expenses;
- High negotiating power and dependence on OTAs and reservation channels;
- High number of competitors and substitute products;
- Growth of local accommodation registrations, number of overnight stays and average stays is slowing down;
- Emergence of major international hospitality players (Marriott), in the sector;
- Business seasonality.

6. Internal analysis

Given that this project is intended for the creation of a business plan for a brand that does not yet exist, it is not possible to undergo a “traditional” internal analysis of the organization.

Bearing this in mind, the internal factors necessary for the creation of a SWOT analysis, come precisely from the analysis of the strengths and weaknesses resulting from the non-existence of the organization. On one side, there is total flexibility in defining the company's strategy, but on the other, there are the natural weaknesses of lack of notoriety and defined structure.

7. Internal analysis' summary

7.1. Strengths

- The promoter's previous experience in hotel and property management for local accommodation & creation of concepts for different types of accommodations (apartments, guesthouses and Hostels);
- Total flexibility for the creation and decision of the company's strategy;
- No fixed cost structure.

7.2. Weaknesses

- Limited investment capacity;
- No defined management structure;
- No notoriety in the market;
- Inexperience in digital marketing management;
- Inexistence of in-house property, reservation and revenue management tools.

8. SWOT Analysis

8.1. Most relevant external factors

Table 11 – Most relevant external factors						
	Business Impact			Probability of occurrence		
	Small	Medium	Large	Low	Medium	High
Opportunities						
– Greater access to international travel			X	X		
– Technological developments and automation of the reservation and pricing management processes			X			X
– Evolution of the consumer profile and emergence of new segments			X			X
– New consumer behaviors, accelerated by the COVID-19 pandemic (e.g.: focus on health, hygiene and well-being, preference for local products and greater environmental awareness and sustainability)			X			X
– Recent industry growth, driven by emerging markets, such as the U.S., China and Russia		X				X
– Increased demand for local accommodation by visiting tourists			X			X
– Growth of local accommodation sector in Lisbon		X			X	
– High fragmentation of the Local Accommodation management market		X			X	
– Little differentiation between the available offer		X			X	
– Increase in the importance of online booking platforms in the visitor's decision process			X			X
Threats						
– Slow recovery of the international tourism sector			X			X
– Increased sector regulation and legal barriers		X			X	
– High tax expenses			X			X
– High negotiating power and dependence on OTAs and reservation channels			X			X
– High number of competitors and substitute products			X			X

– Growth of local accommodation registrations, number of overnight stays and average stays is slowing down			X			X
– Emergence of major international hospitality players (Marriott), in the sector			X			X
– Business seasonality			X			X

Table 11 – Summary of the most relevant external factors

8.2. Most relevant internal factors

Table 12 – Most relevant internal factors						
	Business Impact			Evolution Trend		
	Small	**Medium**	**Large**	**Low**	**Medium**	**High**
Strengths						
– The promoter's previous experience in hotel and property management for local accommodation & creation of concepts for different types of accommodations (apartments, guesthouses and Hostels)		X			X	
– Total flexibility for the creation and decision of the company's strategy			X			X
– No fixed cost structure		X		X		
Weaknesses						
– Limited investment capacity			X		X	
– No defined management structure			X		X	
– No notoriety in the market			X			X
– Inexperience in digital marketing management			X			X
– Inexistence of in-house property, reservation and revenue management tools		X				X

Table 12 - Summary of the most relevant internal factors

8.3. Dynamic SWOT Matrix

Table 13 –Dynamic SWOT Matrix		
	STRENGTHS 1. The promoter's previous experience in hotel and property management for local accommodation; 2. Total flexibility for the creation and decision of the company's strategy	**WEAKNESSES** 3. Limited investment capacity 4. No notoriety in the market 5. Inexperience in digital marketing management 6. Inexistence of in-house property, reservation and revenue management tools
OPPORTUNITIES a. Technological developments and automation of the reservation and pricing management processes b. New consumer behaviors, accelerated by the COVID-19 pandemic c. Increased demand for local accommodation by visiting tourists; d. Recent industry growth, driven by emerging markets e. Increase in the importance of online booking platforms in the visitor's decision process	**(b+1/2)** Incorporate an environmental consciousness into the organization's values and way of acting **(d+1)** Develop a potential analysis based on the country of origin of the visitors **(e+1)** Develop a potential analysis for each new identified segment **(d+2)** Create a property management company for local accommodation **(e+2)** Create concepts customized to the profile of "new consumers"	**(a/f+3**) Acquire or develop an internal reservation and property management tool **(b+4)** Create niche concepts and build notoriety within them **(e+4)** Create services that are complementary to the accommodation, depending on the segment **(f+4)** Position the management brand as a seal of service quality **(a/f+5)** Create a team responsible for the online management of properties **(i+6)** Create a team responsible for managing reservations and revenue
THREATS f. Slow recovery of the international tourism sector g. High tax expenses h. High negotiating power and dependence on OTAs and reservation channels	**(k+1)** Build a property portfolio **(l+1)** Develop a niche strategy, aimed at a very specific target **(m+1)** Build a portfolio of apartments across the entire region, taking advantage of the diversity of tourist offers	**(g+3)** Start with a small, flexible structure **(j+3)** Create niche concepts adapted to the profile of "new consumers" **(m+6)** Create a team responsible for managing reserves and optimize revenue

i. High number of competitors and substitute products j. Growth of local accommodation registrations, number of overnight stays and average stays is slowing down k. Emergence of major international hospitality players in the sector l. Business seasonality	available in Lisbon to fight seasonality **(h+2)** Create accommodation concepts for profitable niches **(k+2)** Begin with a niche strategy	

Table 13 - Dynamic SWOT Matrix: Crossing of internal and external factors

8.4. Strategic guidelines

The actions resulting from the intersection of Strengths and Weaknesses with Opportunities and Threats can be condensed into general lines of action that form the strategic guidelines of the company's business plan:

Define the company's management structure and hire a team responsible for the business strategy implementation. Recruit professionals to ensure the development of critical areas of Marketing and Management with a focus on commercial management, revenue/reservation management and property management.

Create a property portfolio and establish different accommodation concepts, in order to take advantage of the different tourist offers available in Lisbon. Explore, based on the guidelines contained in the “Strategic Plan for Tourism in the Lisbon Region 2015-2019”, which accommodation concepts makes sense to develop in each of the regions. A varied portfolio of properties and concepts will allow to take advantage of the diversity of touristic offers available in Lisbon and thus combat seasonality.

Establish different communication strategies for tourists and owners. The communication strategy with potential visitors will be exclusively online, through each of the main reservation portals. For them, it is important to create a team dedicated to the management of the online profile of each apartment and for the communication with all potential guests. As for the owners, initially the brand shall be promoted online and through in-person meetings, in order to raise the first properties and start establishing a network. From there, the aim is to leverage word-of-mouth and reach the right owners, with the aim of creating close collaborative relationships.

Creation of a brand, under which all property management services, and online properties will be promoted. All services, properties and concepts must be strongly associated with a brand, which must be promoted to both tourists and owners, as a guarantee of quality.

Establishment of partnerships with complementary service providers, in order to improve the visitors' experience and guarantee the best possible maintenance of the properties.

9. Strategy definition

The company's strategy is based upon the main strategic guidelines, defined in the previous point.

Firstly, the company identity will be established, through the characterization of its vision, mission, values and objectives. Then, the general marketing and commercial plans, which will allow for the implementation of the business strategy, will be laid out.

9.1. Company identity

Vision: the company vision will be "together, we maximize the quality of life of our owners and the quality of the experience of our guests".

Mission: Two main pillars drive the company mission:

- Ensure an integrated management of each property in an efficient way and that is "worry-free" for our clients;
- Share our love for Portugal in a way that leaves all guests delighted with our country.

Behavioral values: The company "way of being" is based on

- A team acting and moving as one;
- To act in an easy and flexible way;
- Cherish transparent and trusting relationships with all our partners;
- Share an irresistible passion for travelling.

Global objectives:

- Develop a value added service, prized by our clients and consumers;
- Build a sustainable and scalable business model, easy to apply in other Portuguese cities.

Specific goals:

- In the first year of activity, raise an apartment the downtown Lisbon, to implement and test the business model;
- Create, by the end of the second year of activity, a portfolio of at least five properties in the Lisbon region, taking advantage of the variety of offers available throughout the year;
- Validate the business model and expand it to two more cities in Portugal, within three years;
- Guarantee the return on invested capital in less than one year;
- Maintain an overall rating of accommodations above 8.0 - Very Good (on Booking.com) and 4 stars - Very Good (on AirBnB);
- Maintain an annual occupancy rate above 70% (average global occupancy rate, in AM Lisbon in 2019 was 76.14%, according to PORDATA data on Gross Occupancy (PORDATA, 2020);

These objectives were thought for a hypothetical first year of activity, given that the company would be implemented only from the moment when the international touristic activity is normalized. According to current estimations this could be as late as 2022.

9.2. Critical success factors

Based on the previous analysis and bearing in mind the findings of the Quality study, discussed earlier, the main factors determining the success of the company for its consumers (Lisbon tourists), are:

- Ensure that the accommodation is well located, close to the main attractions in the center of Lisbon;
- Maintain an appealing virtual profile for each property, especially on AirBnB and Booking.com, as these are the most popular reservation platforms among tourists;
- Ensure a quality service before and during the stay, to guarantee good reviews, since these are a decisive factor in the choice of an accommodation.

As for the clients (property owners), the main success factors, taken from the interviews conducted, are:

- Implement a service policy that addresses the owners' worries about having unknown people using their property;
- Implement a referral strategy to encourage word-of-mouth and reach more consumers through their most trusted source - recommendations from people close to them.

Finally, the main success factor driving the ability to implement this business model and compete in this sector is the recovery of the international tourism sector and the banning of travel restrictions worldwide.

10. Strategy implementation

The company's strategy is divided into a Marketing Strategy and a Commercial Strategy.

It is intended that these strategies are implemented in parallel, with the marketing strategy clarifying which are the priority consumer segments and what the ideal offer is for them. Based on this strategy, a commercial strategy will be created to approach the owners of the type of accommodation that are suitable to satisfy the objectives defined in the marketing strategy.

The timing of strategic implementation should be aligned with the recovery of touristic activity and the lifting of travel restrictions, which should happen gradually from 2021, as indicated by the UNWTO.

10.1. Marketing strategy

The objective of the next points of the marketing strategy will be to identify the target segments of the company and their characteristics, define the positioning of the company and, finally, structure the ideal offer to match the target's needs.

10.1.1. Segmentation and targeting

The segmentation is based on the consumer analysis, made earlier. Crossing sociodemographic and behavioral factors evident in the "Survey on Tourist Activities and Information" (Turismo de Lisboa, 2019) with the clusters of local accommodation users, identified by the Quality study, it is possible to identify 3 potential segments:

The Groups segment, composed of tourists traveling in groups of friends, aged between 25 and 34. This segment values a low price for accommodation and a good location. They visit Lisbon to explore the historic attractions, visit the beach and enjoy the night life.

The Couples segment, referring to visitors who travel as a couple, without children. These value an accommodation with good reviews and rating on the main booking platforms. For them, price may or may not be a determining factor when choosing an accommodation. This segment visits the city to stroll, discover the historical attractions and dine out.

The Families segment made up of families with 1 or more children. These tend to opt for larger and therefore more expensive types of apartments. For this segment, the purpose of the visit is to get to know the historical attractions, walk and go to the beach.

The company's main targets, selected from these segments, are described below:

Table 14 – Main Targets of the project		
Targets	Groups of friends / Young couples	Small families
Sociodemographic criteria		
Age	25 – 34	34 – 55
Civil Status	– Single – Married	– Married – Up to 2 sons
Social Class	– Middle and Upper-middle	– Middle and Upper-middle
Geographical criteria		
Country of residence	Main source markets: France, Germany, Spain, UK, USA and Brazil	
Psychographic Criteria		
Selection criteria for choosing an accommodation	– Location – Good reviews & ratings – Low cost accommodation	
Purpose of visit	– See the city – Visit monuments, attractions & museums – Go out to dinner – Walk around the city – Go to the Beach – Nightlife	– See the city – Visit monuments, attractions & museums – Go out to dinner – Walk around the city – Go to the Beach

Table 14 - Main Targets of the project

The potential volume of guests contained in these two targets, based on the number of international arrivals in Lisbon, (Turismo de Portugal, IP, 2019) and the data contained in the "Survey on Tourist Activities and Information" (Turismo de Portugal Lisbon, 2019), that allows to understand the characteristics of the visitor, by country of origin, is 1,96M.

The Groups of friends / Young couples target represents approximately 850 thousand individuals, or 43,5% of the potential volume. The remainder belongs to the Small Families target, which is equivalent to approximately 1,1 million individuals (56,5% of the potential volume).

10.1.2. Positioning

The positioning of the project is divided into two aspects: identification, where the type of service is defined, and differentiation, where the characteristics that distinguish it from other competitors are explained.

The service that the company intends to provide can be identified as "private apartments for accommodation of international tourists on a local accommodation regime, in downtown Lisbon, complete with complementary services during the stay."

The distinctive characteristics that make up the differentiation of this offer, when compared to other competitors result from the analysis of three factors - the expectations of the target audience; the potential benefits of the service offered; and the positioning of competitors.

Target's expectations: well-located accommodations, close to the main attractions of the city of Lisbon, and with good evaluation on the main online booking platforms.

Offered benefits: in addition to offering accommodations with excellent location and decoration, the company will provide complementary services to the stay as a way of making the accommodation more appealing to visitors.

Competitor's positioning:

- Superb location, stylish: a must!: Well located, with stylish décor;
- Bairro Alto @ Your Feet: well located, with an amazing view over the city and river.

Based on these three factors, the differentiation from other competitors is obtained through a well-located accommodation offer, with great decoration and a range of complementary services capable of providing a service identical to that of a hotel, but in a local accommodation concept.

10.1.3. Marketing mix

The project's marketing mix policy encompasses the main strategic components of the accommodation service, which will be provided to the targets defined.

The marketing mix policy is divided into the seven marketing variables associated with the provision of services, namely the product, price, placement, promotion, people, process and physical evidence.

10.1.3.1. Product

The product that the company intends to offer to its consumers is an accommodation service. This central service can be divided into basic service and complementary services (Eiglier & Langeard, 1987). The base service is the main benefit offered by the company, whereas the complementary services will be all support services that improve the experience and, in this case, will serve to differentiate the company from the rest of the competition.

To provide the basic accommodation service, the company will look for apartments located in the center of Lisbon, ideally in the Baixa-Chiado area, on the outskirts of the old parishes of Socorro, Encarnação, Bairro Alto and Alfama. Obviously, it needs to be taken into consideration the restrictions surrounding new registrations of local accommodation in the city.

The type of apartment must be either a T1 or T2, with the capacity to accommodate a group or family of at least 4 people. Depending on the typology, the available offer will be:

- T1: Master bedroom with double bed + sofa bed;
- T2: Master bedroom with double bed + double / twin room with 2 beds + sofa bed

The common areas such as the living room and kitchen will be fully equipped.

In terms of complementary services, as stated above, the typical hotel complementary services will be adapted to the local accommodation regime. Thus, the company will offer:

- Free wi-fi throughout the whole apartment;
- In-person check-in service every day between 9 am and 7 pm;
- Self-check-in service, using lockboxes for late arrivals;

- Daily housekeeping service, by appointment;
- Breakfast baskets delivered daily;
- Shuttle service to and from the airport (by appointment and at an additional cost).


Figure 4 - Examples of a Breakfast basket for a couple (left) and a Lockbox for self-check-in (right).

10.1.3.2. Price

In order to maximize the occupation of the properties managed, the company will adopt a price competition policy, to appeal to a greater number of guests.

The price will be set weekly, using Cloudbeds, a digital reservation manager with a revenue maximization tool. The price offered will take into consideration the average value asked by competitors and the existing demand at the time, based on season and actual searches. The price chosen will be equal to or slightly below the average price charged by the main competitors in the region. As stated, price variations from week to week are desirable, nonetheless higher and lower limit values will be defined in order to maintain the desired positioning and profitability.

Based on the analysis of prices offered by the 2 main competitors, in the months of August (high season) and January (low season), the following limits were defined:

- Daily rate during low season (Jan. - May. & Oct. - Nov.): minimum: 50 € / person | maximum: 70 € / person
- Daily rate during high season (Jun. - Sep & Dec 21 to Jan. 3): minimum: 65€ / person | maximum: 85 € / person

Within the price policy, a flexible cancellation policy will be implemented, using the minimum cost-free cancellation deadlines, implemented by each of the booking platforms.

In terms of payment processing and billing, the payments will be charged through the booking platforms, which charge half the rate when the reservation is confirmed and the rest immediately after check-out. Billing is done through the Finances portal and the invoice is sent to the guest's email on the days following check-out.

10.1.3.3. Placement

Distribution will be indirect, with one level. In an initial phase, the project will not have its own website, for potential visitors to make direct reservations. Initially, the company will resort exclusively to the main OTAs and booking channels for local accommodation - AirBnB, Booking.com, Expedia and Hostelworld.com.

In each of these it is necessary to create a profile for the property, containing a brief description of the accommodation and complementary services, photos of the spaces, exact location and contact details for booking. Reservations will be made and paid through these platforms, as already mentioned.

All communication before arrival will be made through the communication channels of each platform. After the first contact, the communications may switch to WhatsApp for more immediate connection during and after the stay.

At a later stage, if the business proves to be scalable, it will be possible to explore the possibility of creating partnerships with traditional travel agencies, for the sale of thematic city break packages, where it makes sense to use local accommodation.

10.1.3.4. Promotion

The visibility of accommodation on the main online booking platforms is obtained depending on the rating assigned, the rate of response to questions from potential visitors, the relevance of the location, among others. It is not possible to drive digital traffic to the page of a property listed on one of these channels, through digital media such as AdWords, SEM or SEO.

For this reason, the communication budget will be fully invested in the commercial strategy in order to obtain the ideal properties to provide the accommodation service described above.

10.1.3.5. People

This is a component of the marketing strategy that is especially relevant for organizations that provide services such as hosting. The people involved in providing the service have a direct impact on the image, quality and execution of the services, which guarantee or not the satisfaction of the consumers. The complementary services to the accommodation, which range from housekeeping and laundry, to the delivery of breakfast baskets and shuttle services will be provided by external partners. In order to guarantee a quality service, the partners will be hired based on their experience in the accommodation market, with expected quality standards to be discussed before reaching a partnership agreement.

It should be noted that it will be essential for our partners to have good interpersonal skills and customer orientation and to show hospitality, friendliness, empathy and commitment to providing an exceptional accommodation service.

10.1.3.6. Processes

The definition and implementation of processes allows to structure the service provided to consumers, in order to guarantee their satisfaction and maintain the desired quality standards.

The processes guiding the service provided can be divided into three major moments - booking and preparing for arrival, arrival and stay.

The process of supporting consultation and confirming reservations, is carried out through the accommodation reservation platforms by the promoter of the project, who will respond to all requests from potential visitors and try to clarify any doubts to facilitate their reservation. The reservation will then be integrated within the Cloudbeds reservation management system, where the details of the reservation will be shared with the complementary service providers, responsible for cleaning the accommodation. This integration will make it possible to prepare the accommodation for incoming guests and to plan the delivery of breakfast baskets in a timely manner.

As already stated above, check-in can take place at any time. The face-to-face reception, carried out by the promoter of the project, is carried out between 9:30 am and 7:00 pm. In this face-to-face reception, interaction with visitors will be essential. In addition to being guided through the apartment, visitors will also have the space to share expectations and doubts regarding their stay. At this moment it will also be possible to provide tips on places to visit, where to eat and what to see in the city.

For late arrivals, an auto check-in service will be available, using the lockboxes mentioned above. In this case, to replace the moment of interaction, a welcome message containing important information will be sent through the booking platform, at the scheduled check-in time.

Maintenance and cleaning processes are routine tasks coordinated with the company's partners and visitors. The delivery of the breakfast baskets is the responsibility of the project promoter who acquires the ingredients and prepares the baskets for daily delivery. In addition to these, it will also be possible for the visitor to communicate with the company to request any additional complementary services.

10.1.3.7. Physical evidence

Ideally, the look and feel of the accommodations managed by the company should be minimally uniform and easy to replicate. The investment in remodeling and decoration will be at the owner's expense, so it is essential that in a first approach it is discussed which remodeling and changes in decoration are fundamental and which are simply a nice to have. The company's proposal is to integrate, as much as possible within the existing decoration, the minimalist style of Hygge, the

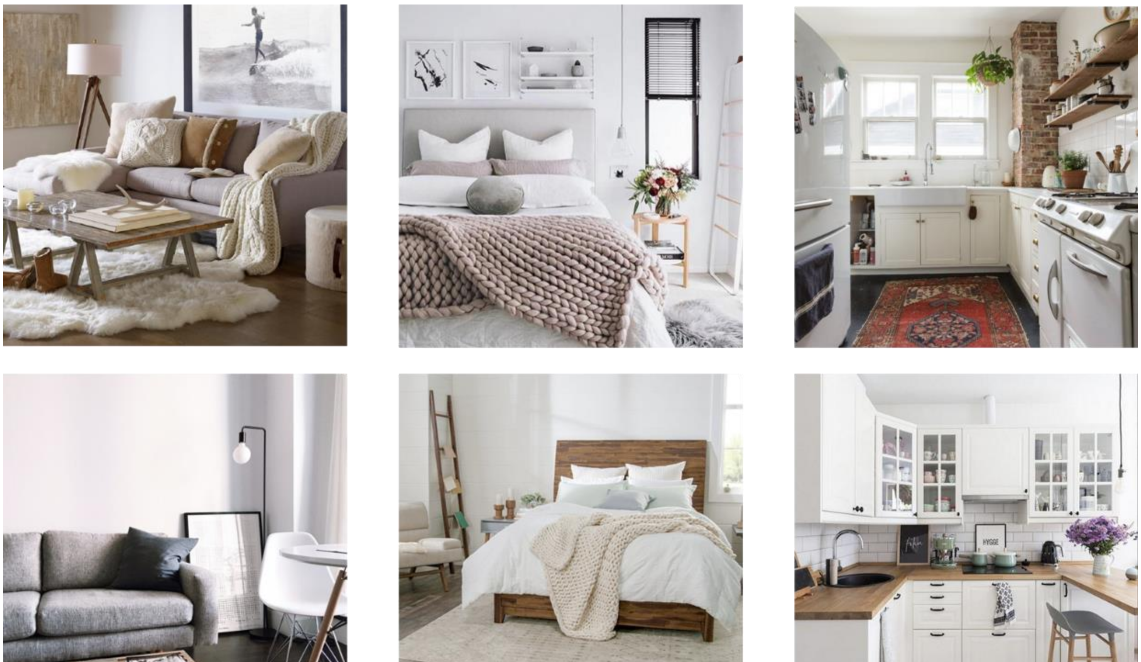

Figure 5 - Inspiration for the desired Look & Feel of the apartments

Danish comfort and well-being concept that makes use of subtle and warm tones, woods, comfort elements such as pillows, blankets and rugs and the use of warm and calm lighting, to convey a feeling of tranquility and comfort.

This style is easy to adapt to almost any pre-existing decoration, with a minimum investment required. Even when implemented from scratch, it is a style that incorporates accessible and durable materials, which guarantee that any investment made will be well maintained.

In addition to the decoration, the acquisition of essential equipment and appliances will also be discussed with the owners. The total equipment for the kitchen (stove, oven, extractor, fridge, microwave, toaster and kettle) and living room (sofa, internet and television) will be considered essential, but there is also space to implement accessory equipment that have a positive impact on the satisfaction of visitors, such as air-conditioning equipment.

All decoration and equipment will be discussed with the owner and purchased and assembled by partnering companies, with whom the company will have established relationships, in order to reduce costs and maintain consistent quality and visual standards.

10.2. Commercial strategy

The commercial structure of the project will have as its main responsibility the acquisition and management of the relationship with the owners of the apartments used to provide the accommodation services.

The commercial policy targets are owners of T1 and T2 apartments, located in the Baixa area of Lisbon, as detailed above. In order to execute the marketing strategy, it is necessary to establish exploration contracts with the owners of these apartments, which, depending on the condition of the apartment and the express will of the owner, may include different levels of services.

Initially, only one service package will be made available. The monthly commission rate on touristic revenue will be 20%, the lowest value among the main competitors for such a comprehensive service package. The services included in the package are detailed below:

- Profitability study
- Legal support for local accommodation registration
- Professional photography
- Creation of the property ad on the main booking platforms
- Management and communication with the guest
- Reservation management and revenue optimization
- Secure payment management, on all platforms
- Billing to guests, registration with SEF and collection of city tax
- Check-in service in person or via 24/7 lockbox
- 24/7 guest support
- Management of housekeeping services, bed linen laundry and amenities
- Creation of an instruction manual for the property
- Maintenance support (pending on additional fees)

- Decoration services (pending on additional costs)
- Equipment installation (pending on additional costs)

The promotion strategy aimed at attracting new clients will involve the use of the following communication tools:

- Digital Marketing - Creation of a brand website, with informative details about the services provided by the company, the conditions applied and contact details. To drive traffic to this website, search engine optimization (SEO) tactics will be used;
- Sales force - Creation of a team dedicated to prospecting contacts of owners whom may be interested in the company's services. For a first approach, traditional means will be used, such as direct in-person contact and direct contact via telephone and / or email;
- Referral program – this will be the company's main tool for expansion, as it is a new project operating in a sector that is extremely reliant on references. The idea of the referral program is to encourage the first clients to refer the company to their contacts. Each new client raised from a referral, translates into a gain of 100€ for the referring client, deducted from the monthly commission of the second month after the start of the partnership with the new client.

The sales team responsible for attracting new clients is also in charge of managing the relationship with current clients. This can be done through monthly communications (in person or virtually) to assess the performance of the property and align expectations regarding the performance of the following month. At any time, it will be possible to contact the team to clarify doubts, request maintenance services or follow up on current reservations and revenue prospects.

11. Business Strategy

11.1. Business Model CANVAS

<table>
<tr>
<td rowspan="2">KEY PARTNERS

– Online Travel Agencies
– Housekeeping companies
– Maintenance service companies
– Laundries
– Professional photographers
– Large equipment assembly companies
– Shuttle companies</td>
<td>KEY ACTIVITIES

– Acquiring partnering owners
– Physical management of the apartments (remodeling, decoration, maintenance)
– Creation and management of each property’s online profile
– Reservation and revenue management
– Accommodation services for tourists</td>
<td rowspan="2">VALUE PROPOSITIONS

<u>Owners:</u>
– Legal support to the registration of the apartment
– Apartment decoration and maintenance
– Professional Photography
– Creation and management of the apartment's online profile
– Management of reservations and selection of tourists
– Price management and revenue maximization
– Referral program

<u>Tourists:</u>
– Well located, fully equipped apartments
– 24/7 support before and during the stay
– Flexible check-in service
– Daily housekeeping service
– Daily delivery of breakfast baskets</td>
<td>CUSTOMER RELATIONSHIPS

<u>Owners</u>
– Personal contact; via telephone / website and through the referral program

<u>Tourists</u>
– Personal contact and through the reservation platforms</td>
<td rowspan="2">CUSTOMER SEGMENTS

<u>Owners</u>
– Apartment owners in downtown Lisbon
– Apartment purchased as an investment
– No time / desire to manage the apartment

<u>Tourists</u>
– Groups of Friends / Young Couples
– Small families (up to 2 children)
– Age: 25 - 34 and 35 - 55
– Visitors from France, Germany, Spain, United Kingdom, United States and Brazil</td>
</tr>
<tr>
<td>KEY RESOURCES

– Computer
– Web site
– Reservation management software
– Vehicle</td>
<td>CHANNELS

<u>Owners</u>
– Search engines
– Website
– Telephone
– Referral programs
– In person contact

<u>Tourists</u>
– Booking platforms

– In person contact</td>
</tr>
<tr>
<td colspan="2">COST STRUCTURE

– Commissions paid to OTAs
– Maintenance and decoration of the apartments
– Travel
– Apartment cleaning and laundry service
– Breakfast Basket</td>
<td colspan="3">REVENUE STREAMS

– Commissions charged to owners on the apartment’s income</td>
</tr>
</table>

Table 15 - Business Model Canvas

Value proposition Canvas – Owners

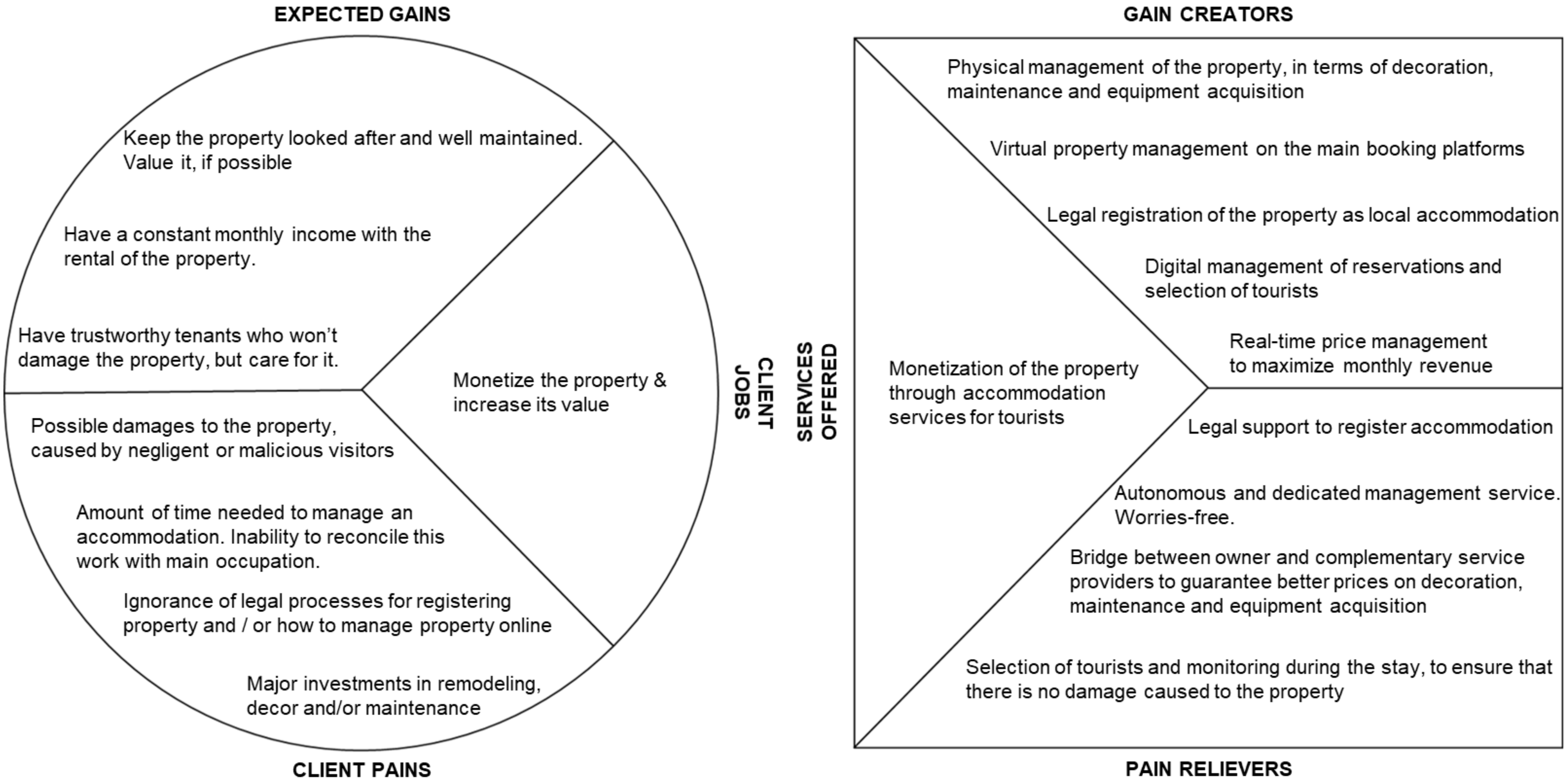

Figure 6 - Value proposition canvas for the Owners

Value proposition Canvas - Tourists

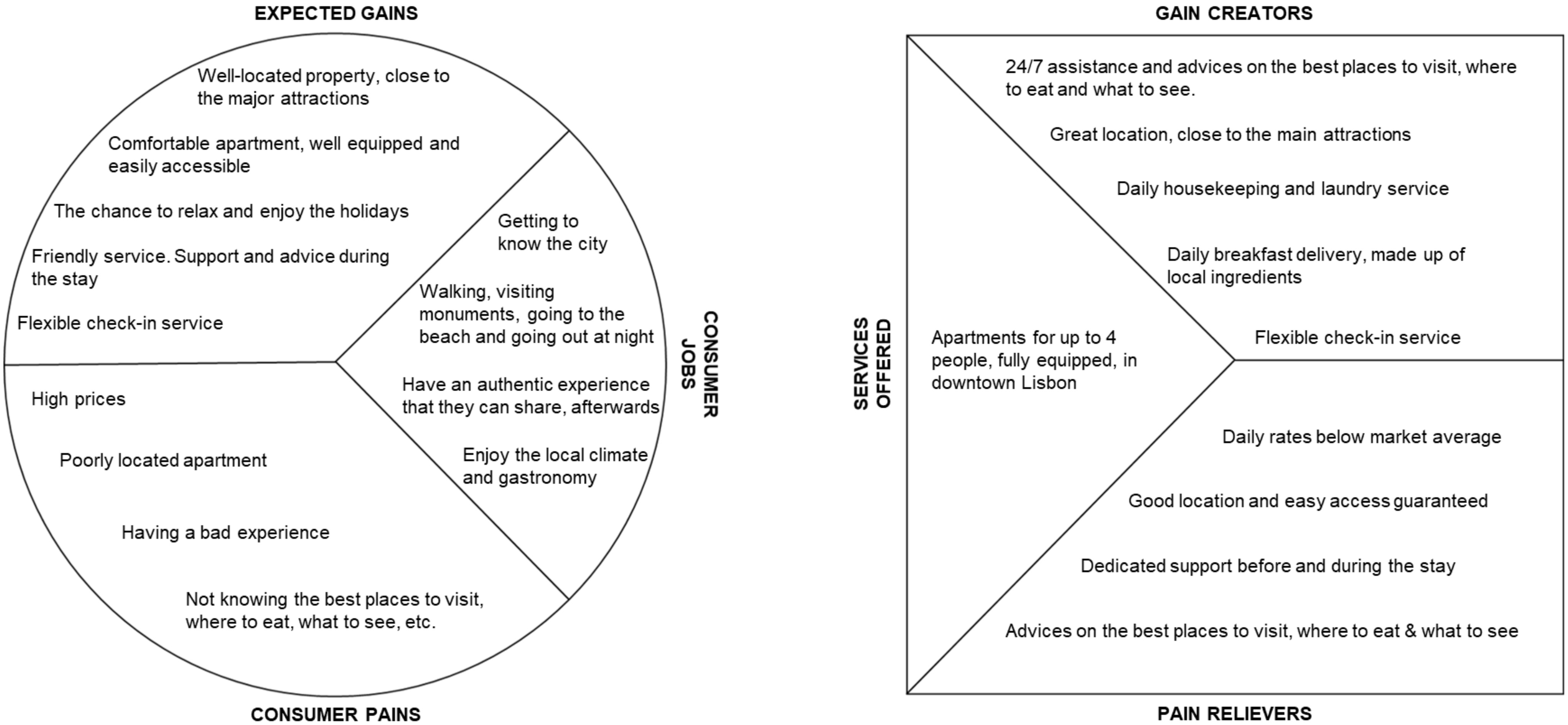

Figure 7 - Value proposition canvas for the Tourists

12. Implementation plan

The implementation plan will focus on the beginning of the project activity, with implementation scheduled to start on the first year after the normalization of touristic activity. Bearing in mind the uncertainty of when that moment may arise, a hypothetical year (Y1) was used to schedule the activities necessary for the implementation of the project.

As already mentioned, the objective for the first year is to acquire a property to implement the presented solutions and validate the business model, identifying and working on the weaknesses that may arise from this first experience.

The implementation plan focuses on the beginning of the activity and considers everything that will be needed to set up the company, acquire the first apartment and start providing local accommodation services. After this first successful experience, the objective is to retake the steps of the action plan, attract new owners and start growing the portfolio of properties, which is a key element of the business strategy.

12.1. Creation of the company and the institutional website

Purpose	In order to establish a property management business for local accommodation, the first step is to create the company and institutional website.
Objectives	– Create the company – Register the Brand and Logo – Build the institutional website

Action Timetable

	JAN'Y1				FEB'Y1					MAR'Y1				
Actions	w1	w2	w3	w4	w5	w6	w7	w8	w9	w10	w11	w12	w13	w14
Choose the type of company – "*Sociedade Unipessoal por Quotas*"														
Request for the Firm's Admissibility Certificate, via *Empresa na Hora*														
Establishment of social capital														
Constitution document														
Start activity on Finance's portal														
Business Registration														
Beginning of Social Security activity														
Registration of Trademark and Logo, through the National Institute of Industrial Property														

Online domain registration + website creation							X	X	X	X	X			

Responsible(s)	Project promoter
Difficulty level	Medium-low
Budget	Deposit of social capital (minimum amount) - 1 € Commercial Registration - 360 € Trademark and Logo Registration - € 255,30 Online domain registration and website creation - € 204 (annual fee)

Table 16 - Action 1: Constitution of the company and creation of the website

12.2. Find suppliers of complementary services and products

Purpose	The next step in the project's implementation is the search for potential suppliers of complementary services and products, with a focus on home-cleaning and laundry service providers and suppliers of food and amenities. Contacts in the areas of maintenance and shuttle services will also be explored
Objectives	Find: – Food suppliers (for breakfasts) – Amenities suppliers (soap / shower gel, shampoo, moisturizer and shaving kit) – Home cleaning service providers – Laundry service providers with collection and home delivery – Home maintenance service providers (plumbing, energy, etc.) – Airport shuttle service providers – Professional photographers for the apartments' online profile

Action Timetable

	JAN'Y1					FEB'Y1				MAR'Y1				
Actions	w1	w2	w3	w4	w5	w6	w7	w8	w9	w10	w11	w12	w13	w14
Search for Portuguese suppliers of the identified products and services			X	X										
Creation of a contact list of potential suppliers, in the Lisbon area				X										
Contact each supplier individually and negotiate terms and conditions				X	X									
Request samples of products produced						X	X	X						
Compare conditions and choose the desired suppliers									X					
Sign contracts with chosen suppliers										X	X			

Responsible(s)	Project promoter

Difficulty level	Low
Budget	N.A.

Table 17 - Action 2: Find service providers and complementary products.

12.3. Acquisition of the first owner

Purpose	The start of operations will take place with the acquisition of the first owner, who will give access to the first apartment to be managed by the company. This step will be essential to, in a quick way and with relatively low risk, start to test the proposed business model and find its weaknesses and strengths. The alignment of expectations with the owner regarding the fact that the first apartment can be used as a test for the business model is essential. The ideal owner is someone who understands the need for this test phase and feels comfortable that his apartment will be used to test the business model. At this stage, the owner will also be informed of the strategic plan, portfolio, intended for the organization, to safeguard that it is comfortable with the proposals of the chosen target, price, decoration, etc.
Objectives	– Implement a digital communication plan, focused on driving traffic to the website and attract clients – Meet with potential clients – Acquire the first apartment

Action Timetable

	FEB'Y1				MAR'Y1				APR'Y1				
Actions	w6	w7	w8	w9	w10	w11	w12	w13	w14	w15	w16	w17	w18
Explore, with family and friends, the existence of potential clients within their network													
Visit buildings that fit within the desired specificities and get in touch with the apartment's owners													
Implement a content optimization plan in order to generate traffic to the website													
Meet with potential clients and present the management solutions developed													
Compare interested owners and their apartments to choose which one better fits the desired specs													
Celebrate a service contract													

Responsible(s)	Project promoter
Difficulty level	Medium
Budget	N.A.

Table 18 - Action 3: Acquisition of the first owner

12.4. Registration and physical management of the apartment

Purpose	After obtaining the first apartment, the second operational step will be to register the property in the RNAL and in the Accommodation Bulletin Information System (SIBA), to formalize the property as a Local Accommodation unit. At the end of this legal process, the next step will be to discuss with the owner what equipment we should add (air conditioning, wi-fi, etc.) and what decoration to give to the apartment. Ideally, small changes will be prioritized, and the chosen decoration will be simplistic, in the Hygge style, as described above.
Objectives	– Property registration as a local accommodation unit – Align with the owner about the look and feel of the apartment – Carry out the defined renovations

Action Timetable

	APR'Y1				MAY'Y1				JUN'Y1				
Actions	w15	w16	w17	w18	w19	w20	w21	w22	w23	w24	w25	w26	w27
Accompany the owner to register in the Finance's portal													
Make prior communication at *Balcão Único*													
Wait 30 days for the deliberation by CML													
Meet with the owner and share the Hygge concept													
Agree on which remodeling to be applied, to better incorporate the concept													
Decide on the installation of optional equipment													
Purchase the mandatory safety equipment													
Acquire the Complaints Book, in the National Press Casa da Moeda													
Proceed to purchase decoration material and / or agreed equipment													
Contact, if needed, the equipment assembly companies													
Prepare the decoration / assembly of equipment													

Responsible(s)	Project promoter + Apartment owner
Difficulty level	Medium
Budget	Safety Kit (extinguisher, blanket, signage and first aid) - € 70,77

Table 19 - Action 4: Registration and physical management of the apartment

12.5. Creation and management of the apartment's online profile

Purpose	After decorating and remodeling the apartment, the next step is to create an online profile for the property on the main reservation platforms of touristic apartments. In this step, professional photographs of the apartment will be taken.
Objectives	– Capture professional photos of the apartment – Create an account on the main accommodation reservation platforms, namely: Booking.com, AirBnB, Expedia and HostelWorld – Create online profile for the property

Action Timetable

	JUN'Y1					JUL' Y1	AUG' Y1	SEP' Y1	OCT' Y1	NOV' Y1	DEC' Y1
Actions	W 23	w 24	w 25	w 26	w 27						
Meet with the chosen photographer											
Take the desired photos											
Create an owner profile on the main platforms (Booking, AirBnB, Expedia and HostelWorld)											
Create the apartment page and detail: – Description of the apartment – Location – Main contacts – Guest services available											
Maintain and regularly update of the property's profile											

Responsible(s)	Project promoter
Difficulty level	Medium
Budget	Indoor and outdoor photo shoot - 60 €

Table 20 - Action 5: Creation and management of the apartment's online profile

12.6. Reservation management

Purpose	After creating the accommodation profile, communications with any potential guest will be managed through the internal chats of each booking platform. A selection of interested tourists will also be made, after which it will be possible to manage the reservations and availability of the apartment. As new reserves fall, the Cloudbeds reservation management and price optimization system will be used. This tool allows to manage the availability of the space, depending on the date of the reservation, as well as the prices charged. All of this in real time, with the possibility of making instant changes. This action is extremely important to ensure that the maximum occupancy is achieved each month, with the ideal pricing mix, according to the market average. In the case of the first apartment, a series of price discounts will be made, to understand the elasticity of demand and to implement the main learnings in the management of the following apartments.
Objectives	– Implement the Cloudbeds system – Manage communication with potential guests and clarify any doubts – Maximize occupancy and average revenue per month

Action Timetable

	JUN'Y1					JUL' Y1	AUG' Y1	SEP' Y1	OCT' Y1	NOV' Y1	DEC' Y1
Actions	w23	w24	w25	w26	w27						
Subscribe to the Cloudbeds system, for booking and revenue management											
Create the first apartment in the Cloudbeds system											
Manage availability and price											
Manage communication with potential guests											
Note special requests											
Align with complementary service providers											

Responsible(s)	Project promoter
Difficulty level	Medium
Budget	Annual subscription to the Cloudbeds system for reservation management and price optimization - € 1,176

Table 21 - Action 6: Reservation management

12.7. Provision of the accommodation service to tourists

Purpose	The last action to be implemented will be the most important for the success of the business. The sustainability of the entire project depends on a good accommodation service for tourists. An excellent service will lead to great reviews, which will lead to more interested visitors. In turn, the increase in the number of interested tourists, will have the consequence of increasing the company's attractiveness among Lisbon property owners. The accommodation service differs from competition by offering complementary services similar to those of a hotel, in a well located local accommodation unit. Regarding complementary services, the following should be highlighted: – Communication with the guest, before the trip, to schedule check-in, shuttle service (if necessary) and to answer any questions that may arise before the reservation; – Guest check-in, in person or via lockbox; – Daily cleaning of the accommodation; – Delivery of breakfast basket; – 24/7 support during and after the stay. The daily rate is charged through each of the reservation platforms. At the time of check-in, foreign citizens must also be communicated to SEF, a process that will be done online, through the Bulletin and Accommodation Information System (SIBA). Additionally, it is also required by law to issue the billing invoice within 3 days of the stay and to collect the overnight tourist tax in Lisbon, which is automatically charged through the platforms.
Objectives	– Welcome guests – Ensure maximum satisfaction with the service provided – Charge guests and issue invoices

Action Timetable

	JUN'Y1					JUL' Y1	AUG' Y1	SEP' Y1	OCT' Y1	NOV' Y1	DEC' Y1
Actions	w23	w24	w25	w26	w27						
Communicate with guest before booking											
Schedule check-in and need to reserve shuttle service											
If necessary, contact the transport company for the shuttle service											
Check in											
Register visitors in SEF											
Billing after arrival											
Room cleaning and maintenance (daily)											
Deliver breakfast basket (daily)											

Accompaniment to the guest during the stay											
Cleaning after check-out											

Responsible(s)	Project promoter + Complementary services' providers
Difficulty level	Medium
Budget	Daily cleaning service – ~250€/month in full occupancy Baskets for breakfast x2 – 84€ Breakfast utensils – 76€ Breakfast delivery service – ~80€ in full occupancy Laundry service – ~40€/month in full occupancy

Table 22 - Action 7: Provision of the accommodation service to tourists

12.8. General timetable

Action	Responsible	Budget	JAN'Y1	FEB'Y1	MAR'Y1	APR'Y1	MAY'Y1	JUN'Y1	JUL'Y1	AUG'Y1	SEP'Y1	OCT'Y1	NOV'Y1	DEC'Y1
Creation of the company and the institutional website	Project promoter	820,30€												
Find suppliers of complementary services and products	Project promoter	N.A.												
Acquisition of the first owner	Project promoter	N.A.												
Legal registration and physical management of the apartment	Project promoter + Proprietário	70,77€ (minimum)												
Creation and management of the apartment's online profile	Project promoter	60€												
Reservation management	Project promoter	1 176€ / yearly												
Provision of the accommodation service to tourists	Project promoter + Complementary services providers	160€ + Variable costs												

Table 23 - Project general timetable for Year 1

12.9. Monitoring and control

The implementation of the plan will be monitored and evaluated according to a series of indicators, both operational – related to the accommodation of tourists –, and commercial – related to attracting owners.

The main key performance indicators (KPIs) used are some of the most common in sales and hospitality. The targets were set by considering the company's strategy and market reference values. It was decided not to use the market share metric, as it is practically impossible to calculate, given the huge amount of properties used as local accommodation, and the lack of a reliable database, which allows to assess which companies are responsible for management of each property. The following KPIs and goals were chosen as the main control indicators to assess the plan's execution:

Table 24 – Commercial and operational KPIs	
Key Performance Indicators	**Goals:**
Commercial KPIs	
– Number of properties visited (1st quarter)	50
– Number of owners approached (1st quarter)	30
– Number of meetings scheduled to present the solution (1st quarter)	15
– Number of interested owners (1st quarter)	5
Operational KPIs	
– Occupancy rate per apartment available (monthly)	Average occ. Rate > 70%
– Revenue per available apartment (monthly) *	~ 4 192,65€ (low season) ~ 5 240,82€ (high season)
– Cost with laundry and cleaning service providers	Max.: 15% on monthly revenue
– Cost with food and beverage suppliers	Max.: 5% on monthly revenue
– Response rate on booking platforms	100%
– Rating on main reservation platforms	Min.: 8,0 on Booking.com Min.: 4,0 on AirBnB

Table 24 - Commercial and operational KPIs

** average price x 3,3 guests x average occ. rate (70%) x 30.25*

13. Contingency planning

The probability of implementing the planned actions and the success with which they will be implemented, comes largely from the environmental context and evolution of the circumstances presented in the initial analysis.

Given the volatility of the actual environment, it is inevitable that variations in the context will occur during the plan's implementation.

The elaboration of a contingency plan is aimed at foreseeing probable changes in the conjuncture, how these changes may affect the plan and what mitigation measures can be applied to prevent such change from resulting in the collapse of the entire planning.

Table 25 – Contingency and mitigation plan		
Contingency	**Consequences**	**Mitigation measures**
Existence of the brand or domain	Need to change brand	In-depth search for companies that may have a similar brand and their domains
Inability to acquire the first owner	Failure to implement or test a pilot for the business model	Change the promotion plan and invest in other tactics
Inability to raise property in target areas	Negative effect on desired positioning	Adjustment of positioning and marketing mix
Limitations to the registration of new properties	Unviable registration of new Local Accommodation	Timely research of which places are most protected from new registrations. Change the value proposition and approach owners who have already registered
New restrictions on the entry of visitors to Portugal	Impossibility to receive tourists in Lisbon in the short term	Modify the marketing mix in order to appeal to domestic tourists
Inability to create partnerships	Impairs the provision of services initially thought	Reduce the range of services provided, hire human resources for the development of these tasks and develop them internally
Lack of demand from international tourists. Few initial reservations	Inability to monetize the property	Lower prices and increase promotion of complementary offers. Exploration of partnerships with traditional travel agencies
Bad reviews of accommodation	Reputational damage and greater difficulty in maintaining positioning	Service checklist creation, negotiation of service standards with service providers. Implementation of a complaints management policy

Table 25 - Contingency and mitigation plan

14. Provisional budget

Since the project is yet to be implemented, the provisional budget was made based on a series of estimation, based on data from 2019 and information from market and competition analysis.

This budget, which will help to determine the project's profitability and attractiveness, is based on a sales projection for years Y1 and Y2, the first years of the project implementation. For the sales projection, an average monthly occupation was used. These values are identical to the ones recorded in the accommodation sector in Lisbon, during 2019, according to Pordata values.

The average value per guest was estimated based on the prices suggested in point 10.1.3.2 Price, for a Low and High Season:

Table 26 - Average price per guest calculation			
Season	Min. Price €/pax	Max. Price €/pax	**Avg. price €/pax**
Low-season	50,00 €	70,00 €	**60,00 €**
High-season	65,00 €	85,00 €	**75,00 €**

Table 26 - Average price per guest calculation

For the average number of guests per accommodation, an estimate was created to determine the weight that each type of reservation will have. These values are based on the "Survey on Tourist Activities and Information" (Turismo de Portugal Lisbon, 2019), and assume that the majority of reservations will be made by Groups of Friends (66,6%) and Families (17,2%) that can be either of 3 or 4 people, followed by Couples of 2 people and, finally, individual reservations (0,6%).

Table 27 – Average number of guests per reservation calculation	
Number of guests	Weight (%) on monthly reservations
1	0,6%
2	15,6%
3	41,9%
4	41,9%
Average number of guests per reservation	**3,3**

Table 27 - Average number of guests per reservation calculation

The values of variable costs considered are aligned with the values already discussed in point 12.7 of the implementation plan and depend on the occupancy rate.

For this exercise, year Y1 was considered, with the activity scheduled to start in July, and year Y2 composed of the 2nd complete year, to present an overview of the provisional budget for the management of a single apartment, during a full year.

Finally, there are the necessary initial investments. As discussed in points 12.1, 12.4, 12.5, 12.6 and 12.7:

Table 28 – Summary of initial investments	
Initial Investments	Value (€)
Constitution of the company, registration of the brand & construction of website	820,30 €
Legal registration of the Local Accommodation unit	70,70 €
Professional photographs	60,00 €
Cloudbeds' yearly subscription	1 176,00 €
Acquisition of materials for the breakfast baskets	160,00 €
Total initial investments	**2 287,00 €**

Table 28 - Summary of initial investments

*Avg. Occupation rate forecast (%) **	*46%*	*53%*	*69%*	*77%*	*78%*	*79%*	*76%*	*79%*	*84%*	*81%*	*66%*	*53%*	
Month	Jan'Y1	Feb'Y1	Mar'Y1	Apr'Y1	May'Y1	Jun'Y1	Jul'Y1	Aug'Y1	Sep'Y1	Oct'Y1	Nov'Y1	Dec'Y1	**TOTAL FY1**
Avg. price/pax (€)							75	75	75	60	60	75	-
Avg. Number of guests							3,3	3,3	3,3	3,3	3,3	3,3	-
Room revenue forecast							4 598 €	4 753 €	4 915 €	3 938 €	3 090 €	3 186 €	24 479 €
COGS							- 285,23 €	- 294,83 €	- 315,08 €	- 305,36 €	- 247,61 €	- 197,63 €	- 1 646 €
Gross Income (20% commission)							862,52 €	891,55 €	920,02 €	726,52 €	568,52 €	597,62 €	4 567 €

Month	Jan'Y2	Feb'Y2	Mar'Y2	Apr'Y2	May'Y2	Jun'Y2	Jul'Y2	Aug'Y2	Sep'Y2	Oct'Y2	Nov'Y2	Dec'Y2	**TOTAL FY2**
Avg. price/pax (€)	60	60	60	60	60	75	75	75	75	60	60	75	-
Avg. Number of guests	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	-
Room revenue forecast	2 245 €	2 324 €	3 342 €	3 592 €	3 794 €	4 605 €	4 598 €	4 753 €	4 915 €	3 938 €	3 090 €	3 186 €	44 381 €
COGS	- 174,11 €	- 199,50 €	- 259,13 €	- 287,85 €	- 294,23 €	- 295,16 €	- 285,23 €	- 294,83 €	- 315,08 €	- 305,36 €	- 247,61 €	- 197,63 €	- 3 156 €
Gross Income (20% commission)	414,25 €	424,86 €	616,51 €	660,90 €	700,02 €	861,87 €	862,52 €	891,55 €	920,02 €	726,52 €	568,52 €	597,62 €	8 245 €

Table 29 - Provisional Budget for Y1 and Y2

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16. Annexes

Annex A – Script for the interview conducted with the property owners

PARTE I

A. <u>Caracterização do Entrevistado</u>

A.1. Género: M __ F__

A.2. Idade: -25 __ 25 – 34__35 – 44__45 – 54__55 – 64__+65 __

A.3. Ocupação:

B<u>. Breve descrição do Apartamento:</u>

PARTE II

<u>Q. Perguntas</u>

Q1. Há quanto tempo é o proprietário(a) deste imóvel? Como o adquiriu? (explorar se foi comprado ou herdado)

Q2. Neste momento o apartamento encontra-se ocupado? (se está desocupado ou arrendado. Se existem inquilinos.)

Q3. Qual a situação de que melhor descreveria o atual acordo de alojamento que mantém?

Contrato longo prazo __ Contrato de curto prazo __

Alojamento de estudantes __ Alojamento de turistas __

Se o apartamento <u>se destinar a turistas</u>:

Q3.1. Gere o apartamento individualmente?

[Se SIM} Q3.1.S.1. Qual a rentabilidade média mensal? Como a definiu?

Q3.1.S.2. Quais as etapas que completa antes, durante e após receber um hóspede?

Q3.1.S.3. Qual a parte mais aborrecida deste processo?

Q3.1.S.4. Porque nunca recorreu a um prestador de serviços para tratar disso?

[Se NÃO] Q3.1.N.1. Como escolheu a empresa/pessoa que escolheu?

(recomendação, pesquisou *online*, foi abordado(a),…)

Q3.1. N.2. Que motivos o convenceram a escolher essa empresa/pessoas

Q3.1. N.3. Como se sente em relação ao serviço que lhe é prestado atualmente? (está satisfeito ou tem reclamações em relação à qualidade, ao custo, ao nível de rentabilidade atual)

Q3.1. N.4. O que gostaria de mudar no serviço que lhe é prestado atualmente? (o que poderiam começar a fazer, o que podiam fazer melhor, o que podiam deixar de fazer?)

Se o apartamento <u>não se destinar a turistas:</u>

Q3.2. Alguma vez considerou alugar o apartamento a turistas?

[Se SIM} Q3.2.S. Porque ainda não o fez? Se o fez, o que correu mal?

[Se NÃO] Q3.2.N. Porque não?