



INSTITUTO
UNIVERSITÁRIO
DE LISBOA

Business Plan: Madeira Heritage Boutique Hotel

Rui Manuel de Olim

Master's in Marketing

Supervisor:

Prof. Hélia Gonçalves Pereira, Associate Professor
Marketing, Strategy and Operations Department
ISCTE Business School

November, 2021



BUSINESS
SCHOOL

Department of Marketing, Operation and Management

Business Plan: Madeira Heritage Boutique Hotel

Rui Manuel de Olim

Master's in Marketing

Supervisor:

Prof. Hélia Gonçalves Pereira, Associate Professor
Marketing, Strategy and Operations Department
ISCTE Business School

November, 2021

*“A grandparent is a little bit parent, a little bit
teacher, and a little bit best friend”
I dedicate this Project to my grandparents, who I
hope are proud of what I have become.*

Acknowledgment

I would like to thank my parents, José and Maria, for all the support, education and guidance they have given me until now.

My grandmother, Inês, thank you for being a pilar and source of inspiration during all these years.

My brother, Ricardo, thank you for putting up with me all these years and supporting me when I most needed.

To my one and only, Inês, who has been with me since the start and has been an essential part of this puzzle.

I would like to thank my supervisor Prof. Hélia for her availability and support from day one. Without her inputs and advice this day would not have come.

I would like to acknowledge João Nunes, Manager of Aqunatura Madeira for receiving me and sharing part of his experience and knowledge.

Finally, I would like to thank all my friends and family, especially Joana, João and João, Luana, Hugo and Joana, for all the support, encouragement and guidance given during my academic years. Without you I do not know how far I would have come.

Thank you all!

Resumo

Os motivos pelas quais as pessoas viajam mudaram com o tempo e foram certamente influenciadas pela Pandemia Covid-19, sendo cada vez mais explícita a procura de experiências únicas. Alinhadas com estas motivações, surgiram unidades de alojamento boutique, principalmente sob a forma de hotéis.

O alojamento boutique destina-se a ser único, e centrado no cliente e principalmente associado ao luxo, pela qualidade e diversidade dos serviços oferecidos, as condições e a disponibilidade para satisfazer quaisquer pedidos dos hóspedes.

O objetivo deste projeto é conceptualizar, conceber e avaliar a viabilidade económica e financeira da criação de uma unidade hoteleira tipo Boutique Hotel no Porto Moniz, Ilha da Madeira. Esta unidade tem uma abordagem particularmente interessante uma vez que propõe ter a oferta principal encontrada nos Hotéis Boutique, mas a fim de aproveitar uma abertura legal não será classificada como tal. Para este efeito, foi elaborado um plano de negócios dado o seu valor agregador para a avaliação do projeto.

Numa primeira fase, foi realizada uma revisão da literatura acerca a definição de turismo e turismo, marketing de experiência relacionada com o turismo, produtos e tendências turísticas e, finalmente, os tipos de alojamento, centrada na definição de Alojamento Boutique.

Na segunda fase, e a fim de responder ao problema da investigação, foi seguida a estrutura habitual de um plano de negócios: análise de mercado, análise interna, análise competitiva, estratégia de desenvolvimento, objetivos e políticas de implantação, finalizando com os projetos a análise e conclusões económicas e financeiras.

Palavras-chaves: Plano de Negócios, Turismo, Marketing, Boutique Hotel

JEL Classification System: M30 – Marketing & Z32 – Tourism and Development

Abstract

The reasons people travel has changed over time and have certainly been impacted by the Covid-19 Pandemic, with the urge of unique experiences being each time more noted. Aligned with these motivations, boutique accommodation units have emerged, mainly in the form of hotels.

Boutique accommodation is meant to be unique, and customer centred and mostly associated to luxury, for the quality and diversity of the services offered, the conditions and provided and availability to fulfil any requests from guests.

This project's objective is to conceptualize, design and evaluate the economic and financial viability of the creation of a Boutique Hotel like accommodation unit in Porto Moniz, Madeira Island. This unit has a particularly interesting approach since it proposes to have the main offering found in Boutique Hotels but in order to leverage a legal opening will not classify as so. To this end, a business plan was drawn up given its aggregating value for Project valuation.

In a first stage, literature review was conducted regarding the definition of tourism and tourist, experience marketing related to tourism, tourism products and trends and finally the types of accommodations, focusing on defining Boutique Accommodation.

In the second phase, and in order to respond to the research problem, the usual structure of a business plan was followed: market analysis, internal analysis, competitive analysis, development strategy, objectives and implantation policies, finalizing with the projects economic and financial analysis and conclusions.

Key-words: Business Plan, Tourism, Marketing, Boutique Hotel

JEL Classification System: M30 – Marketing & Z32 – Tourism and Development

1. Introduction.....	1
Chapter 2.....	3
2. Literature Review	3
2.1. Tourism.....	3
2.1.1. Definition of Tourism and Tourist.....	3
2.1.2. Types of Tourism.....	4
2.2. Experience Marketing.....	4
2.2.1. Tourist Experience	4
2.2.2. Impact of Experience Marketing on Tourists	6
2.3. Tourism Products and Trends.....	7
2.3.1. Tourism Products	7
2.3.2. Tourism Trends.....	8
2.4. Touristic Accommodation.....	9
2.4.1. Types and Concepts	9
2.4.2. Local Accommodation.....	10
2.4.3. Boutique Accommodation.....	10
Chapter 3.....	12
3. Framework.....	12
Chapter 4.....	13
4. Methodology	13
4.1. Business Plan Methodology.....	13
4.1.1. Market Analysis.....	13
External Analysis.....	14
PESTEL Analysis	14
Define the external environment and context and comprehend how it impacts the project.....	14
4.1.2. Business Model.....	14
4.1.3. Operating Model.....	14
4.1.4. Financial Model	15
4.2. Research Methodology.....	15
4.2.1. Primary Data	15
4.2.2. Secondary Data.....	16
Chapter 5.....	17
5. Market Analysis	17
5.1. External Analysis.....	17
5.1.1. Industry Definition	17

5.1.2.	PESTEL Analysis	20
5.1.2.1.	Political Factors	20
5.1.2.2.	Economic Factors	21
5.1.2.3.	Social Factors	22
5.1.2.4.	Technological Factors	22
5.1.2.5.	Environmental Factors	23
5.1.2.6.	Legal Factors	23
5.1.3.	Competitor Analysis	24
5.1.3.1.	Direct Competitors	24
5.1.3.2.	Indirect Competitors	25
5.2.	<i>Internal Analysis</i>	25
5.2.1.	Benchmarking	26
5.2.2.	Michael Porter's Value Chain	27
5.2.2.1.	Primary Activities	27
5.2.2.2.	Support Activities	28
5.3.	<i>Competitive Analysis</i>	28
5.3.1.	SWOT Analysis	28
5.3.2.	Dynamic SWOT Analysis	29
5.3.2.1.	SO Strategies	30
5.3.2.2.	WO Strategies	30
5.3.2.3.	ST Strategies	30
5.3.2.4.	WT Strategies	30
Chapter 6	31	
6.	<i>Business Model</i>	31
6.1.	<i>Business Opportunities and Objectives</i>	31
6.1.1.	General Objectives	31
6.1.2.	Specific Objectives	32
6.2.	<i>Development Strategy</i>	32
6.2.1.	Mission, Vision and Values	32
6.2.1.1.	Mission	32
6.2.1.2.	Vision	32
6.2.2.	Critical Success Factors	33
6.2.3.	Competitive Strategy	33
Chapter 7	34	
7.	<i>Operating Model</i>	34
7.1.	<i>Infrastructures</i>	34
7.2.	<i>Marketing</i>	34
7.2.1.	Segmentation and Targeting	35
7.2.2.	Positioning	35
7.2.3.	Brand	36

7.2.4.	Marketing Mix	37
7.2.4.1.	Product	37
7.2.4.2.	Price	38
7.2.4.3.	Placement	38
7.2.4.4.	Promotion	39
7.2.4.5.	People	40
7.2.4.6.	Processes	40
7.2.4.7.	Physical Evidence	40
7.3.	<i>Technological Policy.....</i>	41
7.4.	<i>Organization.....</i>	41
7.5.	<i>Financial Policy</i>	41
7.6.	<i>Implementation Requirements</i>	42
Chapter 8.....		43
8.	<i>Financial Model</i>	43
8.1.	<i>Financial Assumptions.....</i>	43
8.2.	<i>Revenues</i>	44
8.3.	<i>Selling, General and Administrative Expenses</i>	44
8.4.	<i>Financial Projections and Project Valuation.....</i>	44
8.5.	<i>Scenario Analysis.....</i>	45
8.5.1.	<i>Optimistic Financial Valuation.....</i>	46
8.5.2.	<i>Pessimistic Financial Valuation</i>	47
9.	<i>Conclusion</i>	48
Appendices.....		53

Index of Figures

Figure 1 - Authors adaptation from Tynan and McKechnie (2009)	5
Figure 2 - Business Plan Methodology	13
Figure 3 - Portuguese Tourism Balance, Travel and Tourism, 2014-2020	18
Figure 4 - Main Income Markets of Collective Lodging in Madeira in 2020	19
Figure 5 - Evolution of booked nights and occupation rate in Madeira (2020 - 2021)	19
Figure 6 - Real Portuguese GDP Variation Rate	21
Figure 7 - Competitor Locations.....	25
Figure 8 - Benchmark Matrix.....	26
Figure 9 - SWOT Analysis.....	29
Figure 10 - Suggested Logotypen.....	36
Figure 11 - 10 year Financial Projection	45
Figure 12 - Scenario Comparission Revenue Evolution	46
Figure 13 - Optimistic Scenario Indicators	46

Index of Tables

Table 1 - Market Analysis Dimensions, Tools and Objectives	14
Table 2 - Overall Results in Madeira Island Hotel Industry	20
Table 3 - Segmentation and Targeting Criteria	35
Table 4 - Product Description and Characteristics.....	37
Table 5 – Financial Projection Assumptions	43

Chapter 1

1. Introduction

The following business plan was developed by Rui Olim, Degree in Management by ISEG - Lisbon School of Business and Economics and currently finishing his Master's degree in Marketing at ISCTE-IBS.

The project consists of the development of an experience focused Boutique accommodation in Vila do Porto Moniz, a rural area in the author's fatherland: Madeira Island. The idea emerged due to two factors: on the one hand, the attractiveness of the tourism sector - especially to the author whose desire is to follow a career in the Tourism and Hospitality sector; on the other hand, the existence of a building, belonging to the author grandparents, that presents the ideal conditions for the creation of an accommodation unit of this type. Allied to these factors was also the entrepreneurial spirit of the author, his interest in the tourism sector, his knowledge in the rental market and past experience working in the hospitality sector where he always sought to give the best possible experience to the guests.

The archipelago of Madeira - composed of Madeira Island and Porto Santo - has a high dependency on tourism that represents over a quarter of its GDP (Direção Regional do Turismo e Cultura da R.A. Madeira, 2020), meaning that tourism can be an excellent drive to generate wealth and contribute to the local economy, mainly when it comes to rural areas.

As mentioned, it is expected that the future unit – proposed to be called Madeira Heritage - will be framed in Vila do Porto Moniz, a small rural area by the sea in the North of Madeira Island, located roughly 73 kms from Aeroporto Cristiano Ronaldo, Madeiras International Airport, and around 50 kms from Funchal, the Islands capital. Porto Moniz is world famous for its natural swimming pools and for being home to 67% of the UNESCO World Heritage Laurisilva forest.

The enterprise will be developed by renovating and adapting a 235 sq. meter house, leading to a Boutique accommodation unit with 8 rooms and 11 beds - meaning it will be capable of receiving 19 adults simultaneously. The restaurant, responsible for providing breakfast for the guests, along with the bar will be rented to a local recognized chef offering top quality local dishes and drinks. There will also be a wellness center where guests can enjoy their stay and relax. Finally, the unit will also offer a social area for guest and non-guests, where events will be organized.

According to the IPDT, the Covid-19 pandemic has made tourists seek national destinations, exclusive experiences and smaller accommodations. The main goal of the development of this project is to follow these trends and leverage the opportunity created by

them designing a Boutique accommodation with a unique value proposition, offering exclusive and tailored cut experiences, clearly differentiating itself from the competitors.

This project allows the application of several different concepts regarding the hospitality industry in Madeira Island: tourism trends and expectations and supply features and motivations.

Chapter 2

2. Literature Review

2.1. Tourism

2.1.1. Definition of Tourism and Tourist

Generally, when we think of tourism we think of people who are visiting a particular place for sightseeing, visiting friends and relatives, taking a vacation, and having a good time (Goeldner & Ritchie, 2011). In other words, tourism is related to leisure and holiday; however a more economical approach must be done in order to understand the industry's importance.

The Cambridge Advanced Learner's Dictionary & Thesaurus defines tourism as “the business of providing services such as transport, places to stay, or entertainment for people who are on holiday - known as tourists. Goeldner and Ritchie (2011) have an even more and embracing economic approach when defining tourism, defining it as “the processes, activities, and outcomes arising from the relationships and the interactions among tourists, tourism suppliers, host governments, host communities and surrounding environments that are involved in the attracting and hosting of visitors.”.

These authors are aligned with what is stated by the UNWTO who attempt to differentiate the difference between tourism and travel by stating that “*Tourism is different from travel. In order for tourism to happen, there must be a displacement: an individual has to travel, using any type of means of transportation (...). But all travel is not tourism.*”, although complex it is understandable that tourism implies more than just travelling such as interaction and contribution to the local community being visited.

Also, according to the UNWTO (2010) tourism is based on activity of visitors who are travellers “*taking a trip to a main destination outside his/her usual environment, for less than a year*”. On the other hand, a tourist is a visitor whose “*trip includes an overnight stay*” otherwise they should be considered an excursionist.

In the context of this study, the definition of tourists by the UNWTO (2010) will be followed, meaning that only visitors who include an overnight stay will be considered tourists while tourism will include all the activities and interactions between tourists and hosts and tourism providers¹.

¹ Tourism provider - “All businesses offering tourism services and experiences to tourists” (IGI Global)

2.1.2. Types of Tourism

Everyone has a usual place of residence, where they are considered residents; The country of reference should be understood as the country being analyzed (United Nations, 2010). Based on these terms the UNWTO Statistical Division has defined three basic distinctive forms of tourism which include all the activities of the visitors:

- **Domestic tourism** – when a resident visits a location within his/her country of reference;
- **Inbound tourism** – when a non-resident visits a location within the country of reference;
- **Outbound tourism** – when a resident visits a location out of his/her country of reference.

Additionally, these basic forms of tourism can be combined and lead to the following types of more “complex” tourism:

- **Internal tourism** – combines the activities of all visitors (resident and non-resident) within the country of reference;
- **National tourism** – includes all tourism activities of resident visitors, despite (within or outside) the country of reference;
- **International tourism** – comprehends the activities of a resident visitor outside their country of residence, either as part of outbound tourism trips for residents in the country of reference or as part of inbound tourism by non-resident visitors within the country of reference.

This study aims to focus on the basic definitions of tourism, focusing itself on domestic and inbound tourism.

2.2. Experience Marketing

2.2.1. Tourist Experience

Throughout the years traveling has become more and more common and experiences are recognized as the main form for tourists to create memories of their vacation. Experiences have value for tourists, rather than the visit itself (Lon *et al.* 2018) therefore it is important to

understand the importance of experience marketing as a solution for creating memorable tourist experiences.

Given the contemporary shift from service-oriented to experience-oriented encounters (Pine & Gilmore, 1998), it is easy to understand that besides consuming their vacations, tourists also seek to take something from it both in a physical form but also in the form of experiences.

Experience marketing is based on the experience economy theory of Pine and Gilmore (1998), who claimed that experiences are a distinct economic offering, alongside commodities, goods and services. Following, Same and Larimo (2012) define experience marketing as a customer-centric strategic marketing of relevant experiences that take into account the cognitive (mental images, understanding, interpretations), affective (feelings, emotions), and conative (intentions, actions, behaviour) perspectives of the consumption experience.

According to Tynan and McKechnie (2009), an experience occurs during three different stages: pre-experience, customer experience and post-experience. In Figure 1 below the activities the customer engages throughout the whole experience are detailed.

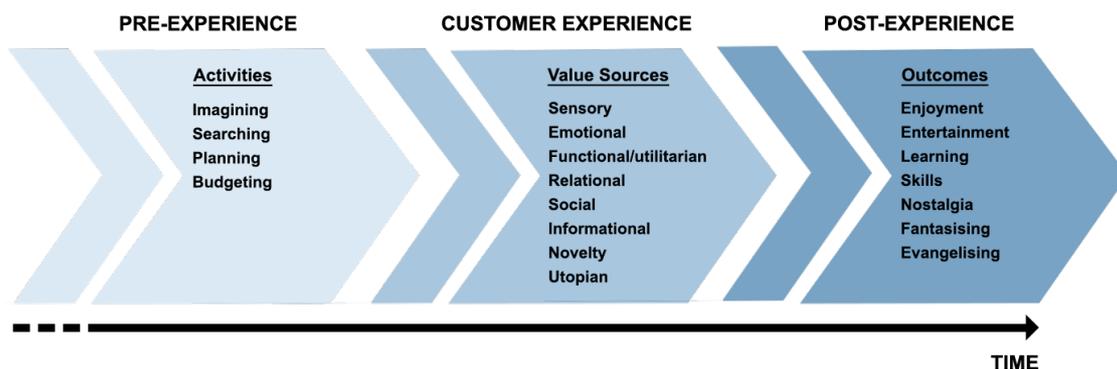


Figure 1 - Authors adaptation from Tynan and McKechnie (2009)

According to these authors, and merging their approaches, the key concepts of experience marketing are: offering or stimulus, interaction between the customer and company, experience and value co-creation, and value to customers, company and society.

Note that it is impossible for two people to have the same experience since each experience derives from a different interaction and stimulus between the actors (Pine and Gilmore, 1998; Same and Larimo, 2012).

Keeping this in mind that experience marketing is a customer-focused marketing activity that creates a relationship with customers, through experiential value and experience touch points (Schmitt, 2010 in Lon *et al*, 2018) it can be considered one of the main ways of motivating tourists to visit or revisit a specific place, having direct influence on their loyalty and preference for a certain destination.

In the context of this paper, the tourist experience will be considered as the individual perception generated through interactions and resource integration in a tourism context on a spectrum of negative to positive, evoked by all stimuli encountered in pre, during, and post phases of consumption (Godovykh & Tasci, 2020).

2.2.2. Impact of Experience Marketing on Tourists

Most of the time, the decision-making process leading to the choice of a travel destination, and consequent accommodation choices, is a very complex process (Lam & Hsu, 2006), because tourists motivations vary meaning that we're not able to assume that someone's motivation is the same as their peers (Goeldner & Richie, 2012). Therefore trying to understand why people travel and which are their motivations when choosing a tourism destination is essential while understanding in what ways their choices are influenced.

The main brand-related outcomes of experience are listed as loyalty, satisfaction, perception, word-of-mouth, repetitive consumption, less price sensitivity, higher levels of brand trust, commitment and involvement (Godovykh & Tasci, 2020; Schlesinger et al, 2020; Brakus et al, 2009). Thus, while matching tourism to a product or service we easily understand the importance experiences will have in the tourists' loyalty and satisfaction.

Remembering the journey of an experience according to Tynan and McKechnie (2009) - Figure 1 - we shall pay particular attention to the pre-experience stage while analyzing the role of experiences in making a tourism related decision. By focusing on this stage we are able to put aside the affective part of the experience that will be worked on in the second stage.

In other words, we shall focus on the antecedents of the experience rather on the experience itself and the post-experience. Once again, by equating a tourism destination to a product or service, we are able to identify price, quality, atmospherics, authenticity, interaction type and co-creation opportunities as the main antecedents considered before deciding on an experience (Adhikari & Bhattacharya, 2016 in Godovykh & Tasci, 2020; Gilmore & Pine, 2004).

This said, a proper marketing mix and communication plan is required for destinations to create competitive advantage and show differentiation from the rest. This is achievable through tourism marketing leveraged on experience marketing giving consumers the opportunity to successfully go through the first stage of their experience by searching, imagining, budgeting and planning their vacations.

2.3. Tourism Products and Trends

2.3.1. Tourism Products

In order for the island to differentiate itself from other destinations, Madeira presented a new value proposition in the *Strategic Document for Madeira Islands Tourism for 2015-2020*², developed along with KPMG. This strategic document clearly stated that the future was investing in a strategy that promoted unique experiences throughout the whole touristic journey.

This said and having the concept of Experience Marketing in mind - matching the destination to a product - Madeira designed a unique value proposition with the mission of being “*a destination known for its various forms of contact with Nature complemented by moments of relaxation in an authentic, modern and cosmopolitan environment, all year round, that that provides visitors with always positive experiences*”³.

Based on this commitment a Strategic Tourism Plan for Madeira Island⁴ was created for the period of 2017-2021. This tourism plan specified the tourism products along with the target markets that would be considered priorities and would deserve higher promotion investments for the Tourism Organization.

Consequently, and to facilitate the understanding of the strategic plan, three type of tourist products were identified according to their level of importance: strategic products (defined the main tourism products by taking into account the destination's experience, resources, infrastructures and local business offerings and companies), complementary (these are not main products, but are fundamental in enriching the tourists experience in Madeira) and secondary (high quality existing products but in comparison to the strategic and complementary products they present a position conditioned by a lack of dimension/expression).

The defined strategic products for Madeira Island are Nature; nature and adventure sports; cultural and landscape touring; nautical and sea sports; and sun and sea.

² Authors loose translation of *Estratégia para o Turismo da Madeira 2015-2020*

³ Authors loose translation of “*destino conhecido pelas diversas formas de contacto com a Natureza complementada por momentos de descontração em ambiente autêntico, moderno e cosmopolita, ao longo de todo o ano, que proporcione aos visitantes experiências sempre positivas*”

⁴ Authors loose translation of *Estratégia para o Turismo da Madeira*

2.3.2. Tourism Trends

Such as all economic sectors, tourism has suffered changes over the years. External factors, such as economic and financial factors or environmental issues obviously have a large contribution to these changes, however the changes on habits and lifestyle due to the Covid-19 pandemic forced the major shift in tourism trends.

Focusing on a pre-pandemic stage, the main trend - regarding the tourism accommodation industry - was the increase in search for establishments with unique characteristics and identity where guests can experience personalized services. This is an intangible differential - preferably almost impossible to be copied by competitors - sustaining accommodation provider in the long-term (Angeli et al., 2012)

However, and as mentioned, the Covid-19 pandemic was the motivator for the major trend shifts. Although the pandemic has lasted over one year and a half, it is clear that tourists always tend to avoid diseases, no matter how contagious they are (Kock et al, 2020) meaning that a “safe” destination will be considered more attractive. Although numerous destinations are already considered safe destinations - Madeira included - many tourists are still reluctant to travel (Rachmawati & Shishido, 2020) and the volume of tourists is still far from achieving pre-pandemic levels.

According to IPDT (2021), besides the preference for safe and hygienic destinations, there are six important trends that will also be observed:

- **Travelling in smaller groups** - In order to avoid gatherings, tourists will avoid sharing experiences in large groups or people they do not know. This makes tourists more willing to spend more and “upgrade” to an exclusive experience.
- **Travel while working** - Covid-19 worked as a revolution to the work market and shifted most jobs to remote ones, leading to a *boom* in digital nomads.
- **Active travelling** - Since the global lockdown most people are eager to move and be active again, searching for adrenaline boosters or out of routine activities, especially while on holiday.
- **Growth on domestic tourism** - As the pandemic goes on, tourists have higher confidence levels if travelling in their country of residence than leaving it.
- **Search for nature destinations** - Nature destinations along with experiences with the local communities and their tradition have noticed an increase, as people try to escape their city life.
- **Longer stays** - As the restrictions and uncertainty continue, travelling will be less of a habit allowing tourists to dedicate more time to the chosen destination.

2.4. Touristic Accommodation

2.4.1. Types and Concepts

As mentioned previously, a tourist is only considered as so when including an overnight stay in his trip. This said, it is easy to understand that accommodation is an essential component of the tourism industry. According to Fletcher et al. (2013), it is near to impossible to calculate a ratio that identifies what the total tourist expenditure on accommodation, as this is highly dependent on the country of reference and on the type and nature of the accommodation, however it is estimated that accommodation accounts, on average, for about one-third a tourists total expenditure.

This sector is rich in diversity, not only in the type of service provided - ranging from the most basic and functional from the most basic and functional to the most luxurious - but also in the size of the infrastructures - from a simple room in a private home to large hotels and resorts. The management style and why it is explored also varies, ranging from small private owners to large multinational companies (Fletcher, Fyall, Gilbert & Wanhill, 2013).

Since 2008, the UNWTO has adopted an ISIC (International Standard Industrial Classification of all Economic Activities) classification to what concerns to tourism accommodations types (UNWTO, 2010):

- Short term accommodation activities - includes, among others, hotels, resorts, aparthotels, motels, guesthouses, pensions, hostels, bed and breakfast, bungalows and time-shared units;
- Camping grounds, recreational vehicle parks and trailer parks - is encompassed these three types of accommodation;
- Other accommodations - included student residences and school dormitories, among others.

Turismo de Portugal differentiates Touristic Enterprises from Non-Touristic Enterprises. The first is characterized by providing accommodation services having an adequate set of structures, equipment and complementary services, following and complying to the Tourist Resorts Legal Regime (RJET) - published in DL n.º 80/2017, de 30 de Junho - where Hotels, Resorts and other accommodation types fit in. On the other hand, Non-Touristic Enterprises are characterized by providing accommodation services, however do not meet the requirements to be considered tourist enterprises so they fall under a local accommodation classification (regulated by their own regime).

2.4.2. Local Accommodation

In order to simplify the differentiation between Touristic Enterprise and Non-Touristic Enterprise, the Decree-Law (DL) No. 39/2008, March 7, came to determine the requirements for an accommodation unit to be considered a Touristic Enterprise and if these were not met, it will be considered a Non-Touristic Enterprise. In other words, Non-Touristic Enterprises are a simplified version of accommodation providers since they are not obliged to meet certain requirements, although they are regulated by their own regime.

Furthermore, Non-Touristic Enterprises are commonly known as Local Accommodation (AL). These types of units can provide their services as a whole unit (meaning the tourists rent the whole property), by room renting (just like a typical hotel) or per bed (known as hostels).

With growth of tourism in Portugal, the request for AL licenses also grew forcing the government to implement several legislation changes throughout the years. Currently, and according to DL No. 62/2018, August 22, 2018, these are the present main legal obligations for AL:

- Local councils are allowed to limit the amount of AL licenses, based on the local market saturation rate;
- The first AL licenses had no limitations to their capacity, however nowadays no unit is allowed to have more than 9 rooms or capacity for more than 30 people - unless registered as a hostel;
- There are no minimum operational requirements (minimum staff, working hours, etc);

Due to the simplified set-up and operational flow of AL, the accommodation proposed in this Business Plan will fall under this classification in the eyes of Turismo de Portugal and consequently as short-term accommodation activity for UNWTO.

2.4.3. Boutique Accommodation

Boutique accommodation is directly related to the concept of a Boutique Hotel. Yet, there is no consensus on the characteristics defining this sort of accommodation. Along with this, Boutique Lifestyle Leaders Association defines “Boutique” as a “business that offers a curated service, product or experience that is one-of-a-kind” (BLLA).

Previous studies indicate that the perception of experience in boutique hotels is a key factor that emerges in consumption studies on tourism experience (xxx et al.) Also, McIntosh

and Siggs (2005) identify exclusivity and privacy as the key motivators for clients to search for this type of accommodation.

Based on this it is possible to conceptualize “Boutique Accommodation” by combining the identified characteristics of Boutique Hotels and the definitions of “Boutique” and “Accommodation”.

According to Glion (2021) boutique hotels are characterized for being small accommodation providers, usually not related to large hospitality groups, located in trendy areas and home to a specific designer decor. Also, a boutique hotel must feel part of the place where it is located, for example offering local food. It must be much more than just rooms gathering people in its trendy lobby, restaurant and bar.

This said, and for the purpose of this Business Plan “Boutique Accommodation” will be defined as a short-term accommodation unit, that in the eyes of Turismo de Portugal cannot be classified as a Touristic Enterprise but offers an experience-focused stay combined with unique design and an amazing attention to every detail, just as expected in a Boutique Hotel.

Chapter 3

3. Framework

After the literature review, it was considered important to synthesize the most important topics, definitions and concepts that will be taken into account in the elaboration of this business plan:

- **Tourism:** All the activities and interactions between tourists and tourism providers;
- **Types of Tourism:** All tourism related to tourists visiting Madeira Island (includes National and Inbound tourism);
- **Tourist:** A visitor who includes an overnight stay in a place that is not their usual place of residence;
- **National Tourist:** Portuguese tourist
- **Inbound Tourist:** Non-portuguese tourist
- **Tourist Experience:** Individual perception generated through interactions and resource integration in a tourism context, which goes between negative and positive;
- **Madeira's Tourism Products:** Nature; nature and adventure sports; cultural and landscape touring; nautical and sea sports; and sun and sea
- **Tourism Trends:** Search for safe and hygienic destinations; Search for nature destinations, that allow active holidays while having unique experiences; Increase of search for domestic destinations; Avoidance of large group holidays, especially with unknown people; Remote working while travelling; Increase of stay time;
- **Local Accommodation:** Accommodation service provider, that does not meet the requirements to be considered a tourist enterprises (such as a Hotel or Resort);
- **Boutique Accommodation:** All accommodation units that are not Hotels (mainly because due to the legal framework) but are experienced focused, offering a boutique like experience.

Chapter 4

4. Methodology

This Business Plan methodology follows the Interpretive Paradigm, taking into account the subjective approach that the researcher has to the process and the influence that his values and experiences have on the research itself (Burrell & Morgan, 2005).

The research problematic and its central objective will be to evaluate the economic and financial viability of creating a Boutique accommodation in Porto Moniz. In this sense, a business plan was elaborated, taking into account the aggregative, guiding and evaluating characteristics of this management tool, which presents, in a detailed way, all the key aspects of the business in question along with the set forth objectives, as well as how the author proposes to achieve them (Kuratko, 2014).

According to Hox & Boeije (2004), data can either be primary or secondary. Primary data is data “collected for the specific research problem at hand” while secondary data is “material created by other researchers” for papers written by them. The synergy created by these data sources will help answer the research problematic in the most complete manner.

4.1. Business Plan Methodology

To test the research problematic and prove the viability of the project developed throughout this thesis the methodology in Figure 2 was applied.



Figure 2 - Business Plan Methodology

4.1.1. Market Analysis

The first step consists of a current market diagnosis. In order to perform this diagnosis and achieve a comprehensive understanding of the market an external, internal and competitive analysis were conducted.

It is through this analysis that it will be feasible to recognize the attractiveness of the market and the business potential just any risks that may arise. To completely analyze all parts, three different dimensions were thought of (Table 1).

Table 1 - Market Analysis Dimensions, Tools and Objectives

Dimension	Tool	Objective
External Analysis	PESTEL Analysis	Define the external environment and context and comprehend how it impacts the project.
	Industry Definition	Understand the current industry state and market size
	Competitor Analysis	Acknowledge and define direct and indirect competitors
Internal Analysis	Benchmarking	Acknowledge and build up references of the industry's best practices
	Michael Porter's Value Chain	Identify potential differentiating factors
Competitive Analysis	Dynamic SWOT Analysis	Summarize previous analysis

4.1.2. Business Model

Once the previous analysis is done, defining business objectives and goals will become much clearer. These objectives and goals will be defined based on the identified opportunities, trends and market gap towards the target markets. Moreover, the fundamental activities of the business and its extension will also be established, characterizing the project's core.

After defining the business objectives and goals the strategy to be developed and followed in order to achieve them will also be presented by defining the company's Mission, Vision, and Values, identifying relevant critical success factors and the competitive strategy to be followed.

4.1.3. Operating Model

After the Business Model is defined it is time to define how the project will be implemented. In this sense, there are 5 main topics detailed:

- **Infrastructures** - where the hotel layout is approached and explained;

- **Marketing** - where segmentation, target and positioning are firstly detailed to allow the creation of a Marketing Mix presented through the 7 P's of Marketing;
- **Technological Policy** - where a guideline for all technology related decision-making process is detailed;
- **Organization** - where all the necessary roles are presented along with their descriptions.

Based on these topics the implementation requirements will be defined and presented in a summarized way.

4.1.4. Financial Model

As mentioned previously, the whole purpose of this Business Plan is to evaluate the economic and financial viability of creating a Boutique accommodation in Porto Moniz.

This said, and in order to test this viability, the projections and assumptions for the different scenarios that will be studied through various financial metrics, namely: the project's Net Present Value (NPV), the Internal Rate of Return (IRR), the Project Profitability Index (PIR) and the Payback Period.

As the data used in this evaluation are provisional a sensitivity analysis is done so the numerous possibilities are interpreted and the main differences amongst variables identified. Ultimately, the analysis done in this chapter shows if the investment in this project is viable or not.

4.2. Research Methodology

As tools, instruments and metrics already created and broadly recognized by the academia it was considered important to complement this secondary data with primary data collection through interviewing C-level executives in charge of tourism accommodation units in Madeira and also tourism providers in Madeira Island, preferably in Porto Moniz.

4.2.1. Primary Data

What comes to primary data, in-person interviews were proposed to two General Hotel Managers in Madeira Island and 4 different tourism providers in order to try and draw the current tourism situation in Madeira Island in general, understand the main target markets and tourist motivation along with understanding the operational difficulties tourism units have by operating in an outermost region.

Unfortunately, only one was conducted due to the availability of the people. The conducted interview took place at Aqunatura Bay, a 4 star hotel in Porto Moniz, with its General Manager João Nunes and lasted 1h30 min. The purpose of this interview was to draw the current tourism situation in Porto Moniz and was divided in two main parts:

- Subjective - where I tried to obtain João Nunes opinion regarding Madeiras tourism, Porto Moniz promotion and what is missing,
- Objective - covering the Porto Moniz tourism products, the main competitors, the tourist profile (including segmentation and motivations), collecting tourist data at Aqunatura Bay (such as average stay, main markets) and understanding the main operational difficulties.

4.2.2. Secondary Data

Regarding the research methods and information collection, within the scope of the literature review, several scientific articles were researched in a first phase. This research focused on the definitions of tourism and tourist, the types of tourism, experience marketing related to marketing and how experiences influence tourism decisions, types of tourism products and tourism trends and finally tourist accommodation, local accommodation and Boutique accommodation conceptualization.

In a second phase, for the development of the business plan itself, and in order to obtain market data, documental research was carried out with various sources such as Booking.com, Hoteis.com, Visit Madeira, Diário da Republica, RNAL, UNWTO, Direção Regional de Estatística da Madeira and so on.

Also, in order to obtain information about the type of services provided, the customer profile and their expectations, several studies on these subjects were consulted.

The main online reservations platforms for tourist accommodation were also consulted, as well as the websites of existing boutique hotels and accommodations.

Chapter 5

5. Market Analysis

5.1. External Analysis

5.1.1. Industry Definition

Tourism represents the most significant sector for many countries' economies and Portugal is no exception. Historically, the Portuguese tourism sector has always represented a considerable contribution to the country's GDP and has experienced a consistent growth throughout the years (MarketLine Industry Profile: Travel & Tourism in Portugal).

Through this steady growth this sector has reinforced its contribution to the Portuguese economy, to which it contributed to with 8,7% of the country's GDP in 2019 (Banco de Portugal, 2019). When focusing on Madeira, the importance of tourism is even more glaring since it has represented over a quarter of the island's GDP since 2002 and been responsible for roughly 15% of the island's jobs and nearly 20% of the region's GVA since 2014 (Turismo de Portugal, 2020).

However, the Covid-19 pandemic has broke this trend, forcing this analysis to be divided in to two parts:

- **Pre-pandemic** - before 2020

The years preceding the pandemic were years of great growth for the Portuguese tourism industry. According to data published by INE (2020) in its Tourism Statistics 2019 report, revenues from Travel and Tourism in the Balance of Payments in 2019, amounted to 18.4 billion euros, representing an increase of 8.1% compared to 2018. On the other hand, expenditure totaled €5.3 billion, representing an increase of 15.6% over 2018.

This said, the balance of the Travel and Tourism item amounted to 13.1 billion euros representing an increase of 5.3% compared to 2018, however this growth was less expressive than in previous years (+8.4% in 2018, +24.2% in 2017) foreseeing a stabilization in the growth rate alongside sustained continuous growth.

In 2019, INE estimated the arrival of 24.6 million international visitors in Portugal - an increase of 7.9% over 2018. As no estimate is available for the number of arrivals in Madeira, the variable of tourists staying in accommodation providers can be used as a proxy variable. In this sense, this variable, when compared to 2018, decreased by 0.9% in addition to the decrease of the proxy variable, the absolute number of stays totalled 8.5 million but also registered a reduction of 2.7% when compared to 2018 (DRE in Em Foco, 2019).

According to the same document, based on the proxy variable, 12.5% of the arrivals were of national tourists while 87.7% were non-portuguese. Focusing on the main source markets Germany, United Kingdom, France, Netherlands, Poland, Denmark and Sweden concentrated 78.1% of stays by non-portuguese tourists.

- **Post-pandemic - after 2020**

As the COVID-19 pandemic spread globally, the general slowdown in tourist activity was inevitable in all parts of the world, representing an estimated decline of international tourists worldwide of 72.8% compared to the 2019.

Portugal followed this trend, with INE estimating the arrival of 6.5 million international tourists in 2020, less 73.7% compared to 2019. Madeira also followed the global trend but in a slightly less accentuated way - estimated through the proxy variable - registering a decrease of 65.1% of tourists staying in accommodation providers (DRE in Em Foco, 2020).

The Portuguese Tourism 2020 report showed how harsh the pandemic effect was towards the country's Travel and Tourism balance: the revenues from Travel and Tourism totaled 7.8 billion euros, less 57.6% than 2019. On the other hand, expenditure also registered a major decrease, although not as severe as the revenues, totalling €2.8 billion, representing a decrease of 46.1% when compared to 2019.

Nevertheless, the balance of the Travel and Tourism item suffered a complete trend inversion amounting to 5 billion euros representing an increase of decrease of 62.2% when compared to 2019, reflecting the drastic negative effects of the Covid-19 pandemic on tourism activity, as mentioned mostly due the imposition of strong limitations on international travel as a way to fight spreading the pandemic.

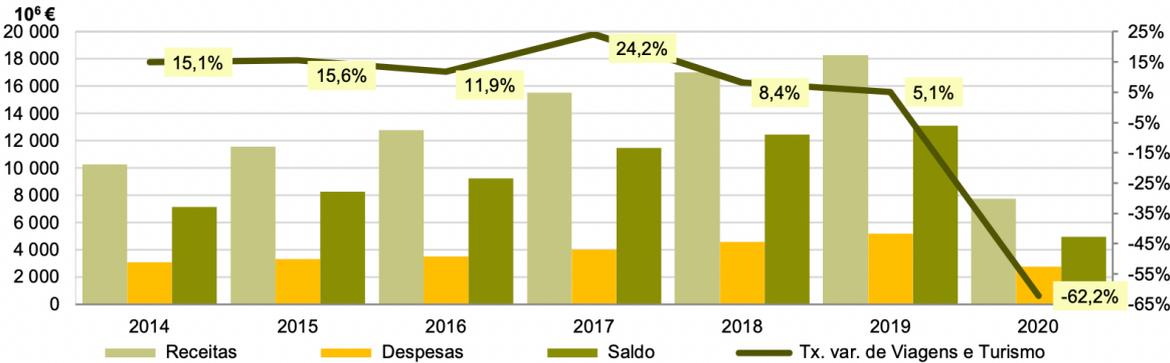


Figure 3 - Portuguese Tourism Balance, Travel and Tourism, 2014-2020; Source: Banco de Portugal

What comes to the main source markets of Madeira in this stage, a growth of national tourism was registered - confirming the trend mentioned in the Literature Review - while United

Kingdom, Germany, France, Netherlands and Poland were still the main origin of non-national tourists (DRE in Em Foco, 2020).

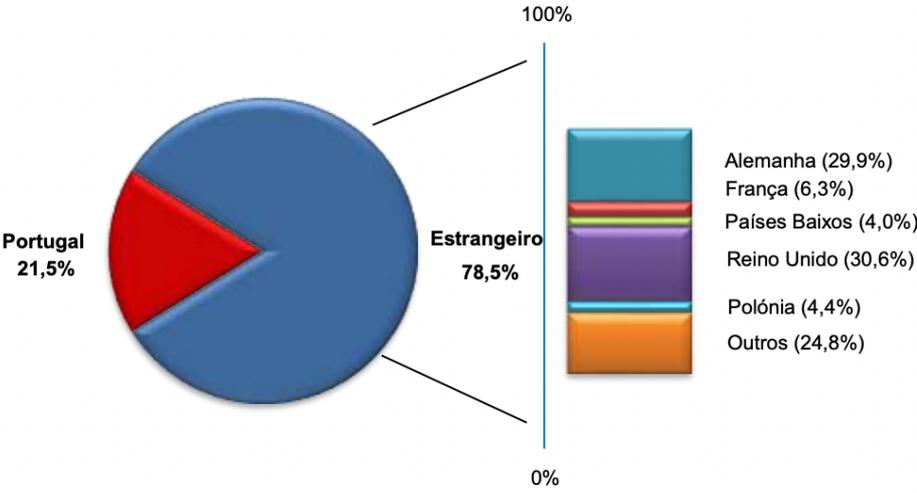


Figure 4 - Main Income Markets of Collective Lodging in Madeira in 2020; Source: Em Foco, 2020

The first months of 2021 registered a slow restart to the amount of tourists staying in accommodation providers mainly due to the re-introduction of pandemic containment measures. However, once those measures were overcome a boost was noticed on the absolute value of this variable.

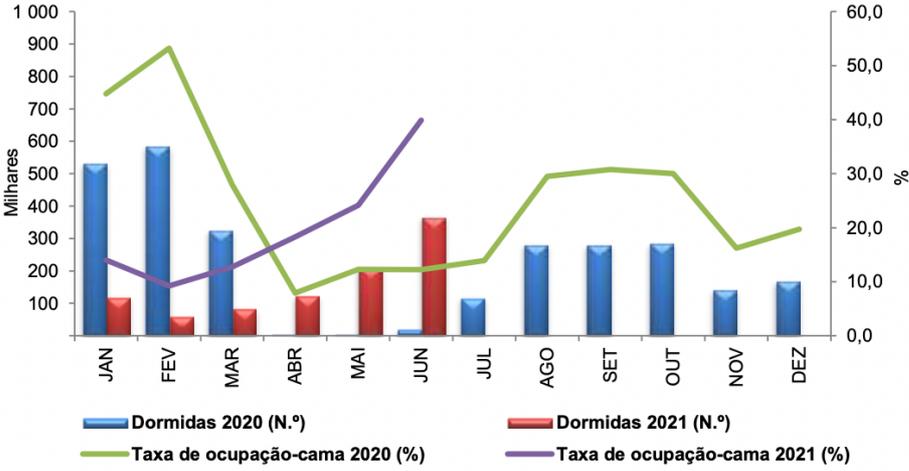


Figure 5 - Evolution of booked nights and occupation rate in Madeira (2020 - 2021); Source: Em Foco, 2021

With this in mind, and based on the estimates found in the Statistics of Tourism of Madeira that predict a continuous growth throughout the year of 2021 it is fair to believe that as the global pandemic measures tend to lighten these provisions will occur and possibly be beaten.

According to Statistics of Tourism of Madeira, in June 2021 the local accommodation establishments represented 52.99% of the total total of accommodation units, being responsible for 14.8% of the overall accommodation capacity on the island. In this analysis, and in order to follow the same criteria used by DRE and INE, only local accommodation units with 10 or more beds were considered

As no data is available for local accommodation itself, general accommodation metrics were considered. Between January and June 2021, the average stay was 4.21 days, and the average ADR was 72.62€ while the average occupation rate was 25.5%, however in June itself these metrics were 4.64, 75.63€ and 45.8% respectively. The main metrics are summarized in Table 2:

Table 2 - Overall Results in Madeira Island Hotel Industry; Source: DREM

R. A. Madeira							
Indicadores	Unidade	Jun 2020	Jun 2021 Pe	Tvh (%)	Jan a jun 2020	Jan a jun 2021 Pe	Tvh (%)
Hóspedes entrados	milhares	3,8	55,2	1 336,8	188,0	139,6	-25,8
Hóspedes ⁽²⁾	milhares	3,9	61,9	1 478,3	234,2	158,2	-32,4
Dormidas	milhares	11,3	286,7	2 445,5	1 223,7	666,2	-45,6
Estada média	n.º de noites	2,87	4,64	61,3	5,23	4,21	-19,4
Taxa de ocupação-cama ⁽³⁾	%	14,4	42,6	28,2 p.p	43,1	22,7	-20,3 p.p
Taxa de ocupação-quarto ⁽⁴⁾	%	16,4	45,8	29,4 p.p	47,8	25,5	-22,3 p.p
Proveitos totais	milhares €	413	17 203	4 061,1	64 614	41 355	-36,0
Proveitos de aposento	milhares €	308	11 074	3 499,3	41 563	26 028	-37,4
RevPAR ⁽⁵⁾	€	8,45	34,64	309,7	30,46	18,52	-39,2
ADR ⁽⁶⁾	€	51,42	75,63	47,1	63,74	72,62	13,9

5.1.2. PESTEL Analysis

5.1.2.1. Political Factors

The political analysis considers all aspects that are directly and indirectly connected with the regulation of the sector the business is part of to ensure that there is stability for the operation.

Historically, Portugal has always been a stable political country mainly due to the fact that in the past 45 years Portugal has only been led by two parties: Partido Social Democrata (PSD) and Partido Socialista (PS). These parties are known for following a right and left ideology, respectively, but essentially are both centrist parties contributing to the continuous state of stability.

Since 2015, the Prime-Minister is António Costa who is supported mainly by the center-left party - Partido Socialista, who is serving his second term after victory in the 2019 legislative elections. The President of the Republic took office in 2016 and is Marcelo Rebelo de Sousa, who is also serving his second term after winning the 2020 Presidential elections.

In October 2021 Portugal faced a political crisis as the current government was unable to get the yearly budget approved, resulting in a more than likely dissolution of this government. The chances of an alternation of power is high as it is the historical usual outcome – meaning PSD is most likely to take power soon.

The good news is, as mentioned, both these parties are mostly centrist parties which indicates there will not be any major instability in the country.

The main objectives of any of these parties, especially after the Covid-19 outbreak, are social cohesion, modernization of the economy, combating climate change and territorial cohesion. The main way found by PS in the last 5 years to modernize the Portuguese economy was creating and financing programs for entrepreneurs and new businesses.

This is a positive sign that Portugal is not only aware of their needs, but also promoting the creation of enterprises and a proper entrepreneurial environment which is greatly important for situations where people want to start a new business.

5.1.2.2. Economic Factors

In the first decade of the XXth century, while the world went through a global recession, Portugal needed to be rescued by the IMF. This was followed by years of great public and private austerity, taxes were increased, consumption was reduced and savings were encouraged.

With the IMF's departure from Portugal in 2014, followed by the change in Government, the national economic panorama changed. Economic growth and, significant, foreign investment in the country started to show and prosperous times awaited.

Prosperous times were confirmed and the Portuguese GDP grew for 6 consecutive years between 2014 and 2019 and were expected to grow in 2020, if not for the Covid-19 pandemic but ended up retreating 7.7% (Figure 6).



Figure 6 - Real Portuguese GDP Variation Rate; Source: Banco de Portugal

Regarding the labour market, the unemployment rate reached its minimal value in 2019 since the 2008 recession at 6.5%. Despite the pandemic, and against all previsions (which predicted it to double), this rate was able to be kept under control and stable, totalling 6.7% in 2020. In the second trimester of 2021 it was still at this value (Pordata, 2021) but is expected to drop in the near future.

Finally, the minimum wage is 682€ in Madeira (2,6% higher than the National minimum wage) and has been going up for the past 5 years. It is expected for this indicator to grow as the Government has compromised in taking it up to 750€ until 2023 (GOP 2021-2023 in Dinheiro Vivo, 2020).

5.1.2.3. Social Factors

According to Pordata, in 2019 the portuguese population was 10.2 million people, with 64.6% of them aged between 15 and 64 years old (active population), 22.0% aged over 65 years old (elderly population) and 13.6% aged under 14 years old (young population).

A concerning indicator is the high amount of elderly population in Portugal. The number of active population per elderly person has nearly halved in only two decades (4.1 in 2001 to 2.9 in 2019), the birth rate (only 8.4% in 2019) is equally low and the natural balance is negative (-25 thousand in 2019).

As mentioned in the Literature Review tourists prefer safer destinations over those considered “non safe”. In 2021, Portugal is considered the 3rd safest country in the World according to the World Population Review, who consider political instability, potential for terrorist acts, among others to designate the world's safest countries.

5.1.2.4. Technological Factors

Nowadays, technology is present in nearly all daily activities, affecting directly or indirectly the way people make their consumption decisions and has changed the way companies connect with customers, creating a 24/7 relationship.

Digital technology is present in all stages of the experience: when the consumer conducts research on the product or service they want to buy, to the stage when they provide reviews on the product or service purchased. The reviews made by consumers, in terms of goods and services, have revolutionized the way they decide to buy. In terms of tourism this impact is quite evident, taking into account that it is directly related to experiences (UNWTO, 2014).

According to Statista in 2020, Portugal has a reported internet coverage of 84% countrywide, slightly over the EU average (88%). In 2019, Portugal ranked 12th on the European Innovation Scoreboard - a ranking that evaluates the amount of innovation and if there are conditions for this to happen.

5.1.2.5. Environmental Factors

The main resources for tourism are the climate, the geographical location, the people, the diversity of landscapes, architectural, historical, cultural and natural monuments, culture, traditions, and gastronomy, as well as the richness in biodiversity, all of which represent the true identity of each country.

The enhancement and protection of the destination ought to be a regular concern, and for this it's far essential that every one stakeholders have an active role. Sustainable tourism is an interest that generates capital and creates jobs, contributing to nearby funding and to the nicely being of the community and is in the center of the Portuguese Tourism Strategy for 2021-2027.

The program states that, as a quality tourism destination, Portugal "*bases its competitive advantage on the principles of sustainability, on the diversified offer and on the valorization of its distinctive and innovative characteristics, putting people at the center of its strategy*" (Turismo de Portugal, 2019).

The main objective behind this strategy is to leverage the changes imposed by the Covid-19 pandemic in order to introduce habit changes and behaviors for more sustainable tourism and enabling Portugal to promote itself as a sustainable destination. This objective shall be achieved by focusing on better natural resource management through energy efficiency, water efficiency and waste management systems and through reduced plastic usage in all sectors of the economy.

5.1.2.6. Legal Factors

As seen in the Literature Review, the Decree-Law (DL) No. 39/2008, March 7, came to determine the requirements for an accommodation unit to be considered a Touristic Enterprise and if these were not met, it will be considered a Non-Touristic Enterprise. This said, Non-Touristic Enterprises are all accommodation providers that do not meet the requirements to be considered a Touristic Enterprise.

Also, there are no limitations or minimum requirements for Non-Touristic Enterprises, but they must follow their own regime and are subject to local valuation and audits.

Finally, possibly the major legal constraint could be related to the capacity limitation given to Non-Touristic Enterprises but for this Project the project capacity is below the legal limit.

5.1.3. Competitor Analysis

Competitors analysis, as well as customer needs, is key to identifying opportunities for competitive advantage (Grant, 2010). This said, and keeping in mind that this project will be implemented in Porto Moniz, the purpose was to understand the local accommodation offering in the locations with similar value propositions (focused on nature tourism) and location - mainly in São Vicente and Santan, identified as competitor councils -, as well as those which could be considered a boutique accommodation.

5.1.3.1. Direct Competitors

From the conducted research in RNAL, 74 local accommodation units were identified in Porto Moniz, however 72 of them were rented as whole properties not being eligible for this analysis. This said research was then conducted on Booking and Espaço Rural in order to identify in detail competitor units, this research also allowed to study price, offerings and ratings given by guests (Appendix 1).

The two units that provide accommodation services per room in Porto Moniz are “Casa do Ribeirinho” and “Casa das Videiras”. When considering the closest councils a few units were identified for providing accommodation services per room. In São Vicente they were “Casa Estrelícia-Dourada Garcês”, “Casa da Piedade” and “Solar da Bica”, while in Santana “Casa da Tia Clementina” and “Santana in Nature” were identified.

Given the lack of a unit seen as boutique accommodation by the author and considering the good island accessibility, research was conducted throughout the whole island. In this research a boutique accommodation was successfully identified: “Palácios dos Zinos”, in Ponta do Sol. This unit offers boutique accommodation as it is registered as local accommodation but offers most of the experiences of a boutique hotel (Appendix 2), such as a unique design and decor or a trendy restaurant and bar that gathers both tourists and locals. Although Madeira tries their best to fight seasonality with events throughout the whole year, the price per room are still higher in high season (march to september) and lower in low season (january and february).

The highest price registered for one night for two people in high season was 165€ at “Palácio dos Zinos”, while the lowest price was 60€ in “Santana in Nature”. On the other hand,

the highest price registered in low season was 95€ at “Solar da Bica” while the lowest was 60€ at three different units.

The units have in common the fact that they intend to offer an exclusive stay by direct interaction with their guests. The research results of these units are listed on Appendix 1 and their location is illustrated in Figure 7.

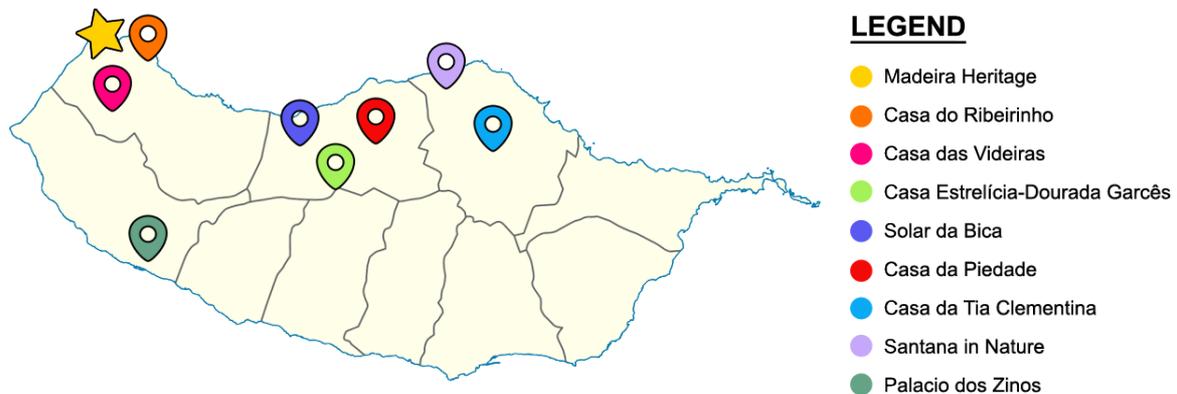


Figure 7 - Competitor Locations; Source: Own Elaboration

5.1.3.2. Indirect Competitors

Analysis of indirect competition is no less important than analysis of direct competition, although indirect competitors do not provide the same service as direct competition, they offer alternative/substitute services to our target audience (Evans, 2015).

In order to evaluate indirect competition, research was carried out to identify all establishments providing accommodation services in Porto Moniz. The units considered were those capable of giving an experience close to what could be lived in a boutique accommodation unit. By consulting online booking sites, namely the site Booking.com (2021), the only comparable units were hotels. In total, 3 establishments were identified: Aqunatura Bay, Aqunatura Madeira and Hotel Euro Moniz (Appendix 1).

5.2. Internal Analysis

At this point the internal analysis of the organization will be carried out, identifying the strengths and weaknesses of the business. To carry out this analysis, two tools were used: benchmarking analysis and Michael Porter's Value Chain.

In the first tool - the benchmarking analysis - and having in consideration that we are dealing with a new company, we will identify the best practices and processes practiced by the identified competitors (Wöber, 2002).

In the second model - Michael Porter's Value Chain - the activities performed by the company with strategic relevance will be identified, as well as how they interact with each other. This analysis is fundamental to identify potential sources of differentiation. Optimizing these activities will be essential to gain competitive advantage (Porter, 1985).

5.2.1. Benchmarking

As mentioned, for the benchmarking analysis the identified competitors will be considered. The quantitative and qualitative inputs from the rating and comments of the unit on Booking will be considered in order to define the best competitor benchmark.

This analysis will consider the size of the unit, namely the number of rooms and beds available, its location, the price per stay for two people, as well as the ratings given by the customers. Also, the services included in the stay and which of them have to be paid for separately will be evaluated. The type of facilities as well as the decor and design will be taking into consideration.

In first stage research was done to comprehend the characteristics and offering of each accommodation unit, then the average of each metric was calculated and based on that the matrix in Figure 8 was elaborated.

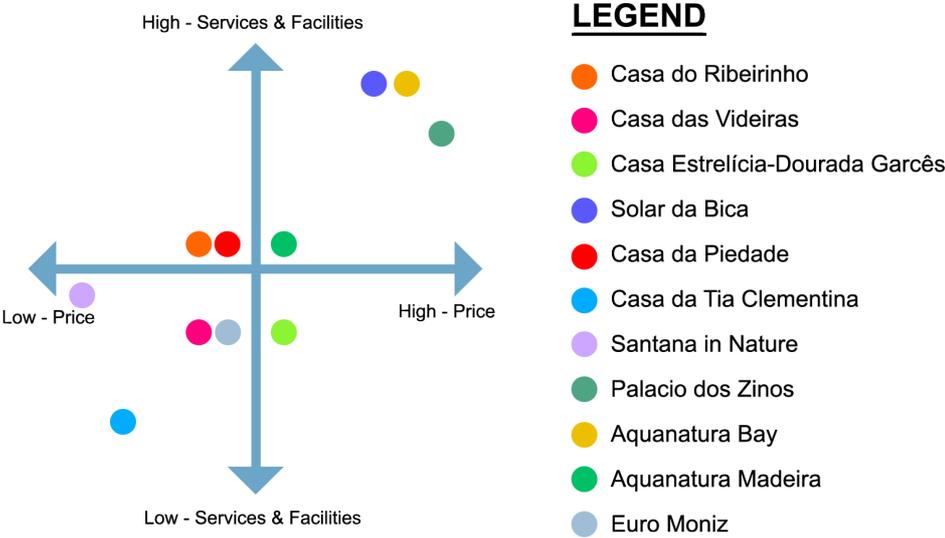


Figure 8 - Benchmark Matrix; Source: Own Elaboration

Based on this analysis the best benchmark was Solar da Bica, followed by Palácio dos Zinos. Focusing on the offering of these two units they are both characterized by having a relaxing environment and several extra services associated. The features to be included in this project will be similar to the ones found in Solar da Bica.

Regarding price, these units have an average rate of 95€ throughout the year (Booking, 2021) with an average 40% increase in high season. On what concerns capacity, these units have small infrastructures ranging between 8 and 11 beds, or 16 and 26 simultaneous guests.

5.2.2. Michael Porter's Value Chain

Taking into account that this project will consist of following a differentiation strategy, the value chain must include the activities that contribute the most to the creation of value for the customer, based on primary and support activities and accommodation choice factors. These factors are directly linked to the perceived quality and experience by the customer.

5.2.2.1. Primary Activities

- **Inbound logistics** - Reception, storage and stock management activities for the products necessary for the activity, namely office supplies, consumer goods, cleaning products, as well as services provided by third parties, including transfers, excursions, shows and other activities. We emphasize the importance of monitoring the activities provided by third parties, namely those that have direct influence through counseling and/or booking, bearing in mind that the quality of the provision of these services will impact the overall customer experience;
- **Operations** - Accommodation, food and beverage services, facility maintenance and security, cleaning, reception and customer support services, telecommunications, internet access, Wi-Fi, wake-up service, etc. All these activities are considered important, since they concentrate a large part of the resources and will build up the intended unique experience;
- **Outbound logistics** - Processing reservations and room management. It will be important to bear in mind that these activities are critical, since, in order to guarantee a good level of service, it is necessary that there are no flaws in reservations and the respective allocation of rooms/facilities to customers
- **Marketing and sales** - Advertising, promotion, sales force, direct and digital marketing, and pricing. The main means of promoting the accommodation unit will be through booking sites and tourism operators, direct and digital marketing will be given special attention however and in order to promote a boutique lifestyle at the unit indirect marketing will also be important.
- **Service** - After-sales service, namely complaint management, comments made by online booking sites, relationship management, social networks and exclusive ex-guest community group management along with the website. Since guests seek unique

experiences an exclusive online community for ex-guests will be created in order to keep them aware of the activities and build up a recurrent guest list.

5.2.2.2. Support Activities

- **Infrastructure** - Management and maintenance of infrastructure, general management, accounting, quality management etc. These activities support the entire value chain;
- **Human resource management** - Recruitment, hiring, training, development and compensation. In order to assure the best experience to the guests, special attention will be given to the recruitment and training of staff, bearing in mind that the professionalism, friendliness and helpfulness of employees are decisive factors for the perceived experience;
- **Technological development** - Activities that can improve the product/service and processes, namely customer management systems, customer relationship management, internal communication, etc. The need for constant updating of these highlighted systems in question;
- **Procurement** - Management of purchases of goods and services, including communication with suppliers, orders, control and receipt of goods and services, and suppliers' analysis and comparison

5.3. Competitive Analysis

5.3.1. SWOT Analysis

Taking into account the opportunities and threats inherent in the external analysis and the strengths and weaknesses underlying the internal analysis, as well as the respective assessment of impact and subjective probability of occurrence, the SWOT analysis was synthesized and is presented in Figure 9.

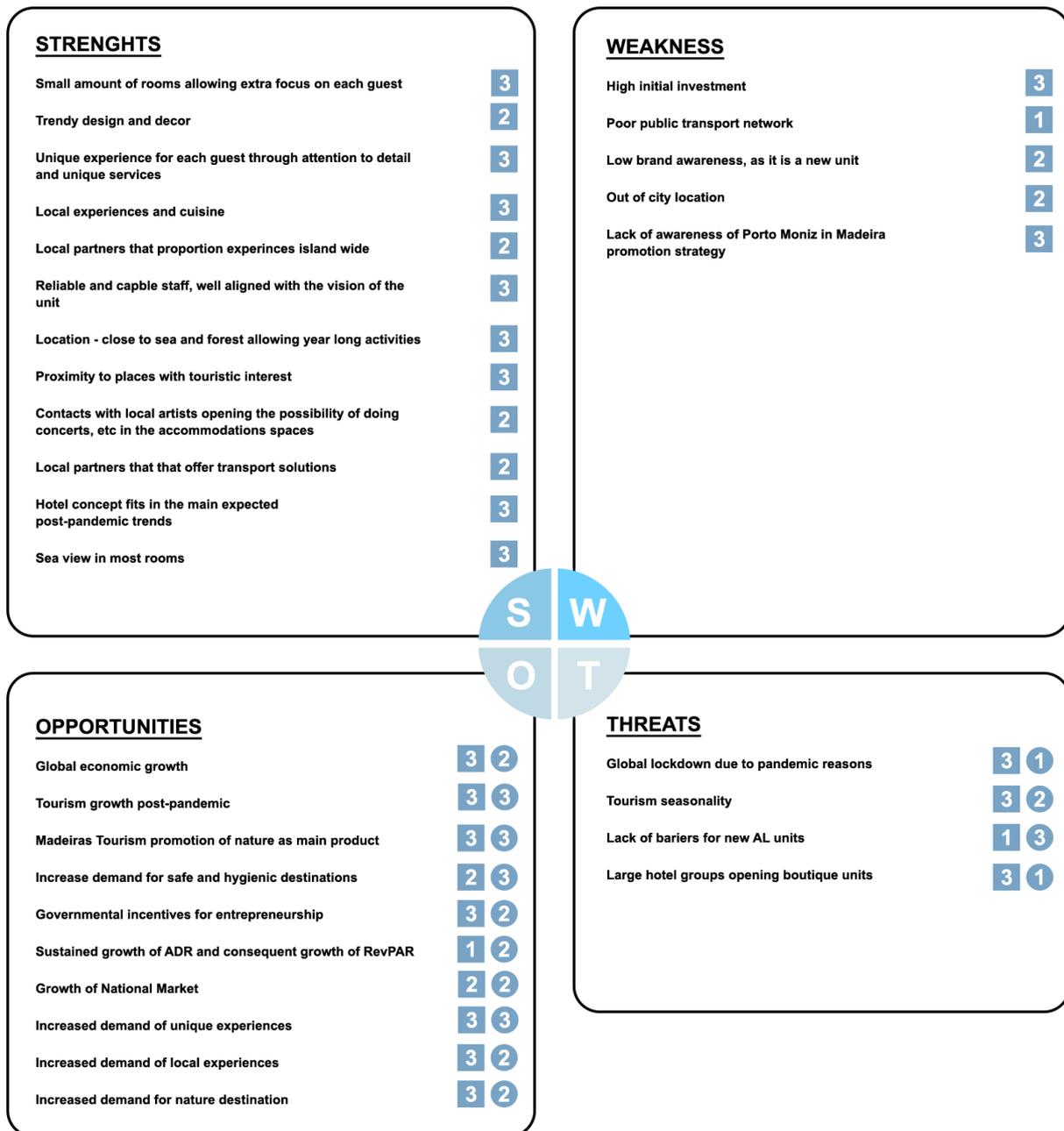


Figure 9 - SWOT Analysis; Source: Own Elaboration

5.3.2. Dynamic SWOT Analysis

Based on the SWOT analysis previously performed and crossing the strengths and weaknesses with the opportunities and threats we will proceed to a Dynamic SWOT analysis with the objective of defining different strategies by crossing the matrix components.

According to Wehrich (1982), four groups of strategies will be established: SO Strategies (maxi-maxi), using strengths to take advantage of opportunities; WO Strategies (mini-maxi), using opportunities to overcome weaknesses; ST Strategies (maxi-mini), taking advantage of strengths to deal with threats; WT Strategies (mini-mini), minimizing strengths and avoiding threats.

5.3.2.1. SO Strategies

- Due to the increased demand for unique and local experiences the promotion strategies shall focus and leverage on these (S3; S4; O9; O10);
- The Covid-19 pandemic has forced tourists to seek for clean and safe locations and also activities in nature meaning that the location and surrounding offerings of the unit should be emphasised (S7; S11; O3; O4)⁵.

5.3.2.2. WO Strategies

- The unit can leverage and promote itself through the promotion materials made by Turismo da Madeira, as the focused tourism product is the same (W2; W3; O3; O2);
- The location should be promoted as a perfect city getaway, following the increased demand of nature destinations (W4; O11).

5.3.2.3. ST Strategies

- In order to fight seasonality, concerts and events with local artists and brands can be organized year out (S9; T2);
- The unit must as unique as possible, deserving extra attention in every detail so that it becomes practically uncopyable to competitors (S3; T4).

5.3.2.4. WT Strategies

- As seen before, city getaways are more and more a trend so this sort of promotion can be done in low season to fight seasonality (W4; T2)

⁵ S#, W#, O# and T# represent the respective strength, weakness opportunity or threat number identified in Figure 9

Chapter 6

6. Business Model

6.1. Business Opportunities and Objectives

As mentioned, the Covid-19 pandemic has changed the global panorama when it comes to travelling and there is a gap between current tourism offerings - which belong mainly to large hotel groups - and the tourist needs who seek more and more unique experiences and a place where they are “called by their name” during their stay.

Following the expected tourism trends resulting from the global pandemic there is a window of opportunity for customer experience focused accommodation units that make their guests feel part of a local community while being treated in an exclusive manner.

This said, the main objective of this business plan is to assess the financial viability of opening a boutique accommodation in Porto Moniz and prepare its presentation to possible stakeholders.

For this purpose, the project will be developed for its implementation ensuring that the idea will be transmitted in a clear and simple way, defining and explaining which the strategic objectives are and how they will be achieved, with constant focus on the guests experience. Summing up, this plan will serve as a roadmap for the implementation and success of the business, keeping in mind the difficulties that may arise along the way and how they can be overcome.

6.1.1. General Objectives

In a first phase, 4 general objectives, in other words objectives that the project should achieve in a global way, were defined:

1. Assure the long-term financial viability of the project;
2. Achieve a high level of customer satisfaction, being recognized as top-tier boutique accommodation;
3. Be a national reference for boutique accommodation, both for the quality of the services provided along with their diversity and innovation and also for the quality and uniqueness of design and decor;
4. Be a “trendy spot” for locals, being able to attract non-guest visitors throughout the year, especially over the weekend.

6.1.2. Specific Objectives

Once the general objectives were defined, the need of specific objectives emerged to achieve them. This said, and using the SMART method, the following 5 objectives were defined:

1. Achieve a Payback Period of less than 10 years;
2. Generate a at least a 8% return for the investor;
3. Register a annual occupancy rate of at least 50% in year 1, and of at least 60% in the following years;
4. Be organically featured in at least two national lifestyle magazines in year 1;
5. Maintain a rating of at least 4.5 stars (or equivalent) on all on-line booking platforms since year 1.

6.2. Development Strategy

6.2.1. Mission, Vision and Values

6.2.1.1. Mission

Provide genuine quality hospitality service, that will engrave a unique and memorable experience in the heart and mind of every person who passes by.

6.2.1.2. Vision

Become a reference between boutique accommodation units, standing out from the competition thanks to the quality, diversity and innovation of the services provided.

6.2.1.3. Values

- **Excellence** - All our stakeholders are expected to perform at extraordinary levels. Being professional in their appearance, language, and behavior;
- **Tradition** - We embrace and reflect the heritage and traditions of our location and surroundings;
- **Empowered** - All our stakeholders shall exercise their own judgment and act to create unique, memorable and personalized experiences for our guests;

- **Innovation** - We continuously seek opportunities to apply creativity and improve our service and product in an original way;

Social and environmentally responsible - Before any decision is made, all stakeholders must have in mind the social and environmental impact.

6.2.2. Critical Success Factors

To ensure business success and competitive advantage, it is necessary to focus on factors that are considered critical success factors, either because of customer needs and preferences, or because they are what allow companies to differentiate themselves from their competitors (Grant, 1991).

Considering all the analysis done in the previous chapters, the following Critical Success Factors were defined:

- Experience centred service, focused on the customer.
- Quality management and continuous improvement.
- Location and sea view.
- Prioritize local products and services in all processes.
- Attractive, trendy design and decor.
- Hygiene and safety.

6.2.3. Competitive Strategy

There are four types of competitive strategies towards achieving competitive advantage: "cost leadership", "differentiation leadership", "cost focus" and "differentiation focus" (Michael Porter, 1985).

Given the characteristics of "boutique", the most appropriate strategy is "Differentiation Focus". This strategy is common in niche marketing and consists in trying to differentiate from competitors through small details, also this strategy allows to charge a premium price for the products and services while it is still well perceived by the customers.

This said, and following this strategy, this project will follow a "Differentiation Focus" strategy, concentrating on factors considered to be very important for customer satisfaction, such as the quality of the experience and service provided, trendy, attractive and functional design and the offering of innovative services not offered by the competition.

Chapter 7

7. Operating Model

7.1. Infrastructures

As mentioned previously, the accommodation unit will be implemented in the author's grandparent's property in Porto Moniz, more precisely in Rua Dr. Cosme no. 8 - Vila do Porto Moniz.

The property dates to 1980, has 3 floors and a basement, having a total private gross area of roughly 350 sq. meters. It also has a garden with an area of 75 m². Currently, the property has 5 suite bedrooms, 2 kitchens and 2 living areas and a storage area in the basement distributed throughout all floors. Currently the property is in good state of conservation, being perfectly liveable however it is lacking the necessary changes to turn it into the projected boutique accommodation.

Based on the property characteristics and in order to adapt the property into boutique accommodation, a preliminary study was carried out by the author and is shown in Appendix X. The value of these interventions, based on this preliminary study, are shown in point 7.1.5 - "Financial Policy".

After the necessary adaptation, based on the author's preliminary study, the 3rd floor will be composed of all 3 suite bedrooms and 2 double twin suite bedrooms (with 2 person capacity), while the 2nd floor will have the reception, and 3 triple suite bedrooms (capable of receiving 3 people or a 2 adults and 2 children). Regarding the 1st floor it will have a laundry room, a restaurant (and kitchen), a bar/social area and a dining area. Finally, the basement will have an indoor wellness center, composed of a sauna, jacuzzi and pool. Finally the garden will be converted into a social area, with a bar and a concert and event venue blended in.

The whole design and decor will be based on classic contemporary pieces always related to the sea theme inspirations. In all decisions, preference will be given to the use of materials and furniture that ensure aesthetic balance, functionality, quality and durability.

7.2. Marketing

Today's customers are extremely demanding and well informed - across all industries - and it is quite important for marketing strategies to follow, by being creative and flexible in order to successfully respond to the changing customer needs and demands (Kotler, Bowen, Makens, & Baloglu, 2017).

With this in mind the marketing plan will have to consider not just the variables that are directly controlled, but also their interaction with the external variables that have a direct influence on the customers satisfaction and experience.

7.2.1. Segmentation and Targeting

Considering that all markets are composed of a high variety of people, with different characteristics, defining our target customer is essential. However, before defining the target the market must first be divided into well-defined groups according to their characteristics - known as segmentation - which should be as homogeneous as possible. Based on the Islands Strategy along with João Nunes input, the criterion for segmentation is shown in Table 3:

Table 3 - Segmentation and Targeting Criteria; Source: Own Elaboration

Characteristics	Criteria
Geographical	Country and location of residence
Demographic	Age and social condition
Psychographics	Lifestyle
Behavioural	Motivations and price sensitivity

Based on the segmentation defined in the previous point, along with all the information collected in the Chapter 5 - the Market Analysis- the following target was defined:

Aligning the semntation with the main markets where Madeira Tourism promotes the Island, people living in the city centers of the United Kingdom, Germany, France and the Netherlands and also in Portugal, aged between 25 and 45, belonging to the middle or high social class, who live an active but relaxed and refined lifestyle - with special attention to detail and actively seeking exclusivity. They are motivated to travel in order to discover and explore other cultures, seeking the most local experiences and unique interactions possible while not worrying about the price, as long as their expectations are fulfilled.

7.2.2. Positioning

Positioning consists in creating and developing, in the mind of the customers, a significant or distinct image of the company (Kotler *et al.*, 2017). The idea for this business plan consists of creating a unique and experience focused accommodation unit. This project has the particularity of being a simplified and relaxed version of accommodation falling under AL classification and not a hotel or any other Touristic Enterprise in the eyes of Turismo de Portugal.

In order to define the positioning of a company, first the way the product/service will be identified and secondly how it will differentiate itself from its competitors.

This said, and considering all the findings in the previous chapter, the following positioning characteristics were defined:

- **Identification of the product/service:** Accommodation service provider, fulfilling all basic accommodation needs for tourists.
- **Differentiation:** Boutique accommodation service provider with a unique design and environment and high quality service both in the physical services available but also in the way guests are treated by staff. The experience lived is easily equivalent to what would be found in a Boutique Hotel.

7.2.3. Brand

As defined by Kotler and Keller (2016) when choosing and creating a brand the following factors must be considered "suggestion to the product/service offered", "be easily memorable", (3) "be distinctive from other similar products/services" and "be easily translated into other languages".

This said, a preliminary brand was created called "Madeira Heritage Boutique Hotel". The name tried to associate the target's motivations regarding local experiences and nature, and simultaneously develop their expectations on what concerns the experiences to be lived during their stay - with the inclusion of "boutique hotel" although it is not.

Regarding the logotype, a pictorial logo was conceived – Figure 10 -in order to transmit exclusivity and uniqueness, aligned with the decor found in the accommodation. It was developed in monochrome so it could be applied in several backgrounds and always assemble back to uniqueness and exclusivity.



Figure 10 - Suggested Logotype; Source: Own Elaboration

Madeira Heritage's logo will be part of its corporate image and will be present in all external and internal communication elements, and also throughout the facilities, in order to be recognized as the company's identity.

7.2.4. Marketing Mix

The 7 P's of Marketing were used over the traditional 4 P's approach since this business plan consists of offering a service and according to Wirtz & Lovelock (2016) with 3 "extra" P's that are not considered in the traditional approach - People, Process and Physical Evidence - are essential.

7.2.4.1. Product

Madeira Heritage will provide accommodation at Boutique Hotel standards but under AL regime for legal reasons, namely licensing and process simplification. This service can be provided in different forms, according to the room capacity, bed type and view and were named differently so they could be easily identified (Table 4).

Table 4 - Product Description and Characteristics; Source: Own Elaboration

Product name	Capacity	Bed type	View
Deluxe suite	2 adults	1 king size	Sea
Superior suite	2 adults	1 king size	Sea
Standard suite	2 adults	1 king size	Mountain
Deluxe double	2 or 2 adults + 1 child	2 twin beds	Sea
Standard double	2 or 2 adults + 1 child	2 twin beds	Mountain
Excellence triple	3 or 2 adults + 2 children	3 twin beds	Sea
Superior triple	3 or 2 adults + 2 children	3 twin beds	Sea
Standard triple	3 or 2 adults + 2 children	3 twin beds	Mountain

All rooms will be equipped with air conditioning and 40" LED SmartTv with full channel access and will have access to a private bathroom. Despite the room the guests are staying in, they will all have free access to the whole hotel, including the wellness center.

Throughout the facilities high-speed Wi-fi connection will be provided, plus all guests will have access to towels, a directory with all our touristic provider partners (for transfer

services and other activities) and if any other request is made the staff will do their best to fulfill.

In order to offer the best culinary experience possible the bar and restaurant will be explored by a recognized local Chef who will be responsible for fulfilling brunch for all guests.

7.2.4.2. Price

Price is the most important element of the marketing mix as it is the only one that produces revenue while all others represent cost. This said, adopting an efficient pricing policy is essential in order to firstly guarantee the viability of the project and secondly assure funding for all the other elements in the marketing mix.

A skimming pricing policy will be practiced attracting middle/upper class customers, and therefore, with high purchasing power, thus selecting the guests the unit will receive, that is intended to be top-tier and selective. The services provided in the value proposition, such as an indoor wellness centre, also imply other costs that will be reflected in the pricing policy.

A yield management strategy will be used, seeking to use price to adjust the capacity to demand. Seasonal promotions will be carried out to fight seasonality. Therefore, the pricing policy will be adjusted to the season, with lower prices for the low and middle seasons, and higher prices for the high season, weekends, and holidays.

In order to set the price of Madeira Heritage services, it was decided to define a pricing policy in line with the competition, adopting prices like those charged by those who were identified in the first quadrant of the benchmark analysis, especially those located in the same region. The rates for an overnight stay for two people for each product, in the respective season, are presented in Appendix 2.

7.2.4.3. Placement

Regarding placement - the way a product is displayed and sold - a selective strategy will be adopted, through two distribution channels: direct and indirect distribution.

On what concerns direct distribution, a website will be created - *madeiraheritage.com* - that will allow customers to understand the value proposition, the experience and all the offerings and allow them to book their stay directly through the site or by phone.

Regarding indirect distribution, placement will occur in two different ways: one through online booking platforms, such as Booking.com, Hoteis.com, etc and through tourism operators who specialize in promoting accommodation in the target markets.

7.2.4.4. Promotion

As per Kotler *et al.* (2017) the promotion policy is one of the most important elements in the marketing mix and consists of "Advertising", "Sales Promotion", "Sales Force", "Public Relations" and "Direct and digital marketing".

Regarding the communication budget, and having in mind an aggressive well targeted strategy, it was established that the 10% of the sales forecast for the first year would be allocated to communication in the first year, 30% of which to be spent in the 6 months prior to opening and 70% in the year of opening. This ratio will decrease by 2 p.p. every year until reaching 4% of the next year's sales forecast.

In terms of advertising the main investment will be in advertisement in specialized publications such as the Portuguese magazines *Boa Cama Boa Mesa*, *Volta ao Mundo* and in the equivalent publications in the target markets. Also, investment will be made for articles on online magazines, such as NIT, and social media ads will be set-up. Finally, event top-tier event sponsoring and organizing will be considered as it is a way to reach the target customer.

What comes to sales promotion, for the first 3 months an extra night will be offered to all stays over 2 nights and promotional prices will be done for customers from Madeira. After the first months, promotional prices will be done to fight seasonality and product bundles including certain experiences and overnight stay will be done in order to assure higher checkout values.

All touchpoints are essential when selling an accommodation service, with a highlight to the role people play while providing it. This said, all staff interactions that happen before, while and after providing the service will be under tight quality control ensuring that their actions are customer focused.

Madeira Heritage will be inaugurated by the Regional President of Madeira and an invitation only event will be held with important and high members of society in order to publicize the opening of the unit but also to establish and create relations with these people. In further stages, an annual fashion event will be organized and weekly concerts will be hold in the high season to keep the PR buzz going.

As referred to previously in "7.2.5.3. Placement", direct and indirect channels will be used. This said, only the direct channel will be under the units management. In this sense, the website will include all the information related to the facilities and all the experiences available, not only onsite but also through the partner network. A newsletter for anyone who signs up and an exclusive Facebook community for ex-guests will be created, with the purpose of retaining and increasing the amount of re-visits.

7.2.4.5. People

As mentioned in previous chapters, the staff will play an essential role in making the guests experience the best possible. With that in mind, all staff members will be carefully selected and go through extensive training, according to pre-established quality procedures to what concerns behaviour, communication and relationship.

Staff members will also be awarded if guests give any remarks for their services or if they “go the extra mile” to fulfill guest requests.

7.2.4.6. Processes

To guarantee the same level of service, time over time all processes have to be managed efficiently. Plus, as described previously, all touch points are essential when it comes to giving the best experience possible. This said, Madeira Heritage will focus on optimizing the processes, particularly those that represent direct value creation for the client:

- **Reservation** - All booking platforms will be integrated so there is no mismatch in information (such as price or availability) and to guarantee that the lowest price is always through direct reservation;
- **Check-in** - The check-in process will be as quick and as easy as possible, not to take up much time from the guest. As a first impact, the staff member must treat the guest by their name and offer a welcome drink, then, while the check-in process occurs, the guests will be invited to visit the facilities.
- **Partner network** - A common system will be implemented with our partner experience providers (tours, walks, etc) so that availability is always in real-time.
- **Special requests** - All special requests can be done towards any staff member who should try his best to fulfill it, if he is not successful it should be taken to the manager so a way to meet the guests expectation is found.

7.2.4.7. Physical Evidence

The physical elements play an essential role in the guests experience through their perception of quality and exclusivity. With this in mind, it is indispensable to pay special attention to everything that can be perceived in the customers' surroundings, namely the design and decor of the facilities, the furniture, the equipment, staff uniform, level of hygiene and much more.

In line with the view, the bar and restaurant will be managed by a local recognized food with the commitment of serving local and seasonal food at the restaurant and the best beverages and snacks at the bar.

7.3. Technological Policy

In order to leverage the available technology and simplify and effectively control the main activities a robust software integration management software, that includes reservation and availability management, price management, inventory management, staff and service management and invoicing, such as New Hotel will be used.

All technological decisions must be made in a frugal manner, considering cost X benefice first and secondly with sustainability in mind, meaning that the optimal decision will be the most eco-friendly option with a good cost X benefice ratio.

7.4. Organization

Given the dimension of the unit and the diversity of services offered, a small team of 3 people will be needed. The organizational chart can be found in Appendix 3 while a brief explanation of each role is given below.

- **Manager** - will be responsible for the management and supervision of operational activities, financial management, administrative management, recruitment and selection of personnel, quality control, supplier management and other high-level decisions.
- **Marketing and Sales Specialist** - Composed by 1 person, who is responsible for external services and partnerships, public relations and communication and guest reception. Is also responsible for any major decisions when the manager is absent.
- **Cleaning and Maintenance Staff** - Composed by 2 people, who are responsible for all services of cleaning, tidying and basic maintenance services.

7.5. Financial Policy

Given that the property in question belongs to the promoter through inheritance it can be used without any direct cost, meaning that the investments to be done regard the remodeling and refurbishing of the property, along with all the necessary furniture and equipment needed to launch Madeira Heritage Boutique Hotel.

After evaluating the promoters financial situation it was decided that the necessary investment - 230 000€ - will totally be covered by his own equity, avoiding credit lines.

In order to simplify the management of Madeira Heritage Boutique Hotel the bar and restaurant will be rented with an initial 15 year contract of 800€ (+tax) with breakfast included for all guests as part of the deal.

The initial investment regarding the building will be done in 2021, while the interior appliances will be done in the opening year of 2022. The reinvestment and purchasing of other materials will be done according to the stipulated life-time - 25 years for building and construction, 15 years for the wellness centre, 10 years for technology and furniture, 5 years for decor and 2 years for bed linen and dining material - with a 70% reinvestment of the original cost considered. The preliminary investment table can be found in Appendix 4.

7.6. Implementation Requirements

In order to implementate the project in this business plan it will be necessary to fulfill the following 13 steps:

1. Incorporation of a sole proprietorship by shares, by the author of the project, complete the brand registration through the “Empresa na Hora” (ENH) framework, CAE 5520.
2. Open and deposit in the company's bank account commercial registration, appointment of the accountant (TOC) and following requirements.
3. Drawing up the architectural and specialty projects for the remodeling and updating of the facilities;
4. Request a budget for the execution of the construction work from at least 3 companies;
5. Choose and execute the improvement work on the facilities;
6. Apply and register for a local accommodation establishment license in the form of “Accommodation establishments”;
7. Purchase of all furniture, equipment and products necessary for the opening;
8. Recruit and train the selected staff according to their role;
9. License purchase and installation of integrated management software and website and social media creation;
10. Create partner network with tourism providers.
11. Registration of the unit in online booking sites and communicate to tourism operators.
12. Launch and execute integrated communication campaigns to promote the accommodation unit.
13. Soft launch Madeira Heritage through the respective inauguration event.
14. Open the unit to the public.

Chapter 8

8. Financial Model

This chapter can be considered the most important of the whole Business Plan as it is what will evaluate if the project is economically viable or not. A business is considered viable when its revenue is higher than its expenditure.

As this project implies applying personal equity and hiring people, which both have to be financially compensated, it is important that the operational margins are able to cover these expenditures.

As mentioned before and keeping in mind that to evaluate the economic viability we forecasted values - associated with a certain degree of uncertainty - were used, scenario analyses will be carried out to verify the impact the variation of the occupancy rate has on the project valuation.

8.1. Financial Assumptions

The financial analysis was performed under the following assumptions – Table 5:

Table 5 – Assumptions; Source: Own Elaboration

Subject	Assumption
% of direct bookings	25%
Annual rent increase	0,4%
Average booking platform commission	15%
Average guests per room	2
Average occupancy rate	48% in year 1 and 60% in following
Average partner commission	15%
Average partner sale	80€
Average stay	3,2 days
Average % of guest buying from partner network	35%

Currency	Euro
Discount Rate	8%
Inflation	1,5%
Restaurant and bar rent	800€ + Tax
Year 0	2022

8.2. Revenues

Based on all the information collected and presented until now and the proposed objectives, namely regarding expected occupancy rate and rate per stay it is possible to calculate the revenue from accommodation services.

The rates had in consideration the promotional efforts defined in the marketing mix while the sales of partner experiences in exchange for commission were estimated based on what João Nunes said during the interview. The revenue forecast is presented in Appendix 5.

8.3. Selling, General and Administrative Expenses

All businesses imply having external suppliers and service providers which have a cost associated with them.

All the expenses foreseen to be incurred related to the acquisition goods and services for internal consumption were considered, namely: internet and TV, electricity, water, advertisement and marketing, commissions paid to booking platforms, office material, maintenance services, insurance and cleaning products (Appendix 6).

8.4. Financial Projections and Project Valuation

Based on the data obtained in the previous sections, as well as the general assumptions, the table in Figure 11 presents the financial projections and valuation ratios for this Project.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sales	-	172 843,4	178 079,4	180 711,1	183 342,1	185 974,1	188 606,1	191 238,1	193 869,1	196 501,4	199 133,1
Services	-	2 268,00	2 302,02	2 336,04	2 370,06	2 404,08	2 438,10	2 472,12	2 506,14	2 540,16	2 574,18
Rent	-	9 600,00	9 638,40	9 676,80	9 715,20	9 753,60	9 792,00	9 830,40	9 868,80	9 907,20	9 945,60
Gross Profit		184 711,4	190 019,8	192 723,5	195 428,1	198 132,7	200 836,4	203 540,1	206 244,8	208 948,5	211 652,1
FSE	- 8 928,34	-67 004,08	-72 531,25	-67 396,55	-62 081,68	-62 951,27	-63 820,86	-64 690,45	-65 560,05	-66 429,64	-67 299,24
Staff	-	-65 800,00	-66 787,00	-67 774,00	-68 761,00	-69 748,00	-70 735,00	-71 722,00	-72 709,00	-73 696,00	-74 683,00
EBITDA	- 8 928,34	51 907,32	50 701,61	57 553,46	64 585,41	65 432,91	66 280,51	67 128,01	67 975,61	68 823,11	69 670,71
Depreciation	-	-18 473,33	-18 473,33	-17 446,51	-17 446,51	-17 354,81	-17 354,81	-17 454,21	-17 454,21	-17 554,21	-17 726,21
EBIT	- 8 928,34	33 433,99	32 228,27	40 106,88	47 138,87	48 078,10	48 925,70	49 673,80	50 521,39	51 268,87	51 944,47
Staff taxes	-	-15 627,50	-15 861,91	-16 096,31	-16 330,71	-16 565,11	-16 799,51	-17 033,91	-17 268,31	-17 502,71	-17 737,11
Rent tax	-	-2 400,00	-2 409,60	-2 419,20	-2 428,80	-2 438,40	-2 448,00	-2 457,60	-2 467,20	-2 476,80	-2 486,40
Profit tax	- 1 294,61	-4 847,93	-4 673,10	-5 815,50	-6 835,14	-6 971,33	-7 094,23	-7 202,70	-7 325,60	-7 433,99	-7 531,94
Net Profit		10 558,56	9 283,66	15 775,86	21 544,11	22 103,21	22 583,91	22 979,51	23 460,11	23 855,21	24 188,81
Total Depreciation	-	-18 473,33	-18 473,33	-17 446,51	-17 446,51	-17 354,81	-17 354,81	-17 454,21	-17 454,21	-17 554,21	-17 726,21
Operational Cash Flows	-	29 031,85	27 756,95	33 222,41	38 990,71	39 458,11	39 938,71	40 433,81	40 914,41	41 409,51	41 915,11
Building Investment	-165 000,00	-	-	-	-	-	-	-	-	-	-
Equipment Investment	-	-64 900,00	-	-5 407,50	-	-20 615,00	-	-5 722,50	-	-5 880,00	-22 280,00
Investment Cash Flows	-165 000,00	-64 900,00	-	-5 407,50	-	-20 615,00	-	-5 722,50	-	-5 880,00	-22 280,00
Free Cash Flows	-165 000,00	-35 868,11	27 756,95	27 814,91	38 990,71	18 843,11	39 938,71	34 711,31	40 914,41	35 529,51	19 635,11
Cumulative Cash Flows	-165 000,00	-200 868,11	-173 111,11	-145 296,11	-106 305,41	-87 462,21	-47 523,51	-12 812,21	28 102,11	63 631,71	83 266,91
NPV	-16 454,78										
IRR	6,30%										
Payback Period	10,65										

Figure 11 - 10 year Financial Projection

Through the analysis of Figure 11 it is possible to see that the cash flows are positive from 2022 onwards, with a note for the only negative cash flow registered is in year 0, due to the necessary initial investment.

Given the assumed discount rate of 8%, the projects NPV is negative meaning that, the project is not viable for the desired return rate for the investor.

The IRR indicates the rate at which the project would minimally be viable: 6,3% while the payback period is 10,65 years meaning that the initial investment is recovered in about 10 years and 8 months, 8 months over what was proposed in the specific objectives.

Given this analysis, it is fair to say that on these terms the project is not economically or financially viable.

8.5. Scenario Analysis

Due to the conclusion met in the previous analysis it was considered important to analyse potential scenarios where the project could be considered viable.

The first analysis was a scenario where the investors return expectation was lowered to meet the projected IRR (6,3%). When doing so, the NPV reached 73,27€ meaning that the investment would be returned at a 6,3% rate and is still able to generate a residual surplus (Appendix 7).

The second analysis consisted in generating an optimistic and pessimistic forecast regarding the total revenue value. For the optimistic scenario, the average occupancy rate was 75% since opening while in the pessimistic forecast this rate was 35%. The differences in revenue are summarized in Figure 12.

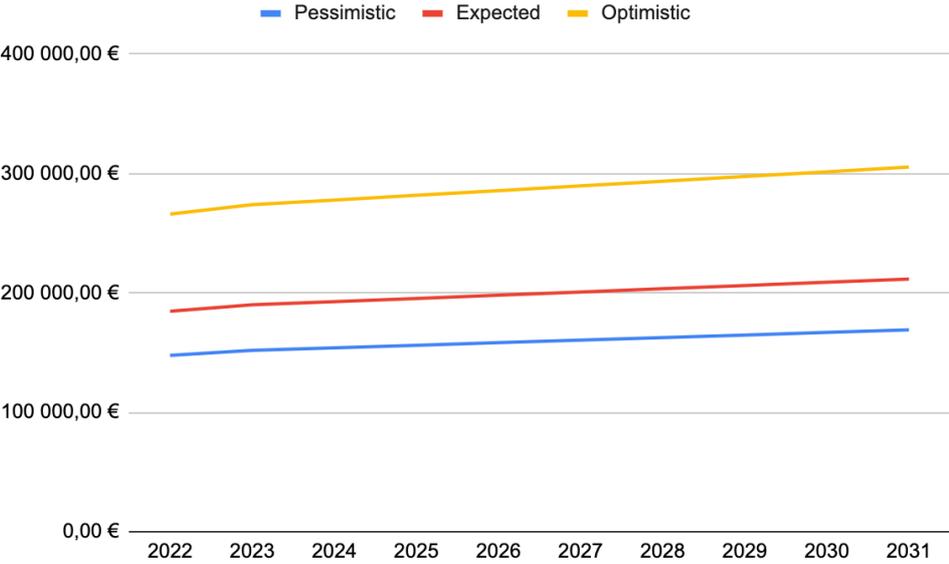


Figure 12 - Scenario Comparission Revenue Evolution

Given these scenarios and the forecasted revenues in each one the following scenario financial projections were done (Appendix 8 and 9) and the analysis conclusions follow.

8.5.1. Optimistic Financial Valuation

In an optimistic scenario, where the average occupancy rate would be 75% the project is viable and highly advised. The optimistic indicators can be found below in Figure 13.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Free Cash Flows	-165 000,00	41 970,70	107 726,80	108 877,60	121 146,30	102 091,10	124 280,60	120 145,10	127 441,10	123 149,10	108 347,10
Cumulative Cash Flows	-165 000,00	-123 029,30	-15 302,48	93 575,20	214 721,50	316 813,60	441 093,70	561 238,80	688 680,90	811 829,00	920 177,10
NPV	540 244,30										
IRR	0,52										
Payback Period	4,82										

Figure 13 - Optimistic Scenario Indicators

In this scenario, the NPV – at the investors desired discount rate of 8% - is over 500 000€, the IRR is 52,3% and the payback period goes down to 4,82 years less than half of what was proposed as a specific objective for this project.

In an optimistic scenario the project and the necessary investments exceed expectations and the increase in profits are considerable.

However, it is important to underline that this scenario is highly unlikely as the occupancy rate would be much higher than the islands average.

8.5.2. Pessimistic Financial Valuation

Since the expected scenario was already unadvised, the pessimistic projections just came to confirm that the risk associated to the project makes it unviable.

This scenario could perfectly happen due to the uncertainty related to global pandemics and other factors.

Chapter 9

9. Conclusion

The main objective of this project was to design and conceptualize a business plan for the opening of a Boutique Accommodation unit in Porto Moniz and consequently evaluate its economic and financial viability.

From the research and analyses conducted throughout the elaboration of this project, and considering the aggregating, guiding and evaluating nature of a business plan, it was possible to conclude the following:

Tourism represents is one of the most important sectors of the Portuguese economy, however, the Covid-19 pandemic came to interrupt a period of strong growth for all sectors of worldwide. especially the tourism industry due to the imposed travel restrictions.

The post-pandemic is still a huge question mark, although forecasts expect for the economy to reach pre-pandemic levels the general market fell is that the consumer confidence level is still far from what it was. Focusing on this phase, and specifically on Madeira Islands, there are already signs of recovery especially leveraging itself as a Safe & Clean destination.

The pandemic also led to a change in tourist motivations and trends, highlighting the need of unique experiences and for city get-away destination, along with higher concerns regarding the sanitary situation in the destination location.

Aligned with these tourists needs, the accommodation industry has started to adapt, and the concept of boutique accommodation units emerged. This concept is based on offering a unique top-tier customer centred experience to all guests.

On what concerns the proposed location for the accommodation unit, Porto Moniz, it was possible to conclude that has the main tourism products focused by Turismo da Madeira such as Nature, Sea and Sun meaning that it can be considered an important tourist attraction.

Regarding the project economics, based on the realistic projections, the NPV was negative meaning that based on the authors assumptions and research a Boutique Accommodation Unit is not viable in Porto Moniz, as the risk is high given the market uncertainty and the necessary investment. If the project was valued through the highly unlikely optimistic scenario, it would be viable and highly recommended.

Finally, the conclusion for this project is that on these terms it is not recommended to invest in. Possibly, the projects economic viability could be found if the unit did not follow a boutique lifestyle, offering less services, and if less infrastructural work was necessary.

This said, if the author seeks to invest in an accommodation unit in Porto Moniz a simpler set-up should be considered.

References

23 Room Types or Types of Room in Hotels | Resorts. (n.d.). Set Up My Hotel. Retrieved August 22, 2021, from <https://setupmyhotel.com/train-my-hotel-staff/front-office-training/96-room-type-definitions-in-hotels.html>

Angeli, R. B., de Gil Torres, R., & Maranhão De Albuquerque, R. F. (2012). Os muitos olhares sobre o conceito de Hotel Boutique. *Revista Brasileira de Pesquisa Em Turismo*, 305–321. <https://www.redalyc.org/articulo.oa?id=504152256005>

Barnes, S. J., Mattsson, J., Sørensen, F., & Friis Jensen, J. (2019). The Mediating Effect of Experiential Value on Tourist Outcomes from Encounter-Based Experiences. *Journal of Travel Research*, 59(2), 367–380. <https://doi.org/10.1177/0047287519837386>

Boutique Hotel, what does it mean? (n.d.). Glion Website. Retrieved June 14, 2021, from <https://www.glion.edu/magazine/boutique-hotel-mean/>

Dinheiro Vivo. (2020, October 24). *Dinheiro Vivo*. <https://www.dinheirovivo.pt/empresas/paragem-de-tres-meses-do-turismo-leva-a-quebra-no-pib-da-madeira-de-66-12956713.html>

Evans, V. (2015). *The FT Essential Guide to Writing a Business Plan: How to win backing to start up or grow your business (The FT Guides)* (2nd ed.). FT Press.

Floresta Laurissilva. (n.d.). Câmara Municipal Porto Moniz. Retrieved August 16, 2021, from <https://www.portomoniz.pt/pt/visitantes/pontos-de-interesse/floresta-laurissilva>

Frochot, I. (1998). Book Reviews: The Marketing of Tourism Products: Concepts, Issues and Cases. *Journal of Vacation Marketing*, 4(3), 315–317. <https://doi.org/10.1177/135676679800400310>

Godovykh, M., & Tasci, A. D. (2020). Customer experience in tourism: A review of definitions, components, and measurements. *Tourism Management Perspectives*, 35, 100694. <https://doi.org/10.1016/j.tmp.2020.100694>

Goeldner, C. R., & Ritchie, B. J. R. (2011). *Tourism: Principles, Practices, Philosophies* (12th ed.). Wiley.

Grant, R. M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, 33(3), 114–135. <https://doi.org/10.2307/41166664>

Grant, R. M. (2016). *Contemporary Strategy Analysis Text Only* (9th ed.). Wiley.

Hox, J. J., & Boeije, H. R. (2005). Data Collection, Primary vs. Secondary. *Encyclopedia of Social Measurement*, 593–599. <https://doi.org/10.1016/b0-12-369398-5/00041-4>

Jones, D. L., Day, J., & Quadri-Felitti, D. (2013). Emerging Definitions of Boutique and Lifestyle Hotels: A Delphi Study. *Journal of Travel & Tourism Marketing*, 30(7), 715–731. <https://doi.org/10.1080/10548408.2013.827549>

Kotler, P., Bowen, J., Makens, J., & Baloglu, S. (2017). *Marketing for Hospitality and Tourism, Global Edition [Paperback] [Jan 01, 2012] Kotler, Philip* (6th Edition). TBS.

Kotler, P., & Keller, K. L. (2016). *Marketing Management*. Pearson.

Kuratko, D. F., Morris, M. H., & Schindehutte, M. (2015). Understanding the dynamics of entrepreneurship through framework approaches. *Small Business Economics*, 45(1), 1–13. <https://doi.org/10.1007/s11187-015-9627-3>

Market Line. (2020, November). *Travel and Tourism in Portugal*.

Mcintosh, A. J., & Siggs, A. (2005). An Exploration of the Experiential Nature of Boutique Accommodation. *Journal of Travel Research*, 44(1), 74–81. <https://doi.org/10.1177/0047287505276593>

Parolin, C. F., & Boeing, R. (2019). Consumption of experiences in boutique hotels in the context of e-WOM. *Tourism & Management Studies*, 15(2), 33–45. <https://doi.org/10.18089/tms.2019.150203>

Pine, B. J., & Gilmore, J. H. (1998). The experience economy: past, present and future. *Handbook on the Experience Economy*, 21–44. <https://doi.org/10.4337/9781781004227.00007>

Pinto, P. R. (2020, September 13). *Governo mantém meta de 750 euros para o salário mínimo em 2023*. Dinheiro Vivo. <https://www.dinheirovivo.pt/economia/governo-mantem-meta-de-750-euros-para-o-salario-minimo-em-2023-12895774.html>

Porter, M. E. (1998). *Competitive Advantage: Creating and Sustaining Superior Performance* (Illustrated ed.). Free Press.

Poulsson, S. H., & Kale, S. H. (2004). The Experience Economy and Commercial Experiences. *The Marketing Review*, 4(3), 267–277. <https://doi.org/10.1362/1469347042223445>

Rachmawati, I., & Shishido, K. (2020). TRAVELERS' MOTIVATIONS TO TRAVEL ABROAD DURING COVID 19 OUTBREAK. *International Journal of Applied Sciences in Tourism and Events*, 4(1), 1. <https://doi.org/10.31940/ijaste.v4i1.1772>

Rogerson, J. M. (2010). The Boutique Hotel Industry in South Africa: Definition, Scope, and Organization. *Urban Forum*, 21(4), 425–439. <https://doi.org/10.1007/s12132-010-9104-7>

Safest Countries In The World 2021. (n.d.). World Population Review. Retrieved June 15, 2021, from <https://worldpopulationreview.com/country-rankings/safest-countries-in-the-world>

Same, S., & Larimo, J. (2012). Marketing Theory: Experience Marketing and Experiential Marketing. *The 7th International Scientific Conference "Business and Management 2012". Selected Papers*. Published. <https://doi.org/10.3846/bm.2012.063>

Sociological Paradigms And Organisational Analysis: Elements Of The Sociology Of Corporate Life. (2005). Ashgate Publishing Limited.

Statista. (2021, August 17). *Household internet access in European countries 2017–2020*. <https://www.statista.com/statistics/185663/internet-usage-at-home-european-countries/>

Taxa de crescimento real do PIB. (n.d.). PORData. Retrieved July 15, 2021, from <https://www.pordata.pt/Portugal/Taxa+de+crescimento+real+do+PIB-2298>

Tendências Turismo Pós Pandemia. (n.d.). IPDT. Retrieved June 14, 2021, from <https://www.ipdt.pt/tendencias-viagem-turismo/>

Turismo da Madeira & IPDT. (2016, October). *Estratégia para o Turismo da Madeira 2017–2021*.

IPDT.

<http://www.visitmadeira.pt/Admin/Public/Download.aspx?file=Files%2FFiles%2FVisitMadeira%2FEstudos%2Fj-DOCUMENTO-ESTRATEGICO-2017-21.pdf>

Turismo de Portugal. (2020). *Estratégia Turismo 2027*.
<http://institucional.turismodeportugal.pt/SiteCollectionDocuments/estrategia/estrategia-turismo-2027.pdf>

Turismo de Portugal, & K.P.M.G. (2015, January). *Documento Estratégico para o Turismo na RAM (2015–2020)*. Turismo de Portugal.
<http://www.turismodeportugal.pt/SiteCollectionDocuments/Estrategia/Estrategias-Regionais-Madeira/Documento-Estrategico-Turismo-Madeira-2015-2020.pdf>

Tynan, C., & McKechnie, S. (2009). Experience marketing: a review and reassessment. *Journal of Marketing Management*, 25(5–6), 501–517.
<https://doi.org/10.1362/026725709x461821>

United Nations, United Nations, United Nations. Statistical Division, & World Tourism Organization. (2010). *International Recommendations for Tourism Statistics 2008*. UN.

Wehrich, H. (1982). The TOWS matrix—A tool for situational analysis. *Long Range Planning*, 15(2), 54–66. [https://doi.org/10.1016/0024-6301\(82\)90120-0](https://doi.org/10.1016/0024-6301(82)90120-0)

Wanhill, J. F. A. F. M. D. G. P. S. (2013). *Tourism: Principles and Practice* by Prof John Fletcher (2013–06-27). Pearson; 5 edition (2013–06-27).

What is Tourism Providers | IGI Global. (n.d.). IGI Global. Retrieved June 14, 2021, from <https://www.igi-global.com/dictionary/social-media-as-a-channel-of-constructive-dialogue-for-tourism-businesses/60243>

Wirtz, J., & Lovelock, C. (2016). *Services Marketing*. World Scientific. Published.
<https://doi.org/10.1142/y0001>

Wöber, K. W. (Ed.). (2002). Benchmarking in tourism and hospitality industries: the selection of benchmarking partners. *Institute for Tourism and Leisure Studies, Vienna University of Economics and Business Administration*. Published.
<https://doi.org/10.1079/9780851995533.0000>

Appendices

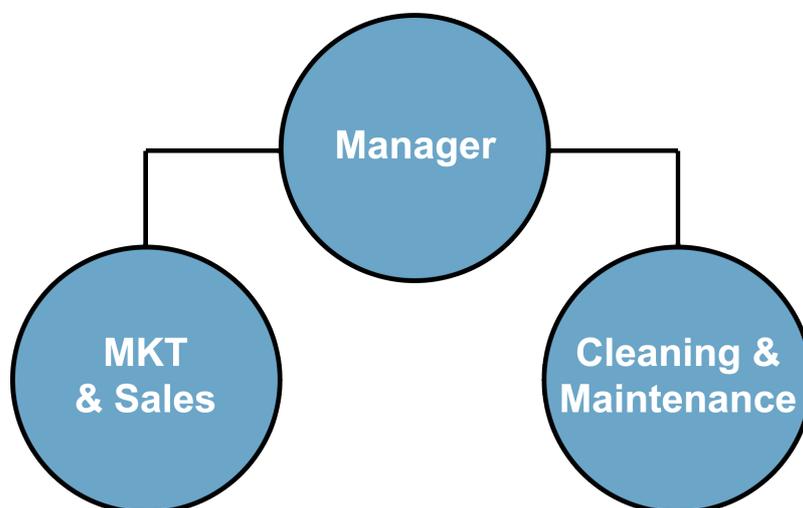
Appendix 1 – Benchmark Analysis

		No of rooms	Capacity	Location	Price			Rating	Services	Facilities	Decor				
					HS	LS									
1	Casa do Ribeirinho	7	16	Porto Moniz	82,00 €	61,00 €	61,50 €	8.3	Breakfast Restaurant Bar Wi-fi Reception (working hours only) Community kitchen Social area Laundry Daily room cleaning	9	Garden	1	Traditional, old fashioned	1	11
2	Casa das Videiras	4	12	Porto Moniz	61,00 €	61,00 €	61,00 €	8.9	Breakfast Restaurant Wi-fi Reception (working hours only) Community kitchen Daily room cleaning	6	Garden	1	Traditional, old fashioned	1	8
3	Casa Estrelícia-Dourada Garcês	3	8	São Vicente	70,00 €	70,00 €	70,00 €	9.5	Breakfast Social area Community kitchen Reception (working hours only) Tourism services sale (transfers, boat ride, etc) Wi-fi	6	Outdoor pool	1	Old fashioned	0	7
4	Solar da Bica	11	26	São Vicente	99,00 €	95,00 €	97,00 €	9.4	Breakfast Restaurant Bar Social area Reception (working hours only) Tourism services sale (transfers, boat ride, etc) Daily cleaning Laundry Wi-fi	9	Indoor pool Wellness center Garden	3	Contemporary classic	2	14
5	Casa da Piedade	3	9	São Vicente	70,00 €	60,00 €	65,00 €	9	Breakfast Restaurant Bar Social area 24h reception Tourism services sale (transfers, boat ride, etc) Laundry Wi-fi	8	Outdoor pool Garden	2	Traditional, old fashioned	1	11
6	Casa da Tia Clementina	8	18	Santana	75,00 €	60,00 €	67,50 €	8.5	Breakfast Social area Reception (working hours only) Wi-fi	4	Garden	1	Old fashioned	0	5
7	Santana in Nature	38	55	Santana	80,00 €	60,00 €	60,00 €	8.8	Breakfast Restaurant Bar Social area 24h reception Laundry Wi-fi	7	Outdoor pool Jacuzzi	2	Old fashioned	0	9
8	Palacio dos Znos	8	16	Ponta do Sol	165,00 €	90,00 €	127,50 €	9.6	Breakfast Restaurant Bar Social area Reception (working hours only) Tourism services sale (transfers, boat ride, etc) Laundry	8	Outdoor pool Gardens	2	Contemporary classic	2	12
9	Aquanatura Bay	45	115	Porto Moniz	120,00 €	73,00 €	96,50 €	9	Breakfast Restaurant Bar Wi-fi Reception 24hours Laundry Daily room cleaning	7	Outdoor pool Indoor Pool Wellness Center Rooftop Terrace	4	Trendy	3	14
10	Aquanatura Madeira	25	55	Porto Moniz	130,00 €	77,00 €	103,50 €	9.2	Breakfast Bar Wi-fi Reception (24 hours) Laundry Daily room cleaning	6	Outdoor pool Lounge	2	Contemporary classic	2	10
11	Euro Moniz	33	74	Porto Moniz	75,00 €	52,00 €	63,50 €	8.8	Breakfast Bar Wi-fi Reception (24 hours) Laundry Daily room cleaning	6	Indoor Pool Rooftop Terrace	2	Old fashioned	0	8

Appendix 2 – Competitor Prices

	High season	Mid season	Low season
Casa do Ribeirinho	62,00 €	62,00 €	61,00 €
Casa das Videiras	61,00 €	61,00 €	61,00 €
Casa Estrelícia-Dourada Garcês	70,00 €	70,00 €	70,00 €
Solar da Bica	99,00 €	95,00 €	95,00 €
Casa da Piedade	70,00 €	60,00 €	60,00 €
Casa da Tia Clementina	75,00 €	67,00 €	60,00 €
Santana in Nature	60,00 €	57,00 €	60,00 €
Palacio dos Zinos	165,00 €	95,00 €	90,00 €
Aquanatura Bay	120,00 €	87,00 €	73,00 €
Aquanatura Madeira	130,00 €	100,00 €	77,00 €
Euro Moniz	75,00 €	52,00 €	52,00 €
Average	70,00 €	64,50 €	61,00 €

Appendix 3 - Organizational Structure



Appendix 4 – Investment Map

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Building and construction	100 000,00 €	-	-	-	-	-	-	-	-	-	-
Technology (TV's, Computers, etc)	-	2 400,00 €	-	-	-	-	-	-	-	-	1 680,00 €
Furniture	-	35 000,00 €	-	-	-	-	-	-	-	-	24 500,00 €
Wellness center	35 000,00 €	-	-	-	-	-	-	-	-	-	-
Decor	-	20 000,00 €	-	-	-	15 050,00 €	-	-	-	-	16 100,00 €
Bed linen	-	4 000,00 €	-	2 884,00 €	-	2 968,00 €	-	3 052,00 €	-	3 136,00 €	-
Dining material	-	3 500,00 €	-	2 523,50 €	-	2 597,00 €	-	2 670,50 €	-	2 744,00 €	-
Kitchen	30 000,00 €	-	-	-	-	-	-	-	-	-	-
Total Investment	165 000,00 €	64 900,00 €	0,00 €	5 407,50 €	0,00 €	20 615,00 €	0,00 €	5 722,50 €	0,00 €	5 880,00 €	42 280,00 €

Appendix 5 – Revenue Forecast

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Accommodation											
Deluxe suite	-	24 026,19 €	27 029,96 €	27 429,42 €	27 828,88 €	28 228,34 €	28 627,79 €	29 027,25 €	29 426,71 €	29 826,17 €	30 225,63 €
Superior suite	-	20 502,05 €	20 809,59 €	21 117,12 €	21 424,65 €	21 732,18 €	22 039,71 €	22 347,24 €	22 654,77 €	22 962,30 €	23 269,83 €
Standard suite	-	15 506,76 €	15 739,36 €	15 971,96 €	16 204,56 €	16 437,16 €	16 669,76 €	16 902,36 €	17 134,97 €	17 367,57 €	17 600,17 €
Deluxe double	-	20 502,05 €	20 809,59 €	21 117,12 €	21 424,65 €	21 732,18 €	22 039,71 €	22 347,24 €	22 654,77 €	22 962,30 €	23 269,83 €
Standard double	-	15 506,76 €	15 739,36 €	15 971,96 €	16 204,56 €	16 437,16 €	16 669,76 €	16 902,36 €	17 134,97 €	17 367,57 €	17 600,17 €
Excellence triple	-	29 910,84 €	30 359,50 €	30 808,16 €	31 256,82 €	31 705,49 €	32 154,15 €	32 602,81 €	33 051,47 €	33 500,14 €	33 948,80 €
Superior triple	-	25 206,45 €	25 584,54 €	25 962,64 €	26 340,74 €	26 718,83 €	27 096,93 €	27 475,03 €	27 853,12 €	28 231,22 €	28 609,32 €
Standard triple	-	21 682,31 €	22 007,54 €	22 332,78 €	22 658,01 €	22 983,25 €	23 308,48 €	23 633,72 €	23 958,95 €	24 284,19 €	24 609,42 €
Total accommodation	-	172 843,40 €	178 079,43 €	180 711,15 €	183 342,87 €	185 974,58 €	188 606,30 €	191 238,01 €	193 869,73 €	196 501,45 €	199 133,16 €
Services											
Comissions	-	2 268,00 €	2 302,02 €	2 336,04 €	2 370,06 €	2 404,08 €	2 438,10 €	2 472,12 €	2 506,14 €	2 540,16 €	2 574,18 €
Bar and restaurant rent	-	9 600,00 €	9 638,40 €	9 676,80 €	9 715,20 €	9 753,60 €	9 792,00 €	9 830,40 €	9 868,80 €	9 907,20 €	9 945,60 €
Total services	-	11 868,00 €	11 940,42 €	12 012,84 €	12 085,26 €	12 157,68 €	12 230,10 €	12 302,52 €	12 374,94 €	12 447,36 €	12 519,78 €
Total Revenues		184 711,40 €	190 019,85 €	192 723,99 €	195 428,13 €	198 132,26 €	200 836,40 €	203 540,53 €	206 244,67 €	208 948,81 €	211 652,94 €

Appendix 6 – Expense Forecast

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Internet and Tv	-	340,00 €	345,10 €	350,20 €	355,30 €	360,40 €	365,50 €	370,60 €	375,70 €	380,80 €	385,90 €
Electricity	-	8 400,00 €	8 526,00 €	8 652,00 €	8 778,00 €	8 904,00 €	9 030,00 €	9 156,00 €	9 282,00 €	9 408,00 €	9 534,00 €
Water	-	3 000,00 €	3 045,00 €	3 090,00 €	3 135,00 €	3 180,00 €	3 225,00 €	3 270,00 €	3 315,00 €	3 360,00 €	3 405,00 €
Advertisement and Marke	8 928,34 €	20 832,80 €	24 377,52 €	18 553,33 €	12 549,02 €	12 729,15 €	12 909,28 €	13 089,41 €	13 269,53 €	13 449,66 €	13 629,79 €
Comissions	-	33 481,28 €	34 280,88 €	34 787,50 €	35 294,11 €	35 800,72 €	36 307,34 €	36 813,95 €	37 320,57 €	37 827,18 €	38 333,79 €
Office material	-	450,00 €	456,75 €	463,50 €	470,25 €	477,00 €	483,75 €	490,50 €	497,25 €	504,00 €	510,75 €
Maintenance	-	500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €	1 500,00 €
Insurance	-	1 650,00 €	1 674,75 €	1 699,50 €	1 724,25 €	1 749,00 €	1 773,75 €	1 798,50 €	1 823,25 €	1 848,00 €	1 872,75 €
Cleaning product	-	600,00 €	609,00 €	618,00 €	627,00 €	636,00 €	645,00 €	654,00 €	663,00 €	672,00 €	681,00 €
Total	8 928,34 €	67 004,08 €	72 531,25 €	67 396,53 €	62 081,68 €	62 951,27 €	63 820,86 €	64 690,46 €	65 560,05 €	66 429,64 €	67 299,24 €

Appendix 9 – Pessimistic Financial Forecast

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sales	-	136 437,3	140 570,4	142 647,8	144 725,3	146 802,6	148 880,0	150 957,4	153 034,8	155 112,3	157 189,6
Services	-	1 680,00	1 705,20	1 730,40	1 755,60	1 780,80	1 806,00	1 831,20	1 856,40	1 881,60	1 906,80
Rent	-	9 600,00	9 638,40	9 676,80	9 715,20	9 753,60	9 792,00	9 830,40	9 868,80	9 907,20	9 945,60
Gross Profit		147 717,3	151 914,0	154 055,0	156 196,0	158 337,0	160 478,0	162 619,0	164 760,0	166 901,0	169 042,0
FSE	- 8 928,34	- 67 004,0€	- 72 531,2€	- 67 396,5€	- 62 081,6€	- 62 951,2€	- 63 820,8€	- 64 690,4€	- 65 560,0€	- 66 429,6€	- 67 299,2€
Staff	-	- 65 800,0€	- 66 787,0€	- 67 774,0€	- 68 761,0€	- 69 748,0€	- 70 735,0€	- 71 722,0€	- 72 709,0€	- 73 696,0€	- 74 683,0€
EBITDA	- 8 928,34	14 913,2€	12 595,84	18 884,5€	25 353,41	25 637,81	25 922,21	26 206,61	26 491,01	26 775,41	27 059,81
Depreciation	-	- 18 473,3€	- 18 473,3€	- 17 446,5€	- 17 446,5€	- 17 354,8€	- 17 354,8€	- 17 454,2€	- 17 454,2€	- 17 554,2€	- 17 726,2€
EBIT	- 8 928,34	- 3 560,09	- 5 877,49	1 437,98	7 906,82	8 282,98	8 567,38	8 752,36	9 036,76	9 221,13	9 333,53
Staff taxes	-	- 15 627,5€	- 15 861,91	- 16 096,3€	- 16 330,7€	- 16 565,1€	- 16 799,5€	- 17 033,9€	- 17 268,3€	- 17 502,8€	- 17 737,21
Rent tax	-	- 2 400,00	- 2 409,60	- 2 419,20	- 2 428,80	- 2 438,40	- 2 448,00	- 2 457,60	- 2 467,20	- 2 476,80	- 2 486,40
Profit tax	- 1 294,61	516,21	852,24	- 208,51	- 1 146,49	- 1 201,03	- 1 242,27	- 1 269,09	- 1 310,33	- 1 337,06	- 1 353,36
Net Profit		- 21 071,37	- 23 296,77	- 17 286,0€	- 11 999,2€	- 11 921,61	- 11 922,4€	- 12 008,31	- 12 009,1€	- 12 095,5€	- 12 243,4€
Total Depreciation	-	- 18 473,3€	- 18 473,3€	- 17 446,5€	- 17 446,5€	- 17 354,8€	- 17 354,8€	- 17 454,2€	- 17 454,2€	- 17 554,2€	- 17 726,2€
Operational Cash Flows	-	- 2 598,04	- 4 823,43	160,53	5 447,38	5 433,23	5 432,38	5 445,95	5 445,10	5 458,76	5 482,85
Building Investment	- 165 000,0	-	-	-	-	-	-	-	-	-	-
Equipment Investment	-	- 64 900,0€	-	- 5 407,50	-	- 20 615,0€	-	- 5 722,50	-	- 5 880,00	- 22 280,0€
Investment Cash Flows	- 165 000,0	- 64 900,0€	-	- 5 407,50	-	- 20 615,0€	-	- 5 722,50	-	- 5 880,00	- 22 280,0€
Free Cash Flows	- 165 000,0	- 67 498,04	- 4 823,43	- 5 246,97	5 447,38	- 15 181,77	5 432,38	- 276,55	5 445,10	- 421,24	- 16 797,1€
Cumulative Cash Flows	- 165 000,0	- 232 498,0	- 237 321,4	- 242 568,4	- 237 121,0	- 252 302,8	- 246 870,4	- 247 147,0	- 241 701,9	- 242 123,0	- 258 920,0
NPV	- 246 506,0										
IRR	#NUM!										
Payback Period	-	4,71									