

**BUSINESS PLAN**  
**“GARDEN 48”**  
**A GUESTHOUSE IN LISBON**

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## **Glossary**

ASAE - Autoridade de Segurança Alimentar e Económica (*Authority for Food and Economic Security*)

ALEP – Associação do Alojamento Local em Portugal (*Portuguese Association for Local Accommodation*)

*Bleisure* – agglutination “business” and “leisure”

BOP - Balance of Payments

BUE – Balcão Único Electrónico (*Unique Electronic Counter*)

CAPEX – Capital Expenditure

CBI - Centre for the Promotion of Imports

EBIT – Earnings before Interest and Taxes

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortizations

ET27 – Estratégia Turismo 2027 (*Tourism Strategy 2027*)

e-WOM – Electronic Word-of-mouth

F&B – Food & Beverages

FOMO – Fear of Missing Out

GDP – Gross Domestic Product

HVAC - Heating, Ventilating and Air Conditioning

ICT – Information and Communication Technologies

INE – Instituto Nacional de Estatística (*Statistics National Institute*)

IPDT - Portuguese Institute for Tourism Planning and Development

IRR – Internal Rate of Returns

ITB - Internationale Tourismus-Börse Berlin

ITED - Installation and Management of Telecommunication Infrastructures in buildings

JESSICA - Joint European Support for Sustainable Investment

LGBT - Lesbian, Gay, Bisexual and Transgender

MA – Metropolitan Area

MICE – Meetings, Incentives, Congresses and Events

NPV – Net Present Value

OTA – Online Travel Agency

PENT – Plano Estratégico Nacional de Turismo (*National Tourism Strategic Plan*)

PEUT - Plan Especial de Urbanización Turística (*Special Plan for Touristic Urbanization*)

PK – Press Kit

PP – Payback Period

PR – Public Relations; Press Release

RevPAR – Revenue per Available Room

STP – Segmentation, Targeting and Positioning

TIR – Taxa Interna de Rentabilidade (*Internal Rate of Return*)

UN – United Nations

UNWTO – World Tourism Organization

VAL – Valor de Atualização Único (*Net Present Value*)

VAT – Value added Tax

WC – Working Capital

WOM – Word-of-mouth

WTTC - World Travel & Tourism Council

## 1 Sumário

O turismo é um dos mais dinâmicos sectores de atividade do mundo, podendo contribuir de forma muito significativa para a balança de pagamentos de um país. Em Portugal, o turismo é um dos motores da economia nacional e a hotelaria tem, naturalmente, evoluído com este. Prova dessa evolução é o crescimento acentuado dos negócios de alojamento local nos últimos anos, criando uma alternativa aos hotéis (e similares) que mereceu formulação de enquadramento legal próprio em 2014.

O presente plano de negócio tem como objetivo avaliar a pertinência de um projeto de alojamento local em Lisboa, na categoria de *guesthouse*, destinada a *city breakers* e clientes corporate que têm como prioridade descobrir o destino (ou concluir objetivos de negócio, no caso destes últimos), mas ainda assim não deixam de exigir qualidade, conveniência e um serviço profissional durante a estadia. Por esse motivo, a vantagem competitiva da *guesthouse* consiste em oferecer serviços-chave com o máximo de qualidade, deixando de fora aqueles que poderão ser considerados acessórios pelo target, beneficiando o fator “preço”. A noção de qualidade está também fortemente suportada pelo design biofílico uma vez que está comprovado o seu efeito no bem-estar dos hóspedes.

Após revisão de literatura incidente nos temas do turismo, hotelaria (e nesta se aprofunda na sua vertente de gestão, satisfação ao cliente, importância do design, etc.) e design biofílico, da análise externa e interna, o autor demonstra as escolhas estratégicas de STP e materializa o plano operacional da *guesthouse* através de um marketing mix de 7 Ps. A análise económico-financeira do plano revelou um projeto viável com uma VAL de 25.220€, TIR de 4% e *payback period* de 15 anos.

Classificação JEL: M10 – Administração de Empresas; M130 – Novas Empresas; L83 – Turismo.

Palavras-chave: plano de negócios, hotelaria, biofilia, qualidade.

## **2 Abstract**

Tourism is one of the most dynamic activity sectors in the world, significantly contributing to a country's balance of payments. In Portugal, tourism is an engine in the national economy and hospitality has, naturally, developed with it. An evidence of this is the accentuated increase in local accommodation businesses, creating an alternative to hotels (and similar), that pushed the formulation of specific legislative framework in 2014.

The present business plan aims to evaluate the pertinence of a local accommodation business in Lisbon, in the category of guesthouse, developed for city breakers and Corporate guests that prioritize discovering the destination (or achieving business purposes for the latter), but still demand quality, convenience and top customer service during the stay. For that reason, the competitive advantage of the guesthouse is to offer key services with maximum quality, eliminating those considered accessory (and dispensable) by the aimed target, providing price benefit. The notion of quality is also highly supported by biophilic design, whose effect on guest well-being is scientifically proven.

After literature review on tourism, hospitality (exploring management, guest satisfaction and design notions, amongst others) and biophilic design subjects, the external and internal analysis, the author specifies STP strategic choices and materializes the operational business plan through a 7 Ps marketing mix. The economic and financial analysis revealed a viable business plan, with a 25.220€ NVP, IRR of 4% and a *payback period* of 15 years.

JEL Classification: M10 – Business Administration; M130 – New firms; L83 - Tourism

Keywords: business plan, hospitality, biophilia, quality.

### **3 Executive Summary**

The present report is a business plan for a guesthouse in Lisbon, aiming to determine its strategic pertinence and financial viability. In the tourism industry, hospitality is a major component that has developed massively in the latest years, presenting multiple business options for owner and managers. In Portugal, the local accommodation business is growing at a fast pace and inclusively gained its own legal framework in the present decade.

The explored business idea derives from a personal will of the author of creating a guesthouse that reflects personal travel and accommodation preferences (and an assumption that these are extensible to others) and is also built on professional inputs after years of experience in the hospitality industry.

Literature review is the first section of the paper that provides a wide contextualization of tourism and hospitality subjects, from official definitions to the latest research on related subjects, such as impact of e-WOM to importance of design and architecture in client purchase patterns, followed by an elucidation on the methodology chosen to develop the document.

Before formulating any strategic components, the author presents an external overview that is divided into mediate (political, economic, social, technological, environmental and legal analysis for Portugal and other strategic markets) and immediate (sector stats and trends’ analysis and competitive scenery) analysis. After, an internal analysis presents the company’s vision, mission and values and allows. All previous information is summed up in a SWOT analysis.

The materialization of the factual business plan starts with presenting the strategic project objectives, chosen strategic approach and STP. Through a marketing mix composed by the 7 Ps of services (product, placement, price, promotion, people, process, physical evidence), the operational aspects and decisions related with the guesthouse are presented and complemented with technical information regarding architecture, technology and safety.

Afterwards, the author explains fundamentals for implementation and represents critical project phases in a calendar, followed by the economic and financial plan.

In the final analysis, all economic and financial assumptions and indicators are presented, as well as reasoning behind estimations and calculations. After costs and revenues projections, income statements, balance sheets and cash flow maps are presented to help conclude about project viability and business expected performance.

To conclude, the author uses the practical case of the business plan to make some considerations about exogenous factors that may influence the future of the local accommodation business in Portugal and how can that affect the rest of the hospitality industry, since the alternative businesses to hotels and similars are currently shaping a new reality for hospitality in Portugal.

## **4 Literature Review**

### **4.1 Tourism**

#### **4.1.1 Definition**

In 1941, Hunziker and Krapf defined tourism as “the sum of the phenomena and relationships arising from the travel and stay of non-residents, insofar as they do not lead to permanent residence and are not connected with any earning activity”.

In 1980, the Manila Declaration on World Tourism stated that “tourism can be a vital force for world peace and can provide the moral and intellectual basis for international understanding and interdependence (...) [and] contribute to the establishment of a new international economic order that will help to eliminate the widening economic gap between developed and developing countries (...)”. Further, the declaration defines tourism as “an activity essential to the life of nations because of its direct effects on the social, cultural, educational and economic sectors of national societies and their international relations. Its development is linked to the social and economic development of nations and can only be possible if man has access to creative rest and holidays and enjoys the freedom to travel (...)” (UNWTO, 2018).

In 1976, the Tourism Society of England presented its own succinct definition: “tourism is the temporary, short term movement of people to destinations outside the places where normally live and work and their activities during the stay at each destination. It includes movements for all purposes” (in Beaver, 2002).

#### **4.1.2 Types of Tourism**

Tourism can be divided into 3 categories according to travellers’ origin and destination (UNWTO, 2006):

- Domestic tourism: involving residents of the given country traveling only within this country;
- Inbound tourism: involving non-residents traveling in the given country;
- Outbound tourism: involving residents traveling in another country.

Combination of the previous categories between themselves may generate other 3 sub-categories:

- Internal tourism: which comprises domestic tourism and inbound tourism;

- National tourism: which comprises domestic tourism and outbound tourism;
- International tourism: which consists of inbound tourism and outbound tourism.

As in any other industry, tourism is a result of offer and demand, being the offer (mostly) shaped by demand. The accommodation units, air flight connections, cultural offer and other components are often developed according travellers wants and needs, making it of extreme importance to understand the consumers perspective: what motivates and drives travellers. Comprehending the decision process is a constant priority for entities operating in the market, particularly considering the fact that demand changes over time and there are multiple segments to satisfy. Consumption patterns are affected by many factors, such as personality and attitude, motivation, reference group influence and social-economic influences, amongst others (Cooper, et al., 2005).

## **4.2 Hospitality**

### **4.2.1 Definition**

As hospitality and tourism industries, together, form the largest and fastest growing economy in the world, hospitality management is a significant area in contemporary lives and business spectrum. “Moreover, we believe that hospitality is an area of activity that is sufficiently different to be considered separately from other aspects of management.” (Clarke, A. and Chen, W., 2007)

Currently, the term “hospitality” is an umbrella concept for services like hotels, restaurants and bars, but until the late 20<sup>th</sup> century, these were merely described as the location of providers of commercial accommodation, dining and drinking (which is also valid for other businesses as snack bars, canteens or school meals).

The concept brought a new light on the commercial services, by englobing them in a new, positive, concept, that weakened the commercialist surrounding it.

“Hospitality” suggests an impression of guests being hosted and welcomed, even though with an economic compensation (Ashness and Lashley, 1995 in Lashley, C., 2015). Consequently, the term opened the discussion on the relationship between hosts and guest in private and commercial domains (Lashley, 2015).

Hospitality is based in a natural human dynamic, the relationships that develop between hosts and guests. These host-guest relationships are based in three main features (Clarke, A. and Chen, W., 2007):

- Protection – extended by the host to the guest;
- Reciprocity – with the guest returning the hosts’ generosity;
- Familial duties and obligation – the guest becomes a part of the hosts’ family.

But Aramberri (2001) argues that the pre-modern hospitality relationships no longer encompass the three dimensions, because they were replaced by a contract form of modern capitalist societies. On the authors perspective, the bond between the two parts is now a contract of services delivery in exchange of due payment.

#### **4.2.2 Hospitality Management**

“Hosts are no longer hosts, just providers of services, while the guests are no longer guests, just customers” (Aramberri, 2001). According to the author, hosts purposely transformed hospitality into a business to enrich at the expense of guests.

The core of hospitality is to deliver satisfying experiences, without reducing it into ordinary and as-seen-before commodity. “Challenges and opportunities exist for the new generation of hospitality managers, even for a local hotel, where there is a frequent need to think outside the narrow confines of a local cultural construction and meet the expectations” (Clarke, A. and Chen, W., 2007).

From the above premise, is possible to say that management (in hospitality) is about ensuring the organization’s profit, in a capitalistic perspective, but more than that. Managers must consider a wider role in hospitality organizations: a role in the delivery of service and quality and a fundamental agent to the internal and external image of the organization.

The authors define the six components of managerial role (Clarke, A., Chen, W., 2007):

- Strategy: determining the direction of the organization and establishing the way to achieve its objectives;
- Structure: what are the action patterns to ensure and facilitate the delivery of objectives;
- People: managing involves dealing with people (internal and external to the organization);

- Operating environment: understanding the internal and external forces that impact, and how, the organizational performance;
- Market(s) and Marketing: how will the organization select target and present itself to stakeholders and
- Social responsibility: ensuring both private and social profit for the company.

In a summarized way, apart from running numbers and keeping track of revenues, expenditures and profits, hospitality managers are responsible for managing all different types of intellectual capital (Lopes-Costa and Munoz-Canavate, 2015) that compose an organization:

- Human capital: includes the components or collaborators related to the organization, their qualifications, skills, experience, motivation, creativity, innovation, etc.,
- Structural capital: includes the aspects related to the organization's resources, namely the processes, routines, culture, structures, organizational forms of action, technologies, management systems, trademarks, and patents, and
- Relational capital: includes establishing the relationships that are established and the exchange of knowledge that takes place with the organization's different stakeholders.

The power of intellectual capital lies on the fact that organizations are becoming aware that their physical and financial assets are incapable of generating competitive advantages that are sustainable, and start to rely on intangible assets which allow value to be created for their products and services. Intellectual capital is the capacity to transform knowledge and intangible assets into wealth. Managers are the responsible agent for extracting the value from said knowledge.

Lopes-Costa and Munoz-Canavate (2015) studied the impact of intellectual capital (human capital, structural capital, and relational capital) on the organizational performance of the hotels in the Greater Lisbon and Setúbal Peninsula area. The authors concluded that, out of the 3 components of intellectual capital, relational capital had the strongest impact on knowledge management in hotels.

The hotel industry success, as a part of the services sector with a major component of customer relations, heavily depends on this capital, that is so valuable because, ultimately, is hard to imitate or replace and has a long-life expectancy, since it represents the potential of an organization due to the relationship with stakeholders.

Precisely because hospitality is a business deeply rooted in human relationships and interactions, human capital has also been thoroughly studied by researchers. Though relational capital has a great impact on hotel performance, human capital is not to be devalued, especially considering the high level of turnover in the industry (Lashley, 2015).

#### **4.2.3 Human Capital in Hospitality**

High employee turnover affects negatively the quality of services and customer satisfaction, leading to decreasing customers and tarnished reputation. Multiple studies on hotel sector regarded employees as an operating human resource whose high level of turnover could possibly be remedied by improving salaries and work conditions. However, Yao et al (2018), focused on the sociological and psychological factors, to determine the relevance of motivating factors like recognition for achievement, responsibility and sense of belonging and importance, in detriment of economic benefits. The starting point is that employees must be seen as an internal customer and practical solutions to reduce employee turnover could lie on the relationship between organizational commitment and hotel employee loyalty (since employee turnover is a manifestation of lacking employee loyalty). Becker (2001, in Yao et al, 2018) claimed that the commitment and respect to the manager and direct work groups significantly influence job satisfaction and employee loyalty and are vital for retention.

Having service-oriented staff is a critical aspect for industry success, which automatically indicates employee loyalty is worth being developed and catered.

At the heart of recruitment complexity in hospitality is, amongst others, the fact that hospitality jobs comprehend great levels of emotional labor.

##### **4.2.3.1 Hospitableness and Emotional Labor**

As stated in Christou et al. (2018), within the services sector, quality of service also includes the mood or display of enthusiasm of employees towards customers. Staff if required to permanently display and express positive emotions, especially in the hospitality field, where the amicability and hospitableness of employees are non-negotiable characteristics of the job.

The challenge about emotional labor in hospitality is the impact it may have on guests (and its satisfaction) if the behavior is received as fake, as acting and not authentic, because guests

expect authentic emotions. On some other cases, hospitality services are, inclusively, a circumstance in which guests feel superior towards the host (employees).

So, to know how emotions by hosts impact guests is particularly relevant for hoteliers, because hospitality is, undoubtedly, a situation where human interaction is shared and foster. The goal of Christou et al. (2018) study was to 1) explore how guests perceive expressions of emotion by those who offer them hospitality and 2) enable service providers to become more aware of how their expressions are perceived by the receivers.

The key finding was that guests lead the interaction, as they are the interlocutor to establish the boundaries of emotional transaction. This raises the question of how positive it really is for employees to make an effort to display certain emotions if some guests may perceive it as fake.

Emotional labor in hospitality is imperative, since employees must smile constantly (and it is expected to appear authentic), even if they don't feel that way. In this scenario, the effort to make the guest feel welcomed is directly connected with an increasing level of stress and reduced well-being to the employee.

The study confirmed the importance of emotional display in the hospitality context as they may lead to 'genuine relationships' or 'be the cause of misunderstandings'. Participants generally indicated a preference for expressive service providers that reflected positive states as 'interest', 'joy', 'contentment', 'enthusiasm'. But, interviewees also pointed out that they are able to distinguish a fake expression from a sincere one, which poses a challenge for hospitality managers, since even if employees are committed to displaying the “correct” emotions, the surface acting may not be enough to stimulate the intended feeling in the guest (Vrontis et al, 2015). Although some guests stated a preference for genuine displays, even if these entailed the expression of negative states (such as sadness), the majority stated a clear preference for emotional displays that were both positive and genuine.

The conclusion on the subject reinforces the idea that hospitality is fostered upon human relations and the subjectivity that it encloses. Hoteliers must manage human capital guaranteeing the recruitment of people who possess the hospitableness skill, but must constantly monitor the adjustment of staff behavior to consumers expectations, as these change from person to person and there is no objective precise norm or instruction book.

#### **4.2.4 Hospitality Guest Satisfaction and e-WOM**

Travelers motivation can be explained by push and pull motivation variables (Yoona and Uysalb, 2005). The push motivation construct is related to internal motivations whereas pull motivations relates to external forces. For example, a tourist books a beach resort for relaxation purpose (push motivation factor) and chooses destination according to weather conditions (pull motivation factor).

As push motivations factors come from within, these are not controllable by hospitality agents, but pull motivation factors are influenced by the information to which the traveler is exposed. This is particularly relevant on the pre-travelling stage, when consumers are impacted with information and may search it actively.

Current advances in information and communication technology (ICT) have changed the way people search and receive information, but also shaped new communication and interaction methods that significantly impact consumption patterns. Consequentially, companies marketing strategies must adapt to present consumer behavior, whose purchase decision processes are composed of several variables (Cantallops and Salvi, 2014). For services, and specifically for hotels, these may include: location (for instance, close to an airport, tourist location, or downtown), brand name, various facilities (e.g. swimming pool, golf course, and spa and fitness center), service quality, price, loyalty program and quality ratings by past guests. Atmosphere and design can also be added to the set.

A factor of influence in the consumer decision-making process is word-of-mouth (WOM), defined by Harrison-Walker as “informal, person-to-person communication between a perceived noncommercial communicator and a receiver regarding a brand, a product, an organization, or a service” (2001 in Cantallops and Salvi, 2014).

In the online/digital context, the electronic word-of-mouth (e-WOM) includes online reviews, online recommendations or online opinions, which gained a large importance with the emergence of new technology tools. E-WOM is more powerful due to internet’s speed and convenience, resulting a vast quantity of available information for any potential guest with internet connection, while conventional WOM is limited to a social and personal network which can be limited.

E-WOM impacts guests and companies in different ways (detailed in appendices 1 - Main impacts of e-WOM from consumer perspective, Cantallops and Salvi, 2014 - and 2 - Main impacts of e-WOM from company perspective, Cantallops and Salvi, 2014). From the guest

perspective, it provides inputs for booking intentions and decision making, risk reduction, loyalty and comparison (among other). For companies, e-WOM affects revenue management, loyalty and provides insights on online reputation (owned and of competition), to develop marketing strategies and promote interaction with customer.

#### **4.2.4.1 Online Reviews on Hotel Performance**

Online reviews are important to hoteliers, because they help understand customer online review behavior and implement efficient online reviews management actions to use e-WOM and enhance hotels performance (Zhao et al., 2018). Translated in the concept of e-tourism, the conclusion is that reviews and ratings in online platforms influence hotels performance by captivating or pushing away potential clients.

Cantalops and Salvi (2014) say researchers and hoteliers monitor online reviews with two purposes: 1) know details about guest experience to help correct/improve the product/service attributes (micro dimension) and 2) know the overall evaluation of stay to get a snapshot of the hotels overall performance that may indicate the need to develop new marketing strategies to better promote the unit (macro dimension).

On guests' perspective, Zhao et al. (2018) identified 4 motives for online reviews:

- Altruism and reciprocity: guests write to help other future clients make better and informed decisions;
- Fulfilling customers' psycho-social needs: having a space to show their satisfaction or discontentment about a hotel;
- Social needs – writing to help and receive the recognition of being a contributor, a helper to the community and
- Economic – writing to earn economic rewards.

For a hotel, online reviews impact on business performance (Ladhari and Michaud, 2015). In practical terms, Ye et al. (2011) found that positive online reviews significantly contribute to an effective increase in hotel reservations: a 10% improvement in the rating by evaluators can generate a 4,4% increase in sales. Ogut and Tas (2012 in Zhao et al., 2018) reported that online sales of rooms are higher for the hotels with higher customer evaluations/ratings: a 1% improvement in online customer ratings increases sales by more than 2,60%.

The reason online reviews impact hotel performance, is because they shape consumer's trust level in the brand and if it's high enough, chances of booking increase. The hotel trust concept includes the following key dimensions (Wang et al., 2014 in Ladhari and Michaud, 2015): integrity, competence, and reliability. Integrity refers to the goodwill of the hotel, competence refers to the hotel's knowledge, skills, and abilities and reliability means a hotel's promises can be relied upon.

#### **4.2.5 Design and Aesthetics in Hospitality**

The first impression a potential client has of a product or service is the design attribute, the visual strike, which influences purchase decision. Design evaluation is continuous during consumption, remaining after the purchase decision.

The particularity about services is that they are characterized by intangibility, meaning guests can't feel, touch or taste before acquisition, therefore they must rely on other cues, as the design of the physical facility (in person or via photos, for instance). This means, physical environment is critical for guest evaluation and decision making, because it is used as a surrogate for quality. So, for hospitality managers, it is fundamental to understand how clients perceive design.

Major hotel chains have started to focus on this dimension and started to create distinct versions of lifestyle hotels in detriment of standardized units, emphasizing their unique style and design. This materializes in lightning, décor, furniture, artwork and landscape (Baek and Ok, 2017). Ultimately, this means that design is crucial component of the marketing mix.

“(...) hotel businesses require considerable investment in space/architecture and product design because of the hedonic motivation of the guest: it is all about good feeling and comfort” (Lee et al., 2013 in Baek and Ok, 2017).

Design influences the consumer decision-making process because it can generate favorable intuitive and emotional reactions (Norman, 2004 in Baek and Ok, 2017), even if initial evaluation/reaction is subconscious. The emotional effect of design, influencing excitement levels, affect behavioral outcomes like the amount of time and money spent, purchased quantities, etc. So, it is straight forward that hoteliers need to understand which type of design will induce the intended behavior/consumption pattern.

The image stimuli may cause different emotional states, as admiration, amusement, boredom, desire, disgust, disappointment, fascination, inspiration, and (un)pleasant surprise, which influence consumer quality expectations. And if quality perception derives from the emotional

response design causes, then the aesthetic perception of design as an atmospheric cue is a critical element in the purchase intention.

Another evidence that aesthetic is more than just a visual stimulus, but truly relevant on guest experience (for purchase intentions or guest experience during the stay) is the fact that color influences the perception of a hotel room and, consequentially, the overall stay experience (Siamionava, Slevitch and Tomas, 2018).

Elliot and Maier (2007) developed the color-in-context theory, explaining color includes 3 different attributes: hue, lightness, chroma and its manipulations result in an aesthetic, but also functional stimulus. Summarized, color is one of the key visual dimensions of the environment that has an impact on behavior and emotions.

According to the theory, the psychological influence of color is non-conscious and a result of biological and cultural learnings, affecting heart rate, blood pressure and brain wave activity. Viewers can't control the emotional reaction to color, even though the reaction is also influenced by context.

Corroborating the above statement, Siamionava, Slevitch and Tomas (2018) wrote that hotel ambience, and interior color in particular, impacted hotel stays' satisfaction and guest loyalty.

On a practical level, research found that subjects tended to consume more food in red rooms and felt hungrier in a yellow environment. Exposure to high temperature colors prior to sleep results in increased autonomic nerve activity in the sympathetic nervous system at night and may affect quality of sleep. Keeping in mind that rest and good sleep are critical factors for hotel guests, managers are recommended to avoid the use of red color schemes, as it was found to cause high levels of arousal (associated with dissatisfaction). On the other hand, hotel rooms with color blue schemes were found more relaxing. Green was also proven to have soothing qualities and stress reducing properties.

On a macro-level, architecture also influences the hospitality industry as the two share a particular relation. Architecture and hospitality share the role of valuing architectonic contemporary patrimony (Anes, 2012). The evolution of hospitality services and hotels poses constant challenges to architects by demanding the continuous update and innovation of present architectural solutions, to keep up with consumer trends. In this scenario, hospitality and hotels in particular, serve as window for architecture to showcase its progression. At the same time,

hotels need valid architectural projects, because they influence notoriety in the landscape they integrate, dignifying the hospitality sector in ways that no other areas can.

Interior design and decorations are layers added to the architectural features and are supposed to create integrated solutions that fit the identity of the hotel and guests’ expectations, ideally resulting in qualified and enjoyable spaces and ambiances.

### **4.3 Biophilia**

Stephen Keller (2018) explains “Biophilia refers to the inherent affinity people have for the natural world.” The author elucidates that understanding biophilic design is now a growing tendency because 1) the natural course of society has been going against nature (e.g. deforestation to build complexes) and 2) the fast pace and large-scale of modern development has helped ignoring the harm of ignoring biophilic design.

#### **4.3.1 Biophilic Design**

Keller defends biophilic design is relevant because “nature substantially enhances human physical and mental health, performance, and wellbeing” (2018; para. 2). The concept explains itself in the question “how can design enrich human health and wellbeing?”

Over the years, many have practiced a kind-of biophilic design, mostly in intuitive ways. But the real care of biophilic is that including one natural element/textural/material in a living room is not enough to effectively have a positive impact.

The 8 biophilic values and frequently associated benefits are:

Table 1. Biophilic values and associated benefits.

| Value                                                                                          | Associated benefits                                                                               |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <b>Affection:</b> human emotional care for features of the natural world;                      | Ability to bond, care, connect emotionally with others;                                           |
| <b>Attraction:</b> for the aesthetics, the perception of beauty in nature;                     | Feelings of harmony and symmetry, emotional and intellectual development, creativity stimulation; |
| <b>Aversion:</b> inclination to avoid or repulse, sense of anxiety, threat, fear;              | Enhanced safety and security, coping skills, respect for greater powers;                          |
| <b>Control:</b> tendency to master, dominate and subjugate nature;                             | Develops mastery, problem-solving competences, critical thinking, cognitive development;          |
| <b>Exploitation:</b> using nature as source of materials and resources;                        | Extractive abilities, practical skills;                                                           |
| <b>Intellect:</b> nature as a mean to advance rational thought;                                | Enhance cognitive skills, empirical and observational skills, learning;                           |
| <b>Symbolism:</b> employing the image of nature to advance communication and abstract thought; | Stimulus to language, culture and intellectual capacities and also imagination;                   |
| <b>Spirituality:</b> nature as a mean to achieve sense of purpose and connection to creating.  | Sense of feeling meaningful, purposeful, enhancing self-confidence.                               |

Source: Keller, 2018

The author adds “(...) various healthcare studies have reported that exposure to nature can reduce stress, lower blood pressure, provide pain relief (...) contact with nature has been linked to employee satisfaction and morale, improved performance, and enhanced recruitment and retention.”

Research by Jin Young Jeon, Pong Sik Yeon and Won Sop Shin (2018) has shown “exposure to real and virtual natural environment appears to be beneficial to participants’ moods and feelings. However, exposure to the real natural environment tends to be more beneficial in physiological response (parasympathetic nerve activity) than exposure to virtual nature.” (2018:31)

Biophilic design can be divided into three main categories (Browning, Ryan et Clancy, 2014) whose manifestations have the power to trigger different biological responses (see appendices 3 - Biophilic Categories and correspondent patterns (detailed), Browning, Ryan et Clancy, 2014 - and 4 - Biophilic Patterns and Biological Response, Browning, Ryan et Clancy, 2014):

- Nature in the Space (direct, physical presence of nature in a space – sensorial contact with nature from vertical garden to airflow variation and lightning dynamics);
- Natural Analogues (organic, non-living and indirect evocations of nature – natural materials, colors, shapes, sequences or patterns present in artwork, furniture, décor, textile, etc.);
- Nature of the Space (spatial configurations like found in nature – unimpeded views, a refuge-like place, mysterious/obscured views or other sensorial stimulus to go deeper in the environment, etc.).

Some practical examples of biophilic design are:

- Direct sunlight/Circadian color reference (white light for daytime and lack of blue light at night)
- Natural or mechanic flow of water/Aquarium/Fountain
- Vegetation/Green wall/Horticulture
- Natural color palette (particularly greens)
- Open floor plans/Elevated planes
- Spaces reserved for reflection meditation, rest, relaxation, reading
- Domesticated animals/pets
- Artwork depicting nature scenes
- Natural ventilation (windows, breezeways, cross ventilation)
- Textured materials (stone, wood, fur)
- Digital simulations of sounds of nature/Music with fractal qualities/

## **5 Framework and Methodology**

The business plan is structured as follows:

- Environmental analysis – analysis of the mediate environment according to the PESTEL model, to cover all major societal dimensions of the Portuguese and considered countries’ reality: political-legal, economics, social, technological and environmental;
- Market analysis – breakdown of the tourism and hospitality sector in Portugal and MA of Lisbon, with a specific examination of the MICE market impact in the city and current demand trends and travelers’ preferences;
- Competitive analysis – direct and indirect competitors are examined to understand the competitive environment, but also in a benchmarking perspective, completed with a 5 forces of Porter analysis;
- Internal analysis – description of the project, including the main idea, the promotor, and brands vision, mission and values, summarizing it in strength and weakness points;
- SWOT - resulting from the previous collected and presented data and information, internal strengths and weaknesses are summarized in a grid with external threats and opportunities;
- STP – segmentation, targeting and positioning is the section where travelers are organized by geographical, socio-demographics, psychographic and behavioral factors to determine the specific group of people that compose business potential clients that fit the intended positioning;
- Marketing mix – description of the guesthouse according to product, price, placement, promotion, people, process and physical evidence;
- Technical features – it describes the architectural plan, technology and safety aspects involved in the plan;
- Fundamentals for implementations – where key factors to prepare a successful business implementation and effective operation are clearly listed and organized in a calendar;
- Economic and Financial evaluation – analysis of economic and financial indicators that directly influence decision-making and the viability of the project.

To develop the business plan, primary and secondary data was collected from multiple sources and some assumptions result from the author’s professional experience, as well as from contact with industry (and other) corporate entities that contributed with valuable inputs.

## **6 External Analysis**

### **6.1 PESTEL Analysis**

#### **6.1.1 Political - Legal**

Analyzing the political and legal framework for hospitality and tourism in Portugal helps to understand the current guidelines for tourist operators and influenced the definition of the present plan.

As it is relevant for every business, country's tax policies are also addressed in this section.

##### **6.1.1.1 Hospitality and Tourism Policies and Legal Framework**

“Turismo de Portugal” is a public institute of special regime, integrated in the indirect administration of the State, within the competence of the Ministry of Economy, legally approved by the Law Decrees no. 141/2007 and no. 539/2007. This national tourism entity is responsible for the promotion, value creation and sustainability of touristic activity in Portugal.

Since 2007, the entity has been developing the PENT (Plano Estratégico Nacional do Turismo), firstly approved by the Resolução do Conselho de Ministros 53/2007 of April 4<sup>th</sup> of 2007, which is a guideline report that characterizes the current state of national tourism and analyses national and international markets, with the aim of pointing working directions, priority projects and share a national strategy among all operators. It was reformulated in 2011 and 2013, but the latest version evolved to a new format, the ET27 (developed on “Portugal Tourism Trends” section).

The ET27 evaluates national touristic performance from 2005 to 2015 and the year of 2016 in detail, addresses main international changes (socio-economic and cultural) and challenges (10 challenges for a 10-year strategy) to define a vision and goals for 2017, provide a strategic referential of solutions to work during the next decade and simultaneously stressing national strategic assets and axes of intervention. “With this strategy, we will all make Portugal a more cohesive country, that differentiate itself by non-relocatable resources and where all like to live and feel appreciated” (Turismo de Portugal, 2017).

Because the tourism industry is of such importance for Portugal in various dimensions, national authorities have created several support and incentive programs for touristic initiatives:

Offer qualification support line – credit instrument to provide touristic companies better conditions to financing. A partnership with the banking system and Portugal Capital Ventures;

“Valorizar” – financial support program to investment projects with the aim of rehabilitation of public interest spaces, creating touristic value for the country’s national and cultural patrimony and reducing seasonality;

JESSICA (Joint European Support for Sustainable Investment in City Areas) – consists in a participations fund managed by European Bank of Investment, to invest on the Urban Development Funds, financing projects for urban rehabilitation.

In Portugal, touristic enterprises (*“empreendimentos turísticos”*) are defined and distinguished by the law decree no. 39/2008 (March 7<sup>th</sup>), as:

- Hotels (hotels, apart-hotels and *“pousadas”*)
- Holliday Villages (*“Aldeamentos turísticos”*)
- Touristic Apartments
- Resorts
- Housing tourism (*“Empreendimentos de turismo de habitação”*)
- Rural Tourism
- Camping and Caravan Sites/Parks

#### **6.1.1.1.1 Local Accommodation**

Apart from the above mentioned, those that do not reunite the conditions to be a Hotel or any of the remaining type of accommodations can be defined as “Local accommodation”. It was only in the second semester of 2014 that local accommodation “acquired” proper legal status (ANJE, 2014), with Law Decree no. 128/2014, in the 29<sup>th</sup> of August, being treated until that point as an alternative type of touristic accommodation that didn’t fit hotels legislation and so business owners had no specific requirements to comply. It was after that, that legislation was updated in Law Decree no. 80/2017 (Diário Electrónico da República no. 125/2017, Série I of 2017-06-30) and local accommodation divided in three categories (AHRESP, 2018):

- Housing – accommodation unit is an independent building (uni-family housings);
- Apartment – accommodation unit is an autonomous fraction of a building or part of it, susceptible to independent use;

- Guest accommodation establishments – properties whose accommodation units are rooms. Units where room accommodation are predominantly dorms<sup>1</sup> are defined as hostels. Others are B&B’s or guesthouses.

In the last category, local accommodation establishments (except for hotels) can have up to 9 room units / 30 users. It is also mandatory for these to have an identification plaque (“AL”) on the exterior of the property, next to the main entrance.

Legal requisites for local accommodation establishments are:

- Present adequate conditions of conservation and functioning of installations and equipment;
- Being connected to the public water system or have a private system, with certified origin;
- Being connected to the public sewage system;
- Having cold and hot running water;
- Always present hygiene and cleaning conditions.

In July 18th, the Portuguese parliament approved new rules for local accommodation which were ratified by the President of the Republic in August 2<sup>nd</sup>. Law no. 62/2018, de 22<sup>nd</sup> August (entry into force: 21<sup>st</sup> October 2018<sup>2</sup>) changes the legal regime of local accommodation establishments’ exploitation (Turismo de Portugal, 2018). Changes encompass:

### Registration

Registry is still done at the Balcão Único Eletrónico (BUE) and a document with registry number is issued within 10 or 20 days if the municipality doesn’t oppose due to: 1) incorrect instruction of registry or 2) violation of predefined restrictions, if the area is considered a restraint area or lack of authorization for property use.

### New functioning rules

- Mandatory multi-risk civil responsibility insurance to cover fire, patrimonial and non-patrimonial damages to guests and others, as a result of the activity;

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<sup>1</sup> A room is considered shared or a dorm when it has a minimum of four beds.

<sup>2</sup> Previously registered establishments do not have to comply with new rules, except for the mandatory insurance and condominium contribution, to which they have 2 years to adapt.

- The business proprietary is severally liable for guests harmed by incidents that happened in the building where the unit operates;
- The establishments must make available to guests an information book in Portuguese, English and other two languages about operating rules and disposal of waste and noise, as well as telephonic contact of exploitation owner. If existent, building regulations must be included in the information book.

#### Condominium

- If part of a condominium, members can determine the payment of an additional contribution for expenses resultant of common areas utilization, until 30% of the annual quota;
- In case there's a reiterated and proven practice of acts that disturb the normal functioning of the building, condominium assembly can oppose to the local accommodation activity, transferring the decision to the municipality president.

#### **6.1.1.1.1 Restraint Areas**

Municipalities can approve, by regulation and with substantiation, areas of restraint for new local accommodation establishments, imposing limits to the number of establishments.

Municipalities shall communicate to Turismo de Portugal if they deliberate the definition of restraint areas. These must be re-evaluated, at least, every two years. In these, the creation of new local accommodation units need and express authorization by the municipality, the same owner can only explore up to a maximum of seven establishments, number of local accommodation registries are personal and untransferable.

Even outside formally declared restraint areas, the municipality can oppose (with arguments) to the opening of a new business, within ten days of the registration submission (20 days for hostels). The infraction of these requirements implies an automatic shutdown of the business.

#### **6.1.1.1.2 Inspection and Control Entities**

The inspection and control responsibilities will be shared by ASAE (Autoridade de Segurança Alimentar e Económica) and the municipalities.

The mayor in duty can determine the cancellation of an establishment registry when:

- The establishment violates the restraint defined areas;

- There's a violation on capacity, general requirements, multi-risk insurance and safety requirements.

In case of reiterated and proven practices that disturb the normal utilization of the building, the cancellation has the expiring date of one year and it affects the property, regardless of exploring entity or owner. The cease of exploration is communicated through the Balcão Único Eletrónico within a maximum of ten days, and must also be communicated to electronical booking platforms within the same time frame.

#### **6.1.1.2 Portuguese Tax Policies**

The Portuguese tax system is regulated by the Portuguese Tax Authority (“Direção Geral de Impostos”). The system comprehends several taxes that must be paid by residents (and non-residents in some cases), particulars and companies.

The main taxes are:

Personal Income Tax (IRS) – all Portuguese residents see this tax applied over income (salaries, capital gains and real estate). The tax rates to apply vary according to the income level, starting at 3% up until 45,30%;

Social Security tax – all employed citizens must pay 11% of their salary to the state, whereas companies are charged on 23,75% for each employee remuneration;

Corporate Tax (IRC) – every year, companies operating in Portugal declare the fiscal year's profits and corporate tax is applied on these. IRC is a complex tax because the applied rates depend on multiple variables. The standard corporate income tax is 21% to which can be added the “*derrama*” municipal tax (1,5% in Lisbon) and the state “*derrama*” tax of 3%.

Value Added Tax (IVA) – VAT is a tax that is added to the price of a product or service. Every buyer is automatically charged VAT in any shopping action. VAT in Portugal mainland differs for different goods and services: general VAT is 23%, intermediate VAT is 13% and 6% for reduced VAT. On hospitality, the accommodation (plus breakfast, if invoiced together) price is subject to reduced VAT. In restauration services, food and some drinks (water and cafeteria items) are priced with intermediate VAT, while to food is applied the general tax.

Local Property Tax (IMI) – IMI is a municipal tax levied on patrimonial tributary value of rural and urban buildings in Portugal. Every real estate owner pays IMI. In the municipality of

Lisbon, IMI tax value is from 0,4 to 0,5% and must be payed annually. Tourism companies are exempt for a period of seven years.

### **6.1.2 Economic**

The economical dimension is, overall, one of the most important for every individual, company and country, as it (largely) dictates the possibilities and constraints in daily operations and purchase power. In this section, key indicators as GDP (Gross Domestic Product), Gross National Income per Capita, BOP (Balance of Payments), Interest Rate, Exchange Rate, Inflation Rate and Unemployment Rate to comprehend the overall national panorama, but also the countries of Spain, Germany, Netherlands, Ireland, France, UK and Brazil, identified on ET27 as strategic markets for Portuguese tourism.

#### **GDP (Gross Domestic Product) e GDP per capita**

GDP is often the first and main indicator used to measure the health of a national economy. It represents the total (value in US dollars) of goods and services produced by people and companies over a specific time-period, within the physical boundaries of the country, often referred to as the size of the economy.

GDP per capita indicates the average wealth generated by each inhabitant and is commonly seen as an indicator of life standards, adjusted by the population size.

According to the “Portuguese Economy Projections: 2018-2020” report (Banco de Portugal, 2018), after an increase of 2,7% in 2017, Portuguese GDP is expected to grow 2,3% in 2018, 1,9% in 2019 and 1,7% in 2020.

When compared to 2008 – period prior to the recession of the most recent international financial crisis – the real product must be 4,7% superior in 2020, an increment close to the projection to the private consumption (increase of 4,0%) – see appendix 5 - Portuguese GDP growth record over the last decade, TradingEconomics.com, 2018. Also, exports will grow to a level of 70% above the levels registered before the financial crisis, having tourism exports increased over the double.

In the 1<sup>st</sup> quarter of 2018, the Portuguese GDP grew 0,5% when compared to the previous one.

According to The World Bank (2018), out of the studied countries, in 2017, Germany had the highest GDP (3,677 trillion USD), followed by UK's, France's and Brazil's GDP (2,622 trillion, 2,583 trillion and 2,056 trillion). Spain registers a solid 1,311 trillion USD GDP. On the billion level, Netherlands leads the rank (826,2), having Ireland and Portugal the lowest GDP values (333,731 billion and 217,571 billion).

All countries register an average positive evolution (see appendix 6 - GDP evolution, per country, from 1960 to 2017, World Bank, 2018), particularly since 1970, with a decrease in the period of 2007/2008, when the financial crisis stroke. To the exception of Ireland, all countries registered a decrease in GDP value in 2015, specially Brazil, from 2,416 to 1.802 trillion USD.

In 2017, the portuguese GDP per capita was 18,736€.

The Banco de Portugal (2018), concluded that the GDP, divided by each Portuguese citizen, registered a growth rate superior to the Euro Zone average. Nonetheless, the national economic indicator is still 1,3% below 2008's (pre-crisis) level (see appendix 7 - Growth of GDP per capita in Portugal and Euro Zone, INE and Eurostat, 2018).

Last year, the Portuguese economy grew 2,7%, the largest increase since 2000, above the Euro Zone GDP growth (2,5%). Portugal grew above the European peers and that is also true for the GDP PPP (gross domestic product purchase power parity).

However, the expressive rise of PIB per capita may be explained by the decrease in Portuguese population. The fact that Portugal and the Euro Zone GDP per capita converge is a sign of the synchronization between the two and a sign of large exposition of the national economy to external markets.

Between 2011 and 2013, national economy contracted in a higher level than the remaining Euro Zone countries, and last year, the opposite happened. Portugal presents a higher growth rate on GDP per capita since 2014.

Exports, investment and labor market were the main reasons for economic growth in 2017. In exports, the highlight is on the touristic industry (appendix 8 - GDP per capita per country, 2015, 2016 and 2017, TradingEconomics, 2018).

For the following years, Banco de Portugal expects Portugal to grow at a similar pace as the Euro Zone and the UE.

### **Gross National Income (GNI) per Capita**

GNI per capita is the gross domestic product (GDP) plus net receipts of primary income (employee compensation and investment income) from abroad, divided by mid-year population.

According to PORDATA (2018), since 1960, the GNI per capita in Portugal has been increasing at a steady pace, having suffered a slight decrease between 2008 and 2009 (16.282,2€ and 15.993,6€), presenting a recovery immediately in the following year with the amount of 16.445,4€.

In 1960, the Portuguese GNI per capita was of 56,9€, achieving the 17.533,4€ (provisional data) in the year of 2016.

The growth of GNI per capita is an indicator that, over the years, Portuguese families purchase powers increased, enhancing the possibilities for domestic expenditure in non-essential goods and products (as restaurants and hotels).

About the studied countries, in 2017, the highest GNI per capita belonged to Ireland (55k USD), followed by Germany with 43k, the UK with 43k and France 37k USD. Spain registered a GNI per capita of 26,5k and Portugal 19k. Only Brazil fell under the 10k USD mark, with 7,5k GNI per capita (see appendix 9 - GNI per capita 2017, World Bank, 2018).

### **Inflation Rate**

The inflation rate, measured by the variation on the Harmonized Index of Consumer Prices (HICP), decreased of 1,6% in 2017 to 1,2% in 2018, and is expected to increase gradually in the period of 2019-20, according to Banco de Portugal (2018).

Considering the projected cyclical evolution for the Portuguese economy, inflation rate is expected to grow into 2020, reflecting the growing cost of salaries and profit margins to prices.

However, some factors may mitigate the price acceleration, as the deceleration of energetic goods price, the slowdown of the significant increase in touristic services prices (2017) and moderate evolution of imports price.

In the panorama of the countries in study, Brazil presents the highest levels of inflation (8,5% in 2016), when Portugal, Spain, France, Germany, Ireland and UK all fall below the 2% rate since the 2<sup>nd</sup> half of 2013 (see appendix 10 – Inflation and consumer prices variation - Source: The World Bank, 2018).

A low level of inflation impacts price levels in Portugal in a way that foreigners may find as an attractive argument for visiting.

### **Unemployment Rate**

INE (2017) projected a 6,7% unemployment rate for June 2018 and in July it became fact (appendix 11 - Portugal Unemployment Rate in 2017 per month, Source: The World Bank, 2018). This means a clearly lower rate than the 7% rate presented in the 1<sup>st</sup> semester of the year. The value is considered a result of a constant declining tendency over the years. A rate below 6,7% only happened in before October 2002.

The current unemployment rates are finally catching up with those registered in the past century, after a significant increase in 2013 (>20%) (see appendix 12 - Unemployed population (k) and rate (%) from June 1998 to June 2018, INE, 2018).

Regarding the other countries, between July 2017 and July 2018, Brazil registered a slight improve in the unemployment rate, but still a rate superior to 10% (12,6 to 12,3), being only beat by Spain with 1/6 of the active population unemployed in July 2018 (15,3). France follows the queue with 9,1% and Portugal has the next best rate (6,7). Lowest unemployment rates belong to Ireland (5,1), UK (4) and Germany with only 3,4% of unemployed population rate. More details in the table in appendix 13 - Unemployment Rate per country in July 2017 and July 2018, Statista, 2018.

### **BOP (Balance of Payments)**

The balance of payments is a statement of all transactions made between entities in one country and the rest of the world for a defined period.

The BOP summarizes all transactions that a country's individuals, companies and government bodies make with external individuals, companies and government entities. These transactions are imports and exports of goods, services and capital, as well as transfer payments (e.g. foreign aid).

For the first time since 1996, Portugal presented a positive BOP in 2013 (2,688M€), maintaining the positive balance ever since, even though with decreasing values in 2014 and 2014 (140M€ and 209M€). The balance reached 1,167M€ in 2016 and 878,5M€ last year (see appendix 14 - Portuguese BOP Evolution (1996-2017), PORDATA, 2018).

Since 1996, the BOP is consistently a result of negative values on goods (more imports than exports), compensated by services (more exports than imports), where touristic services have a major role. In the last 21 years, direct investment has negatively impacted the BOP in more than 14 years (positive direct investment years: 1998, 1999, 2000, 2001, 2004, 2007).

From 1970 to 2000, Portugal and countries in study showed a generalized consistent evolution of BOP. Since 2000, values show different scenarios for different countries (see appendix 15 - Portuguese and foreign BOP Evolution [1970-2015], The World Bank, 2018).

In 2017, Germany registered a BOP of almost 300.000 billion USD, suggesting the country to have a high level of service and good production other countries import and /or high levels of investment in the country by foreign entities, whereas the following country (Ireland) registers a positive value of 42.719 billion USD. Spain follows the positive BOP tendency with a total of 25.622 billion USD in 2017 and Portugal with 1.167 billion USD (equivalent to the above stated 878,5M€).

### **Interest Rate**

The ECB (European Central Bank) is an official EU institution at the heart of the Eurosystem as well as the Single Supervisory Mechanism for banking supervision.

ECB defines and implements monetary policy for the euro area and carry out a number of other tasks, including banking supervision. (EBC, 2018)

Interest Rate is a tool utilized by ECB to determination and fixation of the monetary European policy.

Euro Zone national banks are offered the possibility to ask for credit concession to EBC. Over these credits, banks pay interests to ECB, the so called referential interests.

The European interest rate is the ECB referential tax rate and is a crucial factor for banks when establishing interest rates to credit (to particulars or companies). An increase or decrease in BCE's referential rate represents a direct impact in the increase or decrease of the bank rates.

This year (2018), EBC decided to maintain at 0% the fixed rate for main refinancing operations and negative for deposit facilities (-0,4%).

In Brazil, interest rate is defined by BACEN (Central Bank of Brazil) and was updated on March 22<sup>nd</sup> at 6,5%. In the UK, interest rates were updated by the BoE (Bank of England) to 0,75 in the 2<sup>nd</sup> of August.

## **Euribor**

The Euro Interbank Offer Rate (Euribor) refers to a set of money market rates corresponding to different maturities: the one-week, two-week, one-month, two-month, three-month, six-month, nine-month and 12-month rates. The rates, which are updated daily, represent the average interest Euro Zone banks charge each other for loans.

In Portugal, 6-month Euribor is the most used tax for housing credit and was negative for the 1st time in November 2015 and was, on 31<sup>st</sup> August 2018, at -0,369% (see appendix 16 - Euribor rates per maturity period, Euribor-rates.eu, 2018).

## **Exchange Rate**

Considering the countries in studies, exchange rates to be analyzed are EUR/GBP and EUR/BRL.

Between Sept. 2008 and the present year, Banco de Portugal registered the following peaks amongst exchange rates:

EUR/GBP – highest point was at 0,97€ in the last months of 2008 and lowest point of 0,69€ in 2015. The strength of the GBP over the EUR currency means an attractive argument for UK citizens to visit Portugal. Current rate: 0,89€

EUR/BRL – highest point at 4,9€ at the present year (2018), and its lowest in 2010, with a 2,26€ mark. Also, it is important to notice that EUR/BRL has been consistently increasing since 2010. For Brazilian citizens, a hypothetical visit to Portugal (or any other Euro Zone) means a higher “burden”, given the loss of power of their national currency compared to EUR. Current rate: 4,8€.

### **6.1.3 Social and Demographic**

As in the previous section, strategic market countries will also be analyzed in their socio-demographic dimensions as these citizens are potential tourists for the country and understanding socio-demographic features is important to withdraw information on these specific targets. Topics to be developed are population distribution, birth rate crude, life expectancy, household final consumption expenditure and savings, as well as lifestyle trends that affect touristic consumption.

## **Population Distribution**

Portugal currently has a population of 10,291,196 people, being the second least populated country amongst those being studied. Only Ireland registers a lower number of 4M people. On the other hand, Brazil is the 5<sup>th</sup> most populated country in the world (~210M people). The populational level is influenced by multiple factors, but it has a direct link with national territory, even though, a larger country doesn't necessarily mean more people. The indicator of population density (per km<sup>2</sup>) shows that Portugal, Spain, France and Ireland share similar density levels (average of 98,5 people per km<sup>2</sup>), but Germany and the UK share higher values. On the contrary, the country with the largest area (Brazil), has the smallest density value: 25/km<sup>2</sup>. If Brazil had the same population density as Germany, it would currently have over 2.300M people (overcoming China, the most populated country in the world). (Summarized table in appendix 17 - Demographics 2018 - population, populational density and median age per country, Statista, 2018).

In the future, the UN projects a populational decrease for Portugal, particularly on the 0-14 and 15-64 ages group, counteracted by the increase of the >65 age group, from 2025 to 2050. Beyond 2050, the UN projects a decrease in all group ages, which confirms the public perception of an ageing population (see appendix 18 - Portuguese population evolution and projection [1950-2100] per broad age group, UN, 2018).

Since 1960, the Portuguese birth rate crude (the number of live births per year per 1,000 mid-year population) has been decreasing (24 in 1960 to 8 in 2016). The tendency is generalized to all countries (see appendix 19 - Birth Rate crude per country [1960-2016], The World Bank, 2018).

From 2008 and 2009, all countries (except for Ireland) suffered a decrease in the birth rate coincident with the non-favorable economic period (see appendix 20 – Birth rate crude per country, The World Bank, 2018). Even though Germany, Portugal, the UK and France's recovery in the following year, the descending curve came back in 2010 for all, with the exception of Germany whose birth rate crude kept on increasing until 2016, a sign of economic prosperity.

In Portugal, the decrease of birth rate is a contributing factor for populational ageing, especially when combined with the increase of Life Expectancy (positive tendency common to all countries) and the registered increase of Mean Age of Mother at Birth of the 1<sup>st</sup> Child (25 in 1960 and 30,3 in 2017) – see appendices 21 - Life Expectancy at birth evolution, The World

Bank, 2018 -, 22 - Life Expectancy in Years, The World Bank, 2018 - and 23 - Mean age of the mother at the birth of first child in Portugal, PORDATA, 2018.

### **Household Consumption Expenditure and Savings**

INE data predicts that Portuguese private household consumption will continue to grow moderately, reflecting previous indicators as the decrease of unemployment rate and the increase of minimum wage consequences.

In the year of 2016, household savings rate registered an historical low of 4,4%, but increased exponentially (20,6%) in 2017, achieving 5,4% of available income in that year.

Nonetheless, because income also increased, by 1,7%, the savings rate increased, but not as proportionally as it could, which means families earned more, but spent less, increasing savings levels.

Since 1970, all countries in study have seen their households and NPISHs (Non-profit institutions serving households) final consumption expenditure increase in a generalized way. But there is a common decrease in the period of 1996/97 until the first years of the century and a new decrease in the period of 2008, as expected (except Brazil that continued the positive growing tendency). All countries faced a new declining moment in 2014, starting to recover in 2015, with the exception of the UK, whose household expenditure it was still descending in 2017 – see appendices 24 - Household expenditure 1960-2017, The World Bank, 2018 - and 25 - Household expenditure analysis 2007-2017, The World Bank, 2018.

If the generalized recovery stabilizes for the years to come, families’ income spent in leisure and recreational services and goods (as hotels) may increase too.

In Portugal, the household final consumption expenditure is growing since 2011, registering in 2017 the value of 205,571 USD. In comparison with the other countries, it only outweighs Ireland (113,55 USD). Spain achieved the 1M USD mark per household, but german households’ income allowed the expenditure to go up to 2,5M, which indicates considerable spending habits, corroborated by previous financial health indicators. Brazil, the UK and France households had an average expenditure of 2M, 1,8M and 1,4M, respectively (see appendix 26 - Household spending per country 2017, PORDATA, 2018).

According to PORDATA (2018), the average domestic expenditure in Portugal was at 21,838€. When analyzing the expenditure per types of product, “Hotels and Restaurants” was the 3<sup>rd</sup>

category in which households invested the most (3,503€), representing 16% of the total, only surpassed by “Food, Beverages and Tobacco” (6,000€, 27%) and “Housing, Water, Electricity, Gas and other fuels” (5,600€, 26%) expenditures, as it is expected.

EUROSTAT (2018) data shows that expenditure in “Hotels” of European households represented a 1,7% of total expenditure in 2016, a value especially supported by countries like Portugal (3%), the UK (2,2%) and Ireland (1,7%). Below the average were France and Spain, both countries whose households’ expenditure in hotels represented 1,5% of total expenditure.

### **Lifestyle – Travelling Motivation**

Nowadays, most of travelling happens due to vacation or leisure/recreational purposes, which suggests a positive connection between travelling and pleasure.

Specially for most recent generations, the perceived relation between travels and well-being has developed to a higher level than in previous generations, explaining why millennials (30-and-under) travel 1,3 times more per year than 31-45 year-olds (Expedia, 2013).

If the millennial generation tendency continues, the result will be a higher level of household expenditures on “Hotels and Restaurants” as a survey by Mkone and Lewis (2017) showed that not only younger generations desire to travel more, as they are also more receptive to “splurging” on each trip, followed by indulging in dinning out experiences.

“Experiences” are also a key-word in the current lifestyle trends (in the touristic offer, but not only) as the focus is shifting from “having” to “living”. People desire new, authentic experiences vs. material goods. It is within this context that the FOMO acronym was coined in 2000 by Dan Herman. “Fear of Missing Out” is the representation of newest generations who value experiences and fear the possible regret of missing. FOMO means the feeling that something might happen and the individual is not a part of it.

#### **6.1.4 Technological**

The 21<sup>st</sup> century is the birth period of many technological inventions that shape the way people currently live their daily routines:

- 1999 Bluetooth
- 2000 Skype
- 2004 Facebook
- 2004 GPS (Global Positioning System)

- 2005 Android
- 2005 YouTube
- 2007 iPhone
- 2007 Amazon kindle
- 2008 4G
- 2010 IBM Watson<sup>3</sup>

The examples above represent some of the most famous technological inventions and a quick analysis allows to identify the majority as linked to how we connect and/or entertain ourselves. Also, they are all directly and indirectly related to the use of Internet.

The current century is also the moment for mobile apps. As the above-mentioned inventions, mobile apps are altering the way we operationalize our daily lives and fulfill our needs. In 2017, 178,100 billion app downloads were made (Statista, 2018). The most downloaded and popular apps on Android and iOs in 2017 (appendix 27 - Most downloaded mobile apps on Android and iOs in 2017, AndroidRank, 2018 and Business Insider, 2018) show that Internet has changed the way we search information, communicate and amuse ourselves. For all these 3 purposes, social media platforms are part of every world citizen day-to-day.

As seen above, social media platforms (Twitter, Snapchat, Instagram, Facebook, Youtube) one of the most used Internet features and play a critical role on how people expose their lives and “consume” others, being influenced by others’ choices.

Because of this, business presence on social media and advertising has become critical and its monitorization, to find out what are the trends and what people are saying about you, too.

### **Technology in Hospitality**

As in many other fields, technological evolution has played an important part to help improve touristic operator’s businesses. Automatizing processes through computers and operating specialized software to manage different business dimensions (e.g. POS, PMS, Channel Managers, CRM, etc.) are only a few examples of how technology has helped companies to become more efficient and productive. Technology is often a key element for business advantage, reducing operational and environmental costs and improving the quality/quantity of services offer.

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<sup>3</sup> Artificially intelligent computer system (IBM, 2018).

## **Hospitality Technological Trends**

Future trends for hospitality propose a growing focus on the client. Chatbots and physical robots are examples of what is being developed with the specific aim of providing a faster and personalized assistance to the consumer.

Communication wise, especially for a business whose target is mostly geographically distant, social media and online platforms (booking and online review websites as Airbnb, TripAdvisor, etc.) are fundamental. Particularly because these platforms have evolved from being showcases of business/brand, to also being communication and guest interaction tools, booking systems and influence marketing platforms.

### **6.1.5 Environmental**

According to the report “8 Business & sustainability trends that will define 2018” (University of Cambridge, Institute for Leadership, 2018), environmental and sustainability hot trends are:

1. Sustainability to shape the face of business: Growing public consciousness of sustainability issues will increasingly force business to answer the challenge of sustainability leadership;
2. Enduring loss and damage from extreme weather: After the unprecedented climate events of 2017, vulnerable cities, countries and people will face yet more extreme and disruptive weather events, with the potential to impact business through value chain disruption;
3. China and the global shift to the East: The re-election of President Xi Jinping has given China stability in a turbulent world, and has reinforced the state’s mandate to address climate change at a time when other world leaders have faltered over sustainability;
4. The end of an era for plastics: Packaging is already the new key battleground in addressing the environmental impacts of business on oceans, land and air;
5. A watershed year for transparency: Anticipating the recommendations for reporting climate-related financial risks from the Taskforce on Climate-Related Financial Disclosures (TCFD), companies such as ExxonMobil have faced investor and public pressure to voluntarily improve risk disclosure;
6. Life after coal: The energy revolution is reaching its climax as the switch to renewables and electricity is unstoppable.

Also, WWF (World Wildlife Fund, 2018) identified as key environmental topics the following:

- Renewable energy
- Electric vehicles
- Ocean plastics
- Agriculture and fishing policies

### **Environmental Trends in Hospitality**

On a global level, environmental issues like climate changes may implicate the tourism industry as many touristic products depend on weather conditions (e.g. sun-and-sea, nautical, adventure) and said changes can influence the flow of tourists and alter seasonality timeframes.

Even though environmental concerns are (supposed to be) shared amongst all agents in the world (individuals, state entities, corporate entities, etc.) touristic activity has a direct impact because it relies on the exploration of local resources, enhancing the importance of touristic agents' actions.

“Overtourism” was one of the trends discussed on the 25th World Travel Monitor Forum in Pisa (November 2017) because: 1) it affects travelers' destination perception and 2) local communities are affected, which led WTTC to advise countries' touristic entities to define policies on how to protect local assets and resources and make tourism sustainable for all (visitors and residents).

“As one of the largest industries and one that is reliant on the quality of the environment to ensure its survival, tourism plays a major role in environmental preservation.” (Lynch et al, 2008).

In 2005, Bohdanowicz's research (in Lynch et al, 2008) found lack of environmental concern and policies on European hotels reflected the lack of customer demand for environmental improvements, remind both parts are active agents in change (Bohdanowicz, 2005).

The adoption of environmentally friendly policies can go investing in energy saving technology software and top-notch equipment to simple daily habits as keeping communications and information digital (instead of printing), defining efficient towels and linen change policy, reusing rain water for plants, light sensors to avoid energetic waste when unnecessary, recycling waste, etc.

In 2016, Turismo de Portugal published the “Desempenho Ambiental do Alojamento em Portugal” (“Environmental Performance of Accommodation in Portugal”), stating that 62% of touristic units in Portugal are concerned with an efficient management of energetic resources,

an increase of 4 p.p. to 2015, but only 10% have an environmental management certification (7% in Lisbon’s MA).

## **6.2 Tourism Trends**

### **6.2.1 World Tourism Trends**

“Boost or Burst? Where is Tourism Heading” is the title of the 2017/2018 ITB World Travel Trends Report (IPK International, 2017). The document explains that strong growth for world outbound travel (despite natural disasters and terrorism), a shift to considered safe destinations and protests against overtourism in various destinations were the top travel trends of 2017 discussed in the 25th World Travel Monitor Forum in Pisa (November 2017).

In a generalized level, holidays (leisure travels) remain the number one reason to go abroad and city trips remain the top growth driver, with an increase of 16% between January and August of 2017, while sun-and-sea holidays grew by 9%. Also, visiting friends and relatives increased by 8%. On the other side, business trips stagnated, although only due to MICE traveling positive growth, making up for the decrease on traditional business trips.

Even though the IPK International data showed that global outbound trips increased 6% between January and August of 2017 (particularly propelled by leisure city trips in Europe and North America), 41% of international travellers said they might change future travel plans worried about terror threats and 33% are considering shifting to (what they see as) safer destinations. Regarding the subject, Rolf Freitag (CEO of IPK International) declared “The media perception of terrorism as a threat to tourism is misleading. Travellers underestimate the real risks and over-estimate the terror risks”.

The second top trend, “overtourism”, and contrary to public perception, was considered an issue in not just various high-profile cities but also on trips like sport or cruise holidays.

With 25% of surveyed tourists agreeing they felt their destination was overcrowded, the paper disclosures some of WTTC (World Travel & Tourism Council) advice: focus on attracting specific tourist categories (rather than total numbers), infrastructure expansion, greater involvement of local communities, protecting tourism assets and use of technology and data collection to better manage visitors flow.

On a long-term perspective, “Muslim Millennials” (there are currently 1.8 billion muslims under the age of 30) were identified as a future key target, as they are expected to travel in much greater numbers than previous generations. For touristic operators, this segment may present some challenges, as they have some faith-based needs when traveling, such as halal food and prayer facilities, although they share many general travel characteristics with the other millennials (as wanting to discovering locations and trying local cuisines).

Another future trend evidenced by the report is the large transformation luxury hospitality must undertake to adjust to future travel needs. The premium travel market, which used to focus on senior business executives and affluent consumers, must now pay attention to new segments, as millennials. And millennials are purchasing experiences instead of products. Guests want memorable moments and a “sense of place” (accommodation properties fitting into its surroundings and location) and not universal and consistent hotels.

Also, digital assistants and robots can be the technological factor that will transform the “face” of travel industry. Technology must be seen as tool to personalise the guest experience as much as possible and facilitating guests actions as orders, reservations and other hotel services. Autonomous technology as chatbots or physical robots may have a great application in the industry.

### **6.2.2 European Tourism Trends**

Published in May 2017, the “European Tourism in 2017: Trends and Prospects” (European Travel Commission) states that european tourism demand remains on a positive path, despite the impact on the demand due to safety concerns.

The growth continues to derive from Europe’s largest sources markets (intra-european markets), specially Germany and France.

From abroad, the strenght of the US dollar was particularly important to support the country’s outbound travel market, which benefited, in particular, Iceland, Portugal and Serbia. This is expected to be an increasing incoming segment in Europe.

Also, due to proactive fiscal policy in China, the country’s expansion must continue at a stable pace, which is a plus for visited destinations, as the 10.6M tourist arrivals in 2016 showed (even though asian markets are the most affected with security concerns previously considered).

The “European Union Tourism Trends” report (UNWTO, 2018) corroborates the world tendency of holidays, recreation and other forms of leisure being the main purposes to travel to european destinations.

And if 60% of european residents did participate in tourism in 2013, out of the 40% share that didn’t engage in any trip, 53% said they didn’t for financial reasons, 20% due to health condition, 18% for work or study commitments and 18% for lack of motivation.

For trends that will shape tourist offer in Europe, the CBI by the Netherlands Ministry of Foreign Affairs (2018) summarizes:

- 1) Outbound travel is on the rise, but to safer destinations;
- 2) From exclusive and authentic to transformational travel experiences – a transformational experience has the potential to transform and improve consumer’s physical or mental well-being; transformative travels are those who stimulate self-reflection, development and offer new perspectives and allow a deeper connection with nature and culture;
- 3) Peer-to-peer travel is expanding – locals offering travel products to visitors through online platforms (e.g. Airbnb);
- 4) Mature source markets prefer personalised travel – the opportunity of guests creating their personalised packages, instead of standardised holidays;
- 5) Increasing interest in specialised holidays offers opportunities – touristic operators are focused on building valuable proposals for specific segments (e.g. culinary tourism, religious tourism, wildlife tourism, etc.);
- 6) Promising new target groups are emerging – which are: senior, disabled, solo, LGBT (lesbian, gay, bisexual and transgender), single parents, millennials and groups;
- 7) Professional online presence is becoming a necessity – social media, online reviews and blogs are key channels to communicate with prospects and influence decision-making processes, with a special emphasis on visual content and storytelling;
- 8) Sustainability is becoming the norm – related overcrowding and its social and environmental impact, but also with sustainability certifications required to touristic operators and
- 9) Low-cost long-haul connections create opportunities.

### **6.2.3 Portugal Tourism Trends**

In 2017, the portuguese government launched the national tourism long-term strategy, “Estratégia Turismo 27”, a 10-year plan resulting from a public discussion process with the participation of over 1.700 participants, the auscultation of international operators through focus groups and public online consultation. For the first time, demand of 5 strategic markets was auscultated: Spain, Germany, France, United Kingdom and Brazil. Luís Araújo, President of Turismo de Portugal declared that the paper’s vision intends to “assert tourism as a hub for economical, social and environmental development, positioning Portugal as one of the most competitive and sustainable world destinations.” (ET27, 2017)

The 5 established priorities are:

- 1) Value the territory and cultural-historical patrimony
- 2) Boost the economy regarding companies competitiveness
- 3) Potentiate knowledge, including the valorization of tourism jobs
- 4) Generate networks and connectivities, between operators and through multiple sectors joint action
- 5) Project Portugal, enhancing its notoriety in international markets, as a destination to visit, invest, live, study and for large events.

Goal wise, the plan is ambitious and intends to:

- Enhance demand all over the mainland, achieving 80M of overnights;
- Growth in value with 26.000M€ of revenues;
- Withen the touristic activity throughout the year, achieving in 2017 the lowest seasonality index ever
- Double the level of high school and post-high-school academic qualifications in tourism (from 30% to 60%)
- Assure the positive impact of tourism in resident population
- Guarantee over 90% of touristic companies adopt energetic and water efficiency management systems

To achieve said goals, ten focal and strategic assets for the national tourism are defined as follows:

- People;
- Climate and light;

- History and culture;
- Sea;
- Nature;
- Water;
- Gastronomy and Wines;
- Cultural/artistic/sport/business events;
- Well being;
- Living (in Portugal).

The auscultation of the main international incoming markets, through focus groups and meetings, resulted in the conclusion that there is room for improving experience diversity (specialy during low season), air connection throughout the year, human resources qualification (e.g. multilingual staff), notoriety (apart from “sun & sea” offer, not all available offer is known), more effective and direct promotion to markets, coordination between touristic regions, mobility conditions and information to visit the country.

On the positive side, autenticity and preservation, people (hospitality), safety, culture and history, diversity of offer, price/quality relation were highlighted as strong features.

The 3<sup>rd</sup> chapter of the document analyses the performance of the portuguese tourism, considering the decade evaluation from 2005 to 2015.

Not only the quantity and quality of accommodation units have risen (with a remarkable increase for local accomodation – apartment, hostels, guesthouses – of 12.115 to almost 22.000), as touristic animation companies escalated from 147 to 2.661 – see appendices 28 - Monthly evolution of local accommodation units, Turismo de Portugal, 2016 - and 29 - Annual evolution of existent and new touristic animation companies, Turismo de Portugal, 2016.

Economically, the document reveals an annual revenue growth average rate of 6,3% from 2005 to 2015, consistently increasing since 2009 (see appendix 30 - Touristic activity revenues evolution in kM€, Turismo de Portugal, 2016).

Also, evolution on the RevPar shows an increase on all portuguese regions and confirms the undeniable advantage of Lisbon’s Metropolitan Area RevPar, accounting for over the double in the center region (see appendix 31 - RevPar per region, Turismo de Portugal, 2016).

Even though revenues have increased at a steady pace since 2005 (average 6% annual revenue growth), the fact is that only in 2013 the occupancy rates started to recover and reaching levels close to the ones presented before the year of 2008. From 2008 to 2013, occupancy rates decreased almost 10% when compared to 2007 – appendix 32 - Average occupancy rates in hospitality establishments, INE, 2015.

The document also addresses the external environment main opportunities and threats for the portuguese tourism – see appendix 33 - Threats and opportunities for Portuguese tourism (2017-2027), ET27, 2017.

In p. 60, the strategic plans defines strategic future markets: Spain, Germany, UK, France, Brazil, Netherlands, Ireland. New and developing markets are: USA, China and India.

### **6.3 Hospitality and Tourism Sector in Portugal**

On April 2018, the IPDT (Portuguese Institute for Tourism Planning and Development) launched the “Tourism Trends’18 Annuarium” where one can verify that Lisbon has as higher touristic pressure<sup>4</sup> than London, Paris or Barcelona.

The same entity has published, in the “56<sup>th</sup> Portuguese Tourism Barometer Edition” (May 2018), that the average level of confidence in the industry is above 82 points, one of the highest ever.

Official data also portraits a favorable picture to the tourism/hospitality industry in Portugal. According to Tourism Stats 2017 (INE, August 2018), there were almost 6.000 establishments (hotels and similar, tourism in rural areas, lodging tourism and local accommodation) in operation with a capacity of 402.800 bed places (and increase of 5,8% to the previous year). The number of guests amounted to 24,1M and overnight stays stood at 65,8M” in 2017, corresponding to increases above the 10% mark (12,9% and 10,8% respectively) when compared to 2016 (see appendix 34 - Distribution of overnights in local accommodation per region per region, IPDT, 2018).

In the general touristic accommodation sector, local accommodation was the segment with the highest number of available establishments (45,6%), representing 16,5% of total available beds.

“Local accommodation had on offer 2,663 establishments in July 2017, with 66,6 thousand available beds.” In 2017, these establishments hosted 3,4M guests, an increase of almost 30%

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<sup>4</sup> Number of tourists per resident.

(28,8%), which spent 8M overnight stays (an increase of 26,7%). The net bed occupancy rate remained at 37,2%.

The domestic market contributed with 2,7M of overnights in local accommodation (plus 16,4% then in 2016), representing 34,0% of total overnights in this typology. External markets accounted for 5,2M of overnights (an increase of 32,8%).

Residents stayed, mainly, in the North (25,4% of total), MA<sup>5</sup> of Lisbon (24,2%) and Center (23,2%).

Foreigners preferred MA of Lisbon (41,7%), that won, last year, “Best City Break Destination in the World” at the World Tourism Awards, followed by the RA Madeira (16,7%), Algarve (16,4%) and North (15,2%).

Main external markets for local accommodation were Germany, France, UK, Spain, Netherlands, Italy, Brazil, USA, Poland and Belgium – representing of 74,6% overnights of non-residents (see appendix 35 - Overnights in local accommodation according to country of income, IPDT, 2018).

Revenue wise, Lisbon’s MA kept the highest RevPAR<sup>6</sup> (74,0€) in the country, an increase of 20,4% to the previous year.

Also, one can see that July, August and September are the months with higher rate of bed occupancy (see table in appendix 36 - Net Occupancy Rate of bed places in 2017 per category, IPDT, 2018).

The average daily expense is also an important data to help determine/understand travelers budget.

Travelers spend (a lot) less in Portugal than in foreign destinations, but one can also see business travelers have the highest daily expense, accounting around double the amount when compared to the leisure/vacation or visiting family/friend segments (appendix 37 - daily expense per tourist, according to main purpose and duration of trip, per destination, IPDT, 2018).

### **6.3.1 Local Accommodation**

According to Tourism Stats 2017 (INE, 2018) the domestic market contributed with 2,7M of overnights in local accommodation (plus 16,4% then in 2016), representing 34,0% of total

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<sup>5</sup> Metropolitan Area.

<sup>6</sup> Revenue per Available Room: Total Room Revenues ÷ Total Available Rooms (Hales, J., 2005)

overnights in this typology. External markets accounted for 5,2M of overnights (an increase of 32,8%).

The average number of overnights in local accommodation typology in Portugal (in detail in appendix 23) and for all typologies in the Lisbon MA is coincident (2,35 and 2,34): a reduced time frame to explore the destination, making it more likely that visitors take every opportunity to enjoy the possible experiences (sightseeing, culture, gastronomy, etc.) and in a fast-paced rhythm (enhancing the importance of comfort in accommodation).

Residents stayed, mainly, in the North (25,4% of total), MA<sup>7</sup> of Lisbon (24,2%) and Center (23,2%).

Foreigners preferred MA of Lisbon (41,7%), that won, last year, “Best City Break Destination in the World” at the World Tourism Awards, followed by the RA Madeira (16,7%), Algarve (16,4%) and North (15,2%).

From 2014 to 2018, local accommodation businesses grew 204% between 2014 and 2016 in Portugal. A growth corresponding to 12.139 new registered businesses. In September of 2017, Portugal had 44.808 registrations (Eco Online, 2017).

In the beginning of 2018, the Observador newspaper (2018) revealed that by December 15th of 2017 there were already 55.345 local accommodation businesses, mostly located in Lisbon (10.611), Oporto (4.881) and Albufeira (4.815), although it is never specified the number or growth of the different categories within local accommodation. A superficial analysis may suggest the success of this business model/typology, but a deeper analysis may lead to conclude that seen growth was uncontrolled and unplanned. The notion of an unrestrained expansion of local accommodation in Lisbon (and other cities) is most likely what triggered the political and legal changes the Portuguese government is currently developing.

Local accommodation (and associated increase of touristic pressure) is publicly perceived as the cause of:

- Increase in real estate prices: touristic rates are a lot higher than long-term residents (weekly ratio), which means property owners prefer to rent to tourists and will only accept long-term residents for similar values;
- Overtourism: more beds, more tourist capacity.

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<sup>7</sup> Metropolitan Area.

Both are hot topics in the Portuguese parliament. On one side, it is important for national authorities to address the impact in resident communities who are facing unreasonable prices for house rentals and the cost of living increases meaningfully (or even becomes unbearable). On the other side, overtourism situation becomes even more critical when tourists themselves find destinations to be overcrowded (which damages the overall experience), as discussed in the 25th World Travel Monitor Forum in Pisa (ITB, 2017), and the quality of the city, as a touristic product, is threatened and questioned.

### **6.3.2 MICE Segment**

The MICE segment is of extreme importance to understand business travelers’ incoming to Lisbon. “MICE” stands for “meeting, incentives, conventions and exhibitions. In practice, business events and MICE tend to refer to the same thing and the use of one term or the other seems to vary by country and region” (Mair, J., 2014:7).

For over a decade, Lisbon has been occupying the top 15 of ICCA’s (International Congress and Convention Association) city ranking annual statistics report, which classifies cities according to the number of hosted business events. In 2017, Lisbon achieved ninth place, having hosted 149 events. Such statistics help understand why Lisbon is a destination for many business visitors.

### **6.4 Demand Analysis**

“As the definition of luxury continues to evolve, today’s “luxury traveler” is just as likely to be a Millennial in search of an eco-vacation who is willing to sleep in a bunk bed, as it is to be a wealthy globetrotter seeking comprehensive amenities and services.” (Mkone and Lewis, 2017). The conclusion is of a study that involved almost 2.000 travelers over 18, surveyed in the first quarter of 2017.

The study also sheds light on how travelling is a priority to millennials: “Younger generations embrace the concept of the “travel splurge” more than the cohorts that preceded them, with nearly two-thirds of Millennials admitting to indulging in luxury travel in some form”. “Nearly half (49%) of U.S. travelers indicate that they are likely to splurge on travel, followed by dining out (43%).” This reinforces that younger generations of leisure and business travelers crave for valuable experiences when travelling, which most likely includes discovering, for example, a destination’s food scenery (and not the hotel’s room service).

Another study, “Future of Travel Report” by Expedia (2013) conducted across five continents, asked over 8.000 adults in 24 countries about their business and leisure travel preferences.

Results show millennials are more frequent business travelers than other generation: “Worldwide, 30-and-unders report traveling 4.7 times per year on business, versus 3.6 times per year among 30-45 year-olds, and 4.2 times per year among 46-65 year-olds. Millennials take more leisure trips as well, at 4.2 trips a year, versus 2.9 for 31-45 year-olds and 3.2 for 46-65 year-olds.” An evident sign that tourism and hospitality will continue to observe high levels of demand and consequent rates of occupation with this travelers’ generation.

“Location matters over everything when business travelers book hotels, with travelers most frequently citing it as the most important feature (53%). The price of the hotel room (44%) narrowly edged out travel time to the city in question (42%) as next most important feature”. For leisure travelers, price sensitivity goes up another notch: “hotel room price was among the top three most important features (63%)”.

“Both business and leisure travelers say room quality is the #1 reason for choosing a hotel.” (PwC Consumer Intelligence Series – Hotel Brand Loyalty, 2016).

When it comes to deciding where or how to travel, the majority of travelers search the web even before deciding where or how to travel (65% leisure, 69% business), according to the “2014 Travelers Road to Decision” (Research Studies by Google, 2015).

The internet and family/friends are the top travelling planning “resources” (correspondingly, 78% e 52%).

The results apply to when choosing a destination, the accommodation and all other traveling decisions. “Because the trend on the increase is also the Internet use for the entire process of destination choosing, reservation of the stay and miscellaneous amenities, transfer and pay of all the expenses” (Šerić, N., Jurišić, M., 2015:51)

Family/friends and other online users’ feedback and reviews are the most trusted utensils to decide where to stay. Nowadays consumers are avid information seekers, because there’s no direct way of knowing “how well does this option fit my needs?” just by entering the brand’s website or viewing the star-classification. As Janice Waught (2012) explained, the star rating system in hospitality is not to be trusted as an accurate measure, especially from a global perspective. Classification and criteria are often defined by continent, by country and even

local tourist boards or automobile associations, making some three-star hotels just as premium as certain 5-stars.

## **7 Competitive Analysis**

### **7.1 Competition Analysis**

The analysis of competition is a critical element in a business plan, not only to understand what alternatives consumers have available, but also as a benchmark exercise: what are the other market practices that might be adjustable for the business.

#### **7.1.1 Direct Competition**

Competitors were defined considering 3 criteria: accommodation typology, location and design concept. As a result, guesthouses in the MA of Lisbon with possible similarity with biophilic design were analyzed in the following indicators: location/access, overall and design concept, offered services, price range and online reviews.

- 1. Vila Garden Guesthouse Lisboa:** Family business, with 22 rooms, situated in the emblematic Almirante Reis avenue. Offers guests a communal kitchen (it doesn't offer breakfast) and, in the website, the garden is described as a “small luxury” in the city of Lisbon. The building was remodeled in 2016 and the team is defined as special and always available. The premise is that Vila Garden Guesthouse is the ideal place to experience Lisbon as a local due to guesthouse location.
  - a. Decoration:** The highlight is the large garden area, with artificial grass, sunbeds and outdoor furniture in rattan and deck floor, simple but depersonalized. Indoor areas with a minimalist style with color blocks (no mosaic or patterns). Brown and beige color palette, clean-cut lines and minimalistic furniture of medium/basic quality (e.g. Ikea).
- 2. Lisbon Garden Boutique Guesthouse:** With 12 rooms, the terrace and cocktails made by a barman are highlighted in the website as the perfect combination after a day exploring the city. For guest comfort, slippers and bathrobe are offered. Breakfast is the most complemented feature by clients in Booking. The property says it has a partnership with one of the best restaurants in Lisbon but said restaurant's name is never mentioned.
  - a. Decoration:** The outdoor garden resembles an indoor living room (with furniture, kitchen style lamps, brown colored side walls with ornamented

mirrors) that was filled with plant vases, a jungle-like ambience. The garden theme is explored in the indoor areas through green colored non-organic elements (bed linen, walls) and floral/leaf patterns in the bedrooms’ wallpaper and allusive paintings.

3. **Garden Rooftop by Imperium:** With no website available, it is situated in the São Jorge’s Castle walls, between the Mouraria and Alfama neighborhoods with 10 suites and a wine bar that the online lifestyle magazine NiT (2017) described as “wonderful”. Decoration, view and staff’s friendliness are the stand-out points for clients at Booking.com

- a. **Decoration:** The highlight is the large rooftop garden with unimpeded views over the city, a pool and relaxation area, with predominance of wood materials (furniture and deck floor), combined with natural elements (grass, trees, plants). Vertical wall in the reception. Wood materials and furniture predominate the common areas too. Rooms are sober (soft green, white and beige color scheme), minimalist decoration (few decorative elements), with the detail of wooden batten ceilings.

4. **Casa do Jasmim by Shiadu:** The property is described as boutique guesthouse. Part of the Shiadu group, it has 22 rooms (with balcony, city view and some with kitchenette) and it is situated at Príncipe Real neighborhood. At its website, the friendly staff and cosmopolitan surrounding environment of the city are highlighted. Comfortable beds and breakfast is highly complemented on Booking.com.

- a. **Decoration:** Room decoration mixes modern clean-cut lines (e.g. minimalist bathroom) with old style furniture (dark wood with imperial details) and ethnic bed duvets and pillows. Communal kitchen is an encounter between farmhouse and art nouveau, with a predominant botanical theme in décor elements as paintings and vases. Breakfast is an extension of the kitchen mixed with the industrial feel of the Carlisle metallic chairs. As for an outdoor space, there is only a small patio, extension of the breakfast room, with tables and chairs (no garden).

5. **A Boémia Green & Art Guesthouse:** In a 19<sup>th</sup> century building, the Boémia guesthouse describes itself in the booking.com page (no website available) as an eco-

boutique unit, with an environmentally-friendly policy that favors sustainable and/or organic materials as well as local organic food products. In the platform page is also mentioned that every room has a Bluetooth column. This accommodation has a minimum of 2 nights booking requirement.

- a. **Decoration:** As the name indicates, the style imprinted in the house is a bohemian style. This translates into a combination of antique (e.g. napron tables and Persian carpets on the walls) with baroque details (e.g. ornamented and gold wall frames) and rococo elements (e.g. crystal chandeliers). It results in a English décor style, with a homely ambience.

Table 2. Direct Competitors Analysis

| Competitors                       | Location                 | Outdoor Area            | No. Rooms (m <sup>2</sup> )  | Reviews <sup>8</sup> | Reference Price <sup>9</sup> |
|-----------------------------------|--------------------------|-------------------------|------------------------------|----------------------|------------------------------|
| Vila Garden Guesthouse Lisboa     | Arroios (Almirante Reis) | Garden                  | 22 (14 to 18m <sup>2</sup> ) | 9,2<br>1115          | 120€                         |
| Lisbon Garden Boutique Guesthouse | Arroios                  | Garden                  | 12 (9 to 15m <sup>2</sup> )  | 8,3<br>94            | 120€                         |
| Garden Rooftop by Imperium        | Costa do Castelo         | Rooftop garden and pool | 10 (n/a)                     | 8,5<br>701           | 120€                         |
| Casa do Jasmim by Shiadu          | Misericórdia             | Outdoor Patio           | 22 (16 to 34m <sup>2</sup> ) | 9,3<br>1326          | 116€                         |
| A Boémia Green & Art Guesthouse   | Santa Catarina           | No                      | 4 (n/a)                      | 9,4<br>190           | 132€                         |

Source: the author, 2018

<sup>8</sup> Reference for double room with breakfast 1 night-stay in October (9 to 10).

<sup>9</sup> Rate and Number of online guest reviews in Booking.com, from 0 (Bad) to 10 (Excellent)

Even though all direct competitors are situated in the city center (MA of Lisboa), only Vila Garden Guesthouse is situated in a close neighborhood to Saldanha (in Arroios).

Regarding the global offer of services (appendix 38 - Direct Competitors' Services, the author, 2018), all provide free wi-fi, 24h reception and breakfast buffet except for Vila Garden Guesthouse. On the other hand, none of the competitors have a business center or similar space. About F&B services, 3 of the competitors offer a coffee machine/tea kettle in the bathroom which is a valuable add-on, none offers room-service and only Lisbon Garden Boutique offers a restaurant service, through a partnership, but it is never explicit which restaurant is it and how can guests benefit from it.

At Booking.com, all competitors rank at a very positive level. The lowest rating is 8,5 for Garden Rooftop by Imperium and the highest, a solid 9,5, belongs to A Boémia Green & Art Guesthouse. In their own website/social media, three of the competitors (Vila Garden, Casa do Jasmim and A Boémia) specifically stress their staff's friendliness and availability.

A Boémia Green & Art Guesthouse also registers the highest price offer (132€) and the range descends until 116€, the lowest price offer, to stay at Casa do Jasmim by Shiadu.

Even though all competitors share a nature related theme, only 3 (Vila Garden Guesthouse, Lisbon Garden Boutique and Garden Rooftop by Imperium) offer an outdoor garden area, with the distinction for the Garden Rooftop by Imperium that offers a pool and an unimpeded open view over the city, which is must appreciated by guests (even though is scores the lowest rating of all competitors). Apart from outdoor areas, all guesthouses expose the green/garden theme in the decorative elements, through plants in vases, allusive paintings and floral/leaf patterns (e.g. wallpaper and bed clothing). The A Boémia Green & Art Guesthouse is the guesthouse with the strongest brand concept, an eco-guesthouse that favors organic products and sustainable/recyclable/recycled materials and a very unique decoration that resembles an English style, combining art nouveau with rococo and baroque elements. In comparison, Vila Garden Guesthouse is the competitor with the most depersonalized design/decoration concept.

### **7.1.2 Indirect Competition**

Because the underlying concept of the present business plan is a top-quality service, 4-star hotels were considered indirect competitors. To simplify and for a focused analysis, indirect competitors were restricted to the area and surroundings of Saldanha (Avenidas Novas, Arroios

and Campo Grande). For these, location, design concept, online reviews and reference price were analyzed (appendix 39 - Indirect competition analysis, the author, 2018).

From the analysis, it stands out the fact that out of the total 26 hotels, only 4 don't belong to any hotel chain (1980 Lisboa Hotel, Hotel Czar, Hotel Lutécia and Neya Hotel). Also, this part of Lisbon appears to be extremely attractive to the Turim group, with 5 4-star hotels. As for the Saldanha neighborhood alone, there are only 3 (Turim, Olissippo and VIP Executive).

Regarding design, only 3 hotels present a solid décor and architectural style: Wine Hotel (wine theme), 1980 Lisboa Hotel (art nouveau with modern pop details) and DoubleTree by Hilton (contemporary elegant and minimalist style). As for biophilic insights, Lux Lisboa Park, DoubleTree by Hilton and Turim Saldanha present some design and architectural features of biophilic design, through color palettes, furniture material, nature inspired decoration and outdoor nature spaces.

As for prices, the highest reference price was 98€ at the Lutécia Hotel and the highest value of 448€ of the Lux Lisboa Park.

## **7.2 5 Forces of Porter**

To understand the attractiveness of the industry in its multiple aspects, Porters 5 Forces analysis is a powerful tool that examines Competitive Rivalry, Supplier Power, Buyer Power, New Entrants and threat of substitutes. For each topic of each area of analysis a score from a scale of 1 to 5 in which, 1 “Low” and 5 “High” force level, was attributed. An average score was calculated for each area and, afterwards, the average of these to conclude about attractiveness of the industry. See all topics description and corresponding score in detail in appendix 40 - 5 Forces of Porter, the author, 2018.

### **Industry Attractiveness Metrics: 2,6**

The analysis has proven that hospitality is a competitive, but still very attractive, business industry. The greatest disadvantage lies in the fact that there are many potential competitors (even if not considered direct competitors) and buyers have a high level of power (e.g. a lot of options and zero or no switching-costs), but suppliers don't represent a threat (low power) and new entrants a moderate threat, and, particularly, demand is growing proportionally, which reverts the threat of competition to a field of opportunity.

## 8 Reference Framework

Below, the reference framework helps organize what are the crucial elements to this business project:

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Location</b>                    | Building choice is crucial, because convenience is a key element in the business. Not only it must have the internal infrastructure to support all the operation (room, kitchen, etc.), but it must be situated close to the city center (location is important for guests) in a safe, pleasant, easily accessible area.                                                                                                                                                                                                                                                                                                                                                     |
| <b>Architecture<br/>Decoration</b> | Having an aesthetic aspect in the center of the business concept (biophilic design) is vital to find the right partners to help with renovating the building (if necessary) and for interior design and décor purposes.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Technology</b>                  | <p>Technology is imperative for operational aspects, not only to facilitate management processes and client interaction, but for client empowerment too.</p> <p>Having a system to automatize managerial processes (sales, revenues, etc.) is indispensable to keep business functioning. For client empowerment, guests need to have “anytime/anywhere” solutions to be in touch with the front office and channels to book or simply search about the guesthouse in the most convenient way. Technology also plays a major role in distribution and promotion plans, since booking is mostly done online and is the number one tool to research possible destinations.</p> |
| <b>Human<br/>Resources</b>         | Hospitality is a business whose materialization is, apart from the physical units, the staff. Human resources are the face (eyes, ears, mouth) of the business and a vital piece for client loyalty, because they materialize the customer service directly (on face to face approach) and indirectly (e.g. how the housekeeping workers prepare the room).                                                                                                                                                                                                                                                                                                                  |
| <b>Promotion</b>                   | In a growing, competitive, full of players, market and in a time where information is everywhere, vehiculating your message at the right time, to the right target and through the correct channels is relevant to (1) let the world know you exist (2) present your offer and (3) convert to sales.                                                                                                                                                                                                                                                                                                                                                                         |

Source: the author, 2018

## **9 Internal Analysis**

### **9.1 Project Presentation**

The present project is a business plan for a guesthouse in the Saldanha neighborhood (see location map in appendix 41 – Garden 48 Location, the author (using Google.maps), 2018), in the center of Lisbon city named “Garden 48”. It is mainly designed for guests who travel in leisure or holidays (city break), but also for corporate travelers.

Underlying the business are the fundamental concepts of comfort, supported by the principles of biophilic design, quality (in customer service, workmanship, food products, etc.) balanced with a price advantage (when comparing to direct and indirect competitors) resulting from offering services that are critical for guest satisfaction and excluding accessory ones (e.g. pool, room service, etc.) that would increase operational costs (and, consequently, prices).

The guesthouse will occupy the -1, ground and 1<sup>st</sup> floors of the 48<sup>th</sup> building at Casal Ribeiro Av., 1000-091 Lisbon.

Besides the 9 room units (all with private bathroom), the guesthouse comprehends a garage, 24h reception, the breakfast room that will also serve as the public “Caffé Garden 48” and the library (works as common room and meeting room). The project is christened by the outdoor garden, situated in the back of the building, and is at the disposal for guests and caffè clients.

The project also encompasses a technological aspect that serves the optimization of the business and to facilitate interaction with guests and their independence.

### **9.2 The Promotor**

The project “Garden 48”, is to be executed by an entity of three business partners forming a private company limited by shares.

### **9.3 Mission, Vision and Values**

To provide the reader with insights on the brand’s identity and principles, mission, vision and values are presented below.

Mission: Provide a hospitality unit where guests who prioritize professional treatment and quality even in the smallest details will find it, even if it isn’t the core of the traveling experience, with an accurately defined menu of services that result in a non-prohibitive price point.

Vision: Be a top reference in the city of Lisbon for “intelligent accommodation”, recognized for its pioneer combination of: customer-focused service, maximum quality in every detail and biophilic thoughtfully executed design.

Values:

In Garden 48, brand values translate two things: how we interact with guests and amongst staff and the guidelines to work.

**Proximity** – to be closely related, physically and/or digitally, always available to take care, whatever the need is.

**Team work** – linked to the previous, team work proximity implies the notion of cooperation and being united towards the same goal. All members of the team are aware of the fact that the sum is greater than the parts.

**Transparency** – in any circumstance, honesty is a non-negotiable factor. Towards the client or amongst colleagues, high moral standards are key.

**Accuracy** – the job is to be done as it is supposed to be done.

**Quality** – the mission is to be recognized for impeccable quality in everything evolving Garden 48, so that must be implicit in all the work carried through. Quality means doing how I would like it to be done for me, how I know it is supposed to be done, and fulfilling the responsibilities all the way through.

## 10 SWOT

In this chapter, the SWOT analysis aims to summarize all previous internal and external data, converting them into strengths/weaknesses and opportunities/threats, respectively. The SWOT is organized on a hierarchical basis, as all topics within each category were evaluated as follows:

- “Strengths” and “Weaknesses” from 0 – no importance – to 5 – maximum importance;
- “Opportunities” from 0 – no attractiveness – to 5 – maximum attractiveness;
- “Threats” from 0 – no impact – to 5 – maximum impact.

The Hierarchical SWOT table is available in appendix 42 - Hierarchical SWOT, the author, 2018.

### Strengths

The greatest strengths of the guesthouse are its unique value proposition in the market, supported by an incredible price offer, below direct and indirect competitors’ rates. The said unique value proposition is composed by different aspects, which means there’s, at least, one persuasive argument for different profile travelers: price, quality, location, biophilic design.

The biophilic design (and inspired decor) is worth stressing out, since it is important for three stages of consumer experience: pre-booking, booking and stay. The notion of quality in hospitality is heavily supported by physical evidence, which is a great decision factor on the research and purchase moments. At the same time, biophilic design is scientifically proven to effectively impact guests’ well-being, which automatically increases the sense of satisfaction during the stay.

On top of these, Garden 48 has the advantage of pioneer status, since no direct competitor seems to be exploring it so far and this can constitute a great communication hook.

For operational and financial performances’ success, business was idealized in a simplified operation basis, through as fast and simple as possible processes, as well as offering only key services to eliminate unnecessary costs and uncertainty levels. At the same time, all extra services are available to external guests, which means extra revenue, without incurring in extra expenses.

### Weaknesses

The most noteworthy weakness of Garden 48 business plan is the required initial CAPEX. Particularly if one considers the fact that, due to legal framework, it is a small-scale business, but it still demands significant levels of capital to leverage it. Being a small-scale business also means a disadvantage position in relation to suppliers, because it diminishes negotiation power.

### Opportunities

Tourism is a growing industry in Portugal with a great incidence in the city of Lisbon and the outlook is that it continues that way for the next years. Independently of the incoming markets, Lisbon is a strong and recognized touristic product, with infrastructures (airport, hotels, restaurants, touristic activities' agents, etc.) to support great levels of people, and keeps on evolving that direction. Also, it is a all-year-round type of destination, despite its high season in the summer period.

Another great opportunity for Garden 48 are the preferences of current and future travelers' generations. Millennials are redefining the touristic and hospitality markets, in multiple aspects: how to select the destinations, how to search and book for hotels and others, what to do, how to share the experience with others. Garden 48 business model is designed thinking about these preferences, where premium and luxury are not (only) 5-star hotels, where location matters, prices are fair, quality and aesthetics walk hand-in-hand and where digital and online experience / support are a priority. Also, this generation travels more than previous ones.

### Threats

Local accommodation is a growing hospitality category in Portugal, demanding authorities and public opinion attention on a regular basis. As an evolving sector, there are adjustments being implemented and planned. This means that new and settled business are currently under the public eye and governmental watch, and subject to official decisions.

As for many other industries, natural and exogenous events, that are obviously uncontrollable by managers, may affect Portugal or Lisbon's attractiveness as a touristic product, affecting all related businesses (including hospitality). These can be natural disasters, weather conditions or others as terrorist attacks.

## 11 Project Objectives

### Garden 48 Objectives:

#### Business

- Average occupancy rate of 70% in the 1<sup>st</sup> year;
- Average occupancy rate of 80% on the 2<sup>nd</sup> year;
- Increase of 2% on occupancy rate from the 3<sup>rd</sup> year until reaching the 88% mark;
- From the 2<sup>nd</sup> year in business increase by 1% the rate of returning clients;
- Recover initial investment within 15 years.

#### Brand engagement

- Build a strong brand and corporate reputation (measured by online interactions, social media followers and impressions, media presence and favorability);
- Achieve high levels of client satisfaction (measured by a minimum of 8,5 booking score in the 1<sup>st</sup> semester of activity and a minimum form 8,9 after that period);
- Increasing guest loyalty levels (augmenting returning clients rate yearly).

## 12 Development Strategy

### 12.1 Strategic Approach

According to Michael Porter (1998), there are three generic strategy approaches for business:

- 1) Overall cost leadership: to adopt a low-cost price policy, to present the best price proposal to the customer, in comparison to other players in the industry. Common for firms with high relative market share or significant advantages as raw materials access.
- 2) Differentiation: to create a product/service that can be perceived by the entire industry as unique, offering to the client a value proposal that no other player/firm has presented yet. It is often linked with the concepts exclusivity, luxury and expensive.
- 3) Focus: the focus strategy means concentrating ('focusing') on a segment, a particular product or geographic market. The focus strategy is built around serving the selected target "to a T" and each functional policy is defined accordingly. The premise is that the offer can serve its narrow target more effectively than competitors who are competing more broadly.

The latter fits the Garden 48 project.

## 12.2 Segmentation

The touristic sector in Portugal offers multiple touristic products, which results in an overall market of different groups (segments) of consumers. In consequence, the hospitality market also has multiple options for the differentiated segments. These vary, not only by travel preferences, but also in geographical, socio-demographic and psycho-behavioral criteria.

In 2017, 45,2% of travelers came to Portugal for leisure/recreational/holiday purposes, 44% to visit friends and family, and 7,1% in business. Because travelers visiting friends and family tend to stay at friends and family houses, these may not reflect directly in the hospitality industry.

Out of these travelers, 3,4M stayed in local accommodation units, representing a total of 7,9M overnights. 2,7M of travelers belong to the domestic market, but the large majority (5,2M) are income from external markets, mainly (74%) from Germany, France, UK, Spain, Netherlands, Italy, Brazil, EUA, Poland and Belgium.

In Lisbon, local accommodation guests stayed an average of 2,37 overnights.

As for the decision-making process of where to travel, where to stay, what to do, the majority of travelers search the web even before deciding where or how to travel (Research Studies by Google, 2015). The internet and family/friends are the top travelling planning “resources” (correspondingly, 78% e 52%). The trend is to use the Internet for all actions related with planning and booking the trip (Šerić, N., Jurišić, M., 2015).

All the above data indicates that travelers and hospitality clients, can be divided considering the following criteria:

- Geographic – country of resident, where the traveler comes from;
- Socio-demographic – includes factors as age, gender, income, size of family, marital status, education, income level;
- Psychographic/Behavioral – lifestyle, habits, hobbies, traveling purposes, preferences.

## 12.3 Target

The aim of target definition is to find a coherent and homogenous group, within the multiple segments that visit the city of Lisbon, whose needs and wants match perfectly the offer of Garden 48. The criteria to define the guesthouse target were:

- Geographic - origin

- Socio-demographic – age, educational level and (net yearly) income
- Psycographic – lifestyle (e.g. relation with technologies), travel motivations and preferences
- Behavioral – travel planning preferences, travel companions

As a result, Garden 48 guests can be leisure/holiday travelers or corporate/business travelers, visiting for short periods (3 to 5 days).

Both identify as non-residents (incoming from external markets), of age 25 or over, high school or superior education level and a predicted net income level of, at least, 20k/year. These are expected to travel in couples (leisure travelers) or solo (or with co-workers, in case of corporate clients).

This target is composed by individuals who use technology regularly and prefer fast and easy processes, using their smartphones or computers whenever possible. For this reason, trip planning and bookings are done online, since independent ICT (Information and Communication Technologies) don't need help from third-parties.

Corporate guests aim to achieve whatever business goals motivate the trip, but leisure guests are mainly interested in discovering all dimensions of the location, since they're interested in: culture, gastronomy, history, sightseeing and living like a local.

Both are expected to arrive via, mainly, Lisbon airport. Leisure travelers move around by foot or public transportation whereas business travelers are more likely to rent a car or use uber-like solutions.

(For table, figure and target persona description, see appendices 43 - Garden 48 Targeting, the author, 2018; 44 – City breakers Target, the author, 2018 and 45 - Target personas, the author, 2018).

The targeting the business/corporate traveler means acknowledging “conventional” companies usually have guidelines about what (categories of) hotels to book (usually 4-star or above) for business travels. So, for this business plan, the corporate target would be from less conventional companies (e.g. startups, disruptive thinking companies, creative industry companies, etc.).

## **12.4 Positioning**

### Unique Value Proposition

In Garden 48, what is done, is done with maximum quality. A short but smart list of services is available, allowing for a nicer price, and maximum quality materials and a professional customer service assure a premium stay.

### Points of Difference

- Biophilic Design and Décor;
- High quality standards (e.g. food selection, customer service and support, amenities, bed linens, cleanliness, etc.);
- Technology supporting guest and staff interaction and empowering guest by facilitating processes;
- Inferior prices (than competitors).

### Reasons-to-believe

Carefully designed and decorated place, in partnership with credited entities/professionals, respecting biophilic design principles, which are scientifically proven to assure well-being;

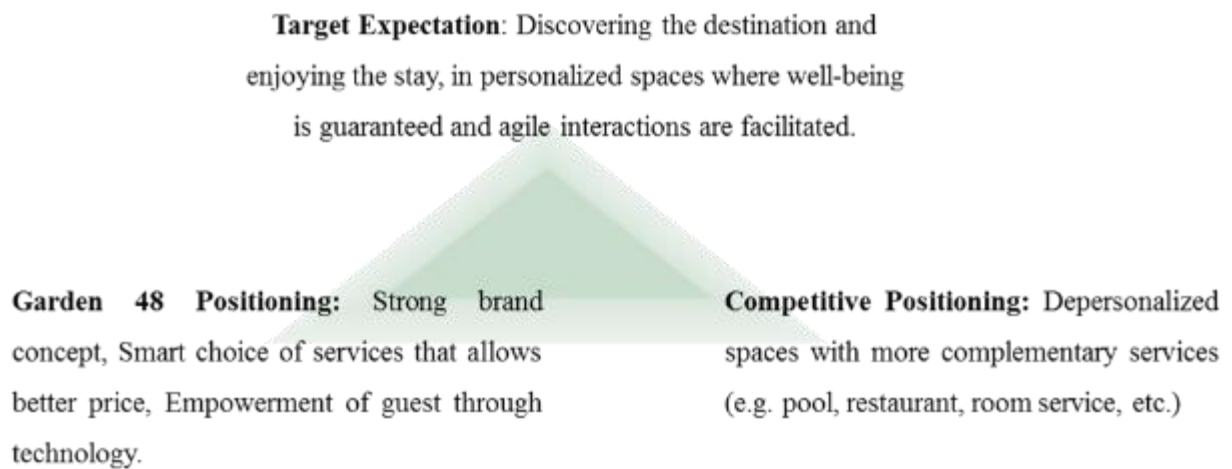
Materials such as finishes, furniture, bed linen, amenities, breakfast food and others are nothing but the finest and top-quality;

Human resources policy that focus on recruiting by high standards, training for the job and soft skills, as well as fair remuneration policies and extra-benefits guarantees professional and caring staff;

Technological implemented systems such as allow the guest to be in touch with staff, whenever, wherever (e.g. b-guest app), to help/aid in any situation and facilitate processes in a convenient way (e.g. tablet with most used apps for guest usage in front-desk).

## Golden Triangle

Figure 1. Golden Triangle of Positioning



Source: the author, 2018

### Positioning Statement

To city breakers and business travelers, Garden 48 is the guesthouse that provides a flawless quality service supported by biophilic aesthetics that contribute to maximum comfort and all for a price lower than competitors, due to a strategic choice of services offered.

## **13 Implementation Policy Definition**

### **13.1 Marketing Mix**

#### **13.1.1 Product**

Garden 48 is a guesthouse located in Casal Ribeiro Av., 48, in Lisbon's center, in the Saldanha neighborhood. City's top attraction, airport, commercial areas, trendiest restaurants and brunches are all nearby and at a walking distance (see appendix 46 - Garden 48 Location and access details, the author, 2018). The unit was designed thinking of travelers who prioritize discovering the destination and not the hotel, but consider accommodation an important part of the stay. This ultimately means not wanting to pay for accessory services 4 and 5-star hotels offer (e.g. baby sitting or spa), but demanding a professional and quality service. The available services were chosen to create the necessary basis for a comfortable and high-quality stay, but trim off the accessory services (which reflects on the price) – in detail in appendix 47 - Hospitality Services vs. Garden 48 Services, the author, 2018.

The guesthouse occupies the ground and 1<sup>st</sup> floors of the building. With 9 double/twin rooms (all with private bathrooms), it has a lobby/reception area (with luggage area), a breakfast room “Garden 48 Caffé”, a library room, and the garden.

Garden 48 is projected and decorated through the principles of biophilic design to proactively promote guests' well-being. Also, Garden 48 has a technological aspect (e.g. egg electronics at every room, tablet with multiple services at the front-desk, b-guest app) that is not meant to stifle the guesthouse concept, but it is key to streamline processes and enhance the relation with guests, giving them a higher level of independence.

#### **Areas**

- **Kitchen**

Following all HACCP rules and food safety legislation criteria, the kitchen is an area of 12m<sup>2</sup> where breakfast is prepared every morning and staff has support for Caffé 48 operation and service.

The kitchen is equipped with industrial stove (with smoke extraction system), hoven, sinks (separated, for food operation and for dishwashing), fridge, freezer, storage areas (shelves and cabinets), preparation/service areas (balcony and island) and other appliances (toaster, micro-waves, etc.). Equipment and surfaces of inox material.

- **Lobby**

The lobby is where guests first arrive, at the reception. At the counter, front-office staff welcome and are available 24h. This is a 65,7m<sup>2</sup> area with a resting area for guests waiting or simply reading the newspaper. Luggage room is also available, for free, for guest before check-in and after check-out inclusive.

- **Breakfast Room/Garden 48 Caffé**

From 7.30 to 10.30 am, this is where guests are served the continental buffet breakfast. After 11.30 pm, the space (includes garden) is open to guests and externals as Garden 48 Caffé.

The space has 39m<sup>2</sup> and it is available to both guests (24h) and externals (during the caffè working hours). Service can be extended to the garden when the weather allows it, for both breakfast and caffè options.

- **The Library**

The library is an area of 30m<sup>2</sup> designed for guests to have a resting refugee space. The wall-shelves covered with books justify the name, even though it can also be defined as the common room or business center, since guests are welcome to relax, read a book, talk, watch tv, work, etc. To generate additional revenues, the library can also be rented as a meeting room for ½ or full days. For the purpose, it is equipped with tv screen, projector, projection canvas and a flipchart.

- **Rooms**

Rooms at Garden 48 range from 19m<sup>2</sup> to 25m<sup>2</sup>, occupying the ground and 1<sup>st</sup> floors of the building. Each of the 9 bedrooms is set with a double/twin bed structure and mattress (and 2 pillows per guest), night stands, an armoire/closet, a desk and chair. Equipment wise, guests will find a mini-bar, LCD tv screen, telephone, air conditioner and every room will be equipped with an egg electronics outlet<sup>10</sup> and fast connection free wi-fi (as in every other guesthouse area). Private bathrooms are equipped with shower cabin (with rainfall shower head), sink, toilette and hairdryer.

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<sup>10</sup> An innovative charging dock that allows to charge up to 15 devices simultaneously, personalized with Garden 48 brand image (see image in appendix 48 – Egg Electronics, Egg Electronics, 2018). More information: <https://www.eggelectronics.com/>

Apart from the above described elements, rooms also contain sheer curtains and blackouts, mat/carpet, lightning (ceiling, floor and desk lamps) and decorative elements (e.g. paintings).

- **The Garden**

This is the place that gives name to the guesthouse and works almost as a surprise element, because it is not obvious until one goes, exactly, in there. It is not visible from the street or even from the lobby, its location alone confers it the status of “hidden gem”.

## **F&B**

The F&B offer respects the business underlying concept: less is more.

The breakfast options do not include chef’s shoowcooking (e.g. eggs and pancakes on the moment) or tens of available tropical fruits, but the produce made available must be the freshest, seasonal and natural as possible as well as include typical Portuguese options (e.g. “*pastel de nata*”, “*tortas de Azeitão*”, etc.). The same is valid for Caffé Garden 48 menu options. The menu offer is simple and must change on a season basis, not only for guest satisfaction (particularly considering external guests, residents, who may visit regularly), but also to stimulate kitchen staff skills and take advantage of their knowledge.

The principle is to always have the basics available (e.g. coffee, cappuccino, ham and cheese toast), but also excite guests with special recipes (e.g. garden 48 toast, Nutella meets marshmallows cappuccino) and have the latest food trends represented (e.g. yogurt and granola bowl).

Because it is a small, proximity-based business, guests are more than welcome to indicate food restrictions (e.g. celiac, lactose intolerance, allergies, etc.), with anticipation, and will be served options to meet their needs.

Food presentation must be simple in all circumstances, no extravagant add-ons (e.g. writing with toppings), benefiting from the crockery and tableware design (choose with a purpose).

Meals (except breakfast) and room service are not available at Garden 48. Still, if the guest wishes to eat in the room or at the Caffé, the front-desk is happy to order from Uber Eats. The

guest can ask the reception to order for them or do it through the available tablet at the front-desk, the bill is added to room account and charged at check-out.

### 13.1.2 Price

“Throughout the field of hospitality and tourism we see a pricing system that is complex, sophisticated and invariably demand-oriented” (Kotas, R., 1999:3).

Rates of Garden 48 are defined through a strategy that considers: demand flow (seasonality), direct competitors’ rates monitorization, average operational costs and perceived value price (since it is a quality supported business).

The prices for Garden 48 accommodation follow into a penetration strategy as they are, on average, 24% lower than direct competitors’ prices, but still coherent with the quality concept positioning.

#### Accommodation

Considering all the previous indicators, price table is:

Table 3. Garden 48 Rates per Season

| Dates                                      | Season                                                                                            | Price / Night |
|--------------------------------------------|---------------------------------------------------------------------------------------------------|---------------|
| 1 <sup>st</sup> Jan-15 <sup>th</sup> Apr   |  Low Season    | 85€           |
| 15 <sup>th</sup> Apr-15 <sup>th</sup> Jun  |  Medium Season | 95€           |
| 15 <sup>th</sup> Jun-15 <sup>th</sup> Sept |  High Season   | 130€          |
| 15 <sup>th</sup> Sept-15 <sup>th</sup> Oct |  Medium Season | 95€           |
| 15 <sup>th</sup> Oct-31 <sup>st</sup> Dec  |  Low Season    | 85€           |

Source: the author, 2018

The price table is a guideline. Real prices may vary and special dates may present exceptional tariffs: Valentines’ day, holidays, Easter, Carnival, Christmas, New Year, etc.

#### Caffé Garden 48 (F&B)

The Caffé Garden 48 is accessible to guests and external clients. Prices for food and beverages were calculated with a gross margin of 75% over raw materials cost and adjusted to market prices (e.g. an espresso costs 0,11€/unit. With a gross margin of 75%, the value is 0,32€, which

is a very low value for market prices. On the opposite side, the yogurt bowl with granola, fruit and honey raw materials' cost is 2,2€. Adding a 75% gross margin makes it 6,28€, which the author considered expensive, adjusting the price to 5€). Full Caffé menu in appendix 49 - Caffé Garden 48 Menu, the author, 2018.

### Library

The library is the communal guest room to study, work, etc., but it can also be rented for meetings (or other activities), since it is equipped with tables, chairs, screen, projector, flipchart and waters are included in the rental price: 200€<sup>11</sup> for half day and 350€<sup>12</sup> for a full day (up to 30 people). Each additional hour has the unitary cost of 100€. It includes access to garden.

### **13.1.3 Placement**

Distribution will be both direct and indirect and online presence is key for selective distribution.

Clients can book directly through the guesthouse's website or via email/telephone, directly with the front-office. Direct website reservations payment must be available in all possible forms – convenience is key.

Also, the guesthouse reservations will be available in multiple OTA<sup>13</sup> (Booking, Trivago, Hotels.com, Kayak, etc.), having agencies as the intermediary. Despite the commission that implies the loss of margin, online booking agents are necessary intermediaries since they reach a large audience.

Because some OTAs demand price parity clauses, the strategy to attract direct bookings is to put in evidence, in the website's homepage, information about an exclusive welcome offer (e.g. wine bottle) and guarantee of safety of the process when booking directly with Garden 48.

The guesthouse will be “out there” for potential clients to find it whenever it meets their traveling requests and, in key moments, will present promotions (early birds or last-minute deals, e.g.).

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<sup>11</sup> Up to 4 hours.

<sup>12</sup> Up to 8 hours.

<sup>13</sup> Online Travel Agents (e.g. Booking, Trivago, Kayak, Skyscanner, etc.)

### 13.1.4 Promotion

The target of Garden 48 communication and promotion are clients and potential (defined previously).

Mission: To portrait Garden 48's identity and make targeted audience identify with it and recognize it as the perfect solution to their accommodation needs.

Communication objectives are to make the audience:

- Know of the existence of the project;
- Know and understand the innovative concept behind it;
- Book with us;
- Enjoy the stay;
- Share the concept and experience with social network (family and friends) and in their social media pages, generating new potential (and effective) guests.

“2014 Travelers Road to Decision” by Google shows the majority of travelers search the web even before deciding where or how to travel (65% leisure, 69% business) and that the internet and family/friends are the top travelling planning “resources” (78% e 52%).

Expedia's “Generations on the Move” (2018) study states “Social media has a profound influence on the purchasing decisions of younger generations, even to the point of directing their travel decisions. They pan their social media networks for opinions before choosing a destination, and even make travel decisions based on others' posts.”

The above data justifies a mainly Internet/Online focused promotion strategy.

It will compile a mix of online advertising and public relations action plan.

#### Tone, Language and Brand Personality

Wherever it is present (online or offline) the communication tone and language of the guesthouse is a way of portraying the concept behind it. For this reason, the type of content produced must match the below criteria:

- Direct/Objective Messages
- Subtlety/Elegance
- Light/Informal Humor Mood
- Always responsive and honest

Visually, the Garden 48 is directly connected to a natural color palette that must translate in all visual communication (from the logo, in appendix 50 – Garden 48 Brand Logo, the author, 2018 -, to staff mail signatures). All business related lay outs must correspond to a light, elegant, sober, balanced design.

### Inauguration Moment

The launching of the guesthouse will be on a brunch event for lifestyle and travel media, influencers/bloggers, celebrities and other guests.

### On-going Actions

To maintain a close and active presence with communication targets, on-going tactics apply:

- Social media (Instagram, twitter, facebook): active presence with daily postage;
- Media relations: article negotiations and sending press releases when pertinent;
- Advertising: online, through google ads (with increased investment during medium season) and social media promoted posts (facebook and instagram).

Additionally, once a year invite two to three foreign influencers (> 100k followers) to stay at Garden 48 and post about the experience.

Main communication materials will be an institutional video, the website with associated booking platform and social media profiles.

### Loyalty program

No obsolete card system will be adopted. Personalization is key. By check-in at the guesthouse, data is recorded allowing to know when a client is a first-timer or a regular. A client is considered regular after the 3<sup>rd</sup> visit.

When achieving different milestones, benefits/offers will be sent directly through email/text message:

- Becoming a regular (3<sup>rd</sup> reservation): personalized thank you message; offer of two drinks in the next stay; 15% discount voucher for the next direct booking (minimum two nights booking, non-cumulative with others);
- 5<sup>th</sup> stay or ten (uninterrupted or not) nights: personalized thank you message; offer of a brunch for two in Lisbon; 15% discount voucher for the next direct booking (minimum two nights booking, non-cumulative with others);

- After the previous milestones, permanent offer of 15% discount for the next stay (minimum two nights booking, non-cumulative with others);
- Regular client (at least two overnights per year) for three consecutive years: offer of a degustation menu at renown chef restaurant in Lisbon for two.

For the corporate target, partnerships with companies may be established. Because “conventional” companies usually have guidelines about what (type of) hotels to book (usually 4-star or above) for business travels, the corporate target communication strategy consists in approaching less conventional/younger companies (e.g. startups, companies known for disruptive ideas, etc.). A means to achieve that target may be through events where those companies are present or partnering with associations close to them. E.g. Partner with Web Summit to offer accommodation for Road2WebSummit chosen companies through a sweepstakes’ dynamic or other.

#### **13.1.4.1 Caffé Garden 48 Promotion**

To promote Caffé Garden 48 (guesthouse bar/cafeteria), this will be advertised as an independent area from the guesthouse. This means a focused communication plan, through a strong social media and PR strategy, to the specific target of non-guests, external clients, Lisbon residents. The caffè is a space open to public without restrictions.

The Caffé Garden 48 implies the cafeteria area and the outdoor garden. So, it must reflect an urban, relaxing, trendy spot for those who need a place to study or grab a coffee with a friend, with the notion of a privileged venue.

The strategy of social media is based on the Instagram independent page (with regular posting) and engaging relations with digital influencers through invitations to visit and share the experience in strategic moments (at the inauguration, when the menu changes, to kick-off low season, etc.).

Also, PR negotiation with lifestyle media will be engaged (invitation, PR and PK): Observador, NIT, MAGG, Evasões, Fugas, Activa, Máxima, Sapo lifestyle, Elle, etc.

#### **13.1.5 People**

Staff at the Garden 48 must be convict believers of the concept.

Hospitality is an industry with a high level of turnover. The main goal with staff is not to believe it won't happen, but to minimize as much as possible.

The necessary functions are:

- Receptionist (Front-office manager and receptionists)
- Breakfast Staff (Kitchen and Room)
- Bar Staff
- Housekeeping (manager and assistants)
- Management (General Manager)

See appendix 51 - Organizational Chart, the author, 2018.

Functions to be fulfilled by third-parties (outsourced): accounting, human resources, housekeeping operational staff and maintenance.

Technically, staff criteria recruitment is:

- Experience in the industry and function (implicit customer service experience)
- Technical expertise in their function
- Multilanguage (English and Spanish mandatory, others are a plus)
- Also shift schedules availability, problem-solving and team work skills, good personal presentation and excellent communication competences.

### **13.1.6 Process**

Process is a critical part of a service business. Process explains how consumers are served and services consumed.

For accommodation, the process is fairly simple. Guests must book (online through indirect channels or directly on Garden 48 website or by email or telephone). Payment terms and methods<sup>14</sup> depend on the booking channel and chosen rates (non-refundable rates are charged at the booking moment; others are paid in the check-in day). Extra expenses (e.g. bar, transfers, etc.) are charged on the moment or at check-out (customers preference).

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<sup>14</sup> Credit card, debit card, Visa, Mastercard, American Express, Paypal, etc.

In the established check-in period (after 3 p.m.), guests arrive and all services are immediately available (except breakfast that has a specific schedule and bar within the opening times). At check-in, staff must follow the procedure of collecting necessary client data.

Some services may be requested before or during the stay (e.g. request for airport transfer in the booking moment).

To request a service, the guest has multiple choices: e-mail, telephone, website contact form), in person at front-office or through B-Gest app.

Garden 48 staff is trained to communicate with guests with a personalized, professional, discrete and friendly attitude, no strict script is mandatory.

#### Daily routine and service schedules

- Breakfast: served from 7.30 to 10.30 (working days and Saturdays) and 8.00 to 11.00 (Sundays);
- Housekeeping (room cleaning) from 10 am to 1 pm;
- Caffé Garden 48 opening hours: 11.30 am;
- Check-out: until 11 am (close guest account, rate and additional expenses charge, feedback request, thanking and saying goodbye);
- Common areas cleaning until 6pm;
- Check-in: from 2 pm (welcome, register guest information, brief presentation of Garden 48 and services and room key delivery);
- Caffé Garden 48 closing hours: 9 pm.
- Reception: 24h/day.

#### **13.1.7 Physical Evidence**

The guesthouse building (and interiors) is the greatest physical evidence of itself.

Because a great part of the concept is linked with construction and (biophilic) design aspects, the sense of quality, premium positioning, good taste, professional staff and positive well-being effect must be immediate when entering the reception.

At Garden 48 the guest will find:

- Big windows for natural light
- Water elements

- Filtered Air with regulated temperature
- Natural materials for furniture and décor (wood, cotton, leather, stone, rattan, sea grass, steel, etc.)
- Absence of strong/overpowering scents by air fresheners, washing materials or others
- Low-allergen Vegetation/Plants (mostly in common areas)

The goal is to have the maximum of natural elements and analogues when real nature isn't possible. Below are presented the biophilic insights per area:

- **Lobby**

The first image guests contact with is the building façade. On the ground floor, the entrance area is composed of glass walls that allow seeing inside, providing a sense of transparency, receptivity and positive. This design choice has two main goals: making it easier for the guest to recognize the guesthouse entrance and provide a sense of confidence and comfort to enter, feeling welcomed to enter. On the side, a small area is covered in grass (vertical garden style) with the guesthouse identification, because a living natural element sets the tone for the rest of the indoor experience.

At the lobby area, an open space is decorated with minimalist elements, a soft-neutral color palette, wood, still and glass furniture and textured elements (e.g. chairs) to give a first impact of personality, structure and greatness by the strength of the presented materials. It is meant to “show-off” the quality of materials and furniture and impress (in a sophisticated, clean and non-extravagant way) the guest. The open space area is often used to provide a sense of “submersion” in the area the guest has entered, concentrating on the present moment and forgetting the past moments. The space is projected and design to make clients feel two ways: they've arrived and there's a great stay waiting for them to start from that moment on. The goal is to have a subtle striking space, but, at the same time, to inspire energy and enthusiasm. See inspiration mood board in appendix 52 - Lobby inspiration mood board, the author, 2018.

- **Breakfast Room/Garden 48 Caffé**

This area requires a neutral design and décor, given the fact it is used throughout the entire day, for different moments and by different users (guests and externals). The main goal was to create an area that was comfortable (for those who are starting their day and in the process of waking up and external clients may spend an entire afternoon), but also wide (to provide reasonable

distance between tables – table privacy, study quietness), cleanness (it is an eating area) and inviting. For that purpose, furniture derives from the lobby style (wood and steel materials), combined with, once again, glass walls (providing garden view and the extension of space). In the Garden 48 Caffé, natural elements will have a stronger presence as a prelude to the garden area – vases and plants. The color of plants and natural palette of wood and steel furniture are combined with white, black and gray tones (e.g. concrete wall). See inspiration mood board in appendix 53 - Caffé inspiration mood board, the author, 2018.

- **The Library**

A play with shades (through sheer and black-out curtains) and natural lightning (glass walls) options give the space the flexibility for different moods. Primarily designed to be a refugee-like area, with strategic reading/relaxing corners, is meant to stimulate the sensation of privacy and instill calmness. If curtains are open, the atmosphere provided by the natural light and garden view creates the notion of extended space (glass wall as no wall) and provides a sense of amplitude which can be helpful to stimulate creativity, clarity and abstract thought. See inspiration mood board in appendix 54 - Library inspiration mood board, the author, 2018.

- **Rooms**

The base color palette for Garden 48 rooms is neutral (white, black, grey, beige and brown) with pops of color for decorative elements (green, yellow, etc.). The neutral palette is an obvious choice, since the bedroom is primarily a resting/sleeping area, the idea is to create a peaceful space. Still, one must keep in mind the fact that most guests are travelling for leisure purposes, and are open to a playful environment where they feel worry free and there's openness for enthusiasm and excitement (for the day to come, for dinner at that special place or just for being in vacation). Wood will be the predominant material in the room (floor and furniture), whereas the bathroom will be mostly composed of glass/transparent materials and stone-like tiles and floor.

The bathroom will have two lightning options: regular white LEDs (as a domestic bathroom) on the ceiling and sink mirror director, and a set of two ceiling incrustrated warm-yellow led lights, placed near the shower cabin area, that create a darker environment, for an extra sense of privacy.

Fabrics for textile elements (towels, linen, curtains and pillows) are chosen to provide a sensation of comfort, through soft and silky textures, with preference for cotton and linen. Also,

these will be combined with leather and other fabrics/materials for decoration purposes. See inspiration mood board in appendix 55 - Room inspiration mood board, the author, 2018.

- **The Garden**

With an area of 70m<sup>2</sup>, the aim is to create an area of serenity, with large quantities of plants and trees, a concept half-way between city garden and deep forest. It is meant for the visitor to feel he or she have entered a secret spot and have exited the city's hassle.

The nature elements are the most evident way to put biophilic design into practice, but the garden is meant to have a distinct personality from the average city garden. The concept may seem contradictory, as it is intended to cause a large sense of tranquility and excitement at the same time. Tranquility provided by the sense of "isolation" from the "outside world", followed by the enthusiasm from being in a different, alive and almost exclusive environment/place.

Also, water is known for stimulating almost every sense (sight, sound and touch) and calming properties. A water element will be present in the shape of a rectangular waterfall fountain, made of dark-grey/black stone (distinct from the usual tiered garden fountain), to be coherent with the deep color palette and untouched-like ambience.

Sitting and resting furniture will be available near the caffè area. These will respect the overall furniture style of the rest of the common areas (wood and steel), to maintain the natural look and feel. These and the natural elements will be complemented by soft textures (cotton, linen, etc.) of textile elements (pillows, hammock, etc.). See inspiration mood board in appendix 56 - Garden inspiration mood board, the author, 2018.

#### Staff Uniforms

Staff are also an extension of the physical evidence of business, not only in their attitude and presentation, but in the uniforms. Made from 100% natural materials, in light/discrete colors (matching the décor and rest biophilic design evidences), clean and casual. Staff Uniform images can be found in appendix 57 – Staff Uniforms, the author, 2018.

## 13.2 Technical Aspects

### 13.2.1 Architecture

According to regulatory Decree of 7<sup>th</sup> of February 1972, an architectural project is composed by the following stages: preliminary study, base project, previous study, project execution and technical assistance.

To simplify, stages can be combined into two main phases: preliminary study and project execution. For the preliminary phase, legal requirements are analyzed and main areas are projected (rooms, common areas, outdoor spaces). The project must then be approved by municipal license.

Architectural honorariums are distributed between 35% for the preliminary study and 65% for the execution phase.

Due to state of degradation of the building and adjustment to guesthouse area, an architectural project will undertake to restore the façade, ground and 1<sup>st</sup> floors that the guesthouse will occupy (architecture plants in appendices 58 - Ground floor, the author, 2018 - and 59 - 1st Floor, the author, 2018).

Table 4. Architecture Project Budget Details

| Project Components                            | Price (€)                                   |
|-----------------------------------------------|---------------------------------------------|
| Architecture Project                          | 15.000€                                     |
| Execution Project                             | 5.000€                                      |
| Engineering Specialties Project               | 15.000€                                     |
| Gross Construction Area – 555,7m <sup>2</sup> | 555,7m <sup>2</sup> x 360,80€ = 235.496,56€ |
| Total                                         | 235.496,56€                                 |

Source: the author, 2018

The execution project includes building site assistance twice a month. The Engineering Specialties Project includes stability, excavation and retaining wall, water systems, residual and rain water system, electricity, acoustic, gas and thermic system and ventilation, ITED (installation and management of telecommunication infrastructures in buildings) and HVAC (heating, ventilating, and air conditioning). Current image of the building façade at appendix 60 - Current Building façade at ground level, the author (using Google.maps), 2018.

### 13.2.2 Technology

#### Property Management System (PMS)

All hospitality business needs a Property Management System (PMS) or Hotel Operating System (OHS). For the current project, the choice was the Newhotel<sup>15</sup> Cloud Suite by Newhotel. A PMS is a computerized solution that facilitates and automatizes the processes of managing hotel operations (e.g. guest details, sales and forecasting, accounts receivable, etc.). Newhotel it's a multi-currency and multi-language system that integrates Channel Manager, Booking Engine and POS (Point of Sales) solutions and has additional interfaces to EMS (energy management system), paid telephone (rooms), electronic keys, electronic invoicing, credit card payments and accounting interface.

To upgrade the user/guest experience, another app will be integrated in the PMS: B-guest App.

#### B-Guest App

B-Guest is defined as “Guest Engagement Platform” designed to straighten the relations between hotels and guests and, particularly, empower the second before, during and after the stay. How? It materializes in a free app for guests that contains all information about services and other details (e.g. breakfast hours? Late check-in request? Nearest Michelin restaurant?), and allows guests to interact with staff (through a direct message system). To hospitality managers, the platform is a computerized back office that allows to edit and update data and manage/answer guest requests/interactions (all via app). Through the app, staff can send personalized messages to guests (e.g. “Don’t forget, breakfast is available until 11 a.m. on Sundays. Enjoy your bed tomorrow morning!” or “Lisbon’s Restaurant Weekend is on until the 31<sup>st</sup>! More info: [www.lisbonrestaurantweek.com](http://www.lisbonrestaurantweek.com).”), one can add POI (Points of Interest) information, and, if the client desires, ask to book the suggested restaurant or sightseeing activity. It works as an online concierge.

Also, before arrival, guests can make an online check-in (providing the necessary data through the app) and save time at the counter. After the stay, guests can rate it and provide feedback. This helps customers connect with the hotel at any time and location, a convenient and comfort solution for all.

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<sup>15</sup> Newhotel Software is a company specialized in high quality software to the hospitality industry. Established in 1984, has over 30 years of international experience. It presents a portfolio of over 3000 clients in more than 50 countries all around the world.

B-guest allows hotels to eliminate paper costs, automate manual tasks and reach guests directly. The main objectives are to reduce workload at the reception and enhance guest experience and loyalty. Example images in appendices 61 - Guest perspective B-guest App, B-guest, 2018 - and 62 - Guest Analytics Dashboard, B-guest, 2018.

### **13.2.3 Safety**

Garden 48 safety conditions will comply with the mandatory legal requirements.

When a local accommodation establishments have a capacity that surpasses 10 guests, as Garden 48 does, these must fulfill the legal framework of safety against fires in buildings (Law Decrees no. 220/2008, 12<sup>th</sup> December and no. 1532/2008, 29<sup>th</sup> December).

Other non-legal requirements to be implemented are:

- Fire extinguisher and blanket accessible to guests;
- Have a first aid kit, accessible to guests;
- Affix the national emergency number (112) in a visible place;
- Signaling emergency exits and emergency plans in each room.

As from 21<sup>st</sup> of October this year, according to Law no. 62/2018, de 22<sup>nd</sup> August all local accommodation establishments must have a multi-risk civil responsibility insurance to cover fire, patrimonial and non-patrimonial damages to guests and others, as a result of the activity.

## **14 Fundamentals for Implementation**

The steps below are the critical stages before opening:

- Recruitment – hiring staff and training
- Building (architect plan): remodeling and refurbishing
- Licensing and legal requirements
- Supplier procurement and initial orders
- All booking channels working
- Promotion plan on the go

Table 5. Implementation Plan Calendar

| <b>Implementation Stage (2019)</b>                                        | <b>March</b> | <b>April</b> | <b>May</b> | <b>June</b> | <b>July</b> | <b>Aug.</b> | <b>Sept.</b> | <b>Oct.</b> | <b>Nov.</b> | <b>Dec.</b> |
|---------------------------------------------------------------------------|--------------|--------------|------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| <b>Business Plan</b>                                                      |              |              |            |             |             |             |              |             |             |             |
| <b>Building Acquisition (bank contract and deed)</b>                      |              |              |            |             |             |             |              |             |             |             |
| <b>Registration and Licensing</b>                                         |              |              |            |             |             |             |              |             |             |             |
| <b>Architecture and Engineering Plan approval</b>                         |              |              |            |             |             |             |              |             |             |             |
| <b>Interior Design and Decoration Plan approval</b>                       |              |              |            |             |             |             |              |             |             |             |
| <b>External Services contracts (e.g. communication, accountant, etc.)</b> |              |              |            |             |             |             |              |             |             |             |
| <b>Civil works / Construction</b>                                         |              |              |            |             |             |             |              |             |             |             |
| <b>Staff Recruitment and Training</b>                                     |              |              |            |             |             |             |              |             |             |             |
| <b>Decoration and Interior Design</b>                                     |              |              |            |             |             |             |              |             |             |             |
| <b>OTA Contracts</b>                                                      |              |              |            |             |             |             |              |             |             |             |
| <b>Promotion Plan (initiating)</b>                                        |              |              |            |             |             |             |              |             |             |             |
| <b>Opening date</b>                                                       |              |              |            |             |             |             |              |             |             |             |

Source: the author, 2018

## 15 Economic and Financial Analysis

For this project evaluation, a 16-year horizon (2020-2035) was considered by the author.

The table below presents the economic indicators used for calculations:

Table 6. Economic-Financial Plan Indicators

| <b>Pre-Assumptions</b>             |               |
|------------------------------------|---------------|
| <b>VAT</b>                         | <b>%</b>      |
| Food                               | 13            |
| Beverages                          | 23            |
| Accommodation (breakfast included) | 6             |
| Other products and services        | 23            |
| <b>Average payment period</b>      | <b>Months</b> |
| PMR (Average Receiving Period)     | 0             |
| PMP (Average Payment Period)       | 1             |
| <b>Whitholding Taxes</b>           | <b>%</b>      |
| TSU (Single Social Tax)            | 11            |
| SS (Social Security) Employer      | 23,75         |
| SS (Social Security) Employee      | 11            |
| IRC (Corporate Income Tax)         | 21            |
| <b>Inflation Rate</b>              | <b>2%</b>     |

Source: the author, 2018

Pre-assumptions on variable costs are defined by guest or overnight/room.

Costs per room:

- Water - 2,10€ (to cover room and common areas costs)
- Electricity – 3,50€ (to cover room and common areas costs)
- Laundry – 0,60€/kg (considering 2,5kg per room, totalizes 1,5€/overnight)
- Cleaning supplies – 0,50€ (to cover room and common areas costs)

Costs per guest:

- Welcome offer – 1,35€
- Amenities - 0,75€
- Breakfast – 2,50€

For fixed costs, values were computed based on the following monthly fees:

- Softwares (NewHotel and B-guest) – 200€

- Office Supplies (printers, pens, papers, etc.) – 125€
- Communications and Internet – 200€
- Accountant – 125€
- Communication/Marketing Agency – 150€
- Multi-risk insurance – 708,33€

See total annual cost estimations in appendices 63 - External Services and Supplies (€) Assumptions, the author, 2018; 64 - Yearly Variable FSE Costs (Accommodation), the author, 2018 - and 65 - F&B Costs per Guests and External Clients, the author, 2018.

For these (and other items), all suppliers are identified in the table of appendix 66 - Suppliers List, Suppliers List.

As variable costs, these change in conformity with occupation levels as well as revenues.

For accommodation (including breakfast) revenue projection the occupancy rate was defined of 70% in the first year, 80% in the second and an increase of 2% each year (until the stable level of 88% annual occupancy rate). For the library rentals as meeting room, it was estimated an occupancy of 2% of maximum capacity for half day rentals and 1% for full day rentals. These are predicted to increase at a 0,50% pace per year, on both “products”.

Also, revenues at the Caffé Garden 48 were estimated separately between guests and external clients and, within these, between food and drinks consumption, considering the following suppositions:

Table 7. Average F&B Client Consumption and Costs

| <b>Item</b>   | <b>Average Client Consumption/Expenditure (€)</b> | <b>Average Client Consumption Costs to Business (€)</b> |
|---------------|---------------------------------------------------|---------------------------------------------------------|
| <b>Food</b>   | 3,19                                              | 1,11                                                    |
| <b>Drinks</b> | 2,1                                               | 0,47                                                    |

Source: the author, 2018

Sales and revenues projections are available for consultation in appendices 67 to 71 (67 - Projection Accommodation Revenues, the author, 2018; 68 - Projection Library Renting Revenues, the author, 2018; 69 - F&B Revenues Guests, the author, 2018; 70 - Auxiliary Calculation for Caffé Garden 48 Clients’ Capacity, the author, 2018; 71 - F&B Revenues External Clients, the author, 2018).

## Investment, Financing and Bank Loan

The table below discriminates all items constituting CAPEX in the opening of the guesthouse:

Table 8. Initial Investment Garden 48

| Initial Investment CAPEX                                    |                     |
|-------------------------------------------------------------|---------------------|
| Assets                                                      | €                   |
| <b>Tangible</b>                                             |                     |
| Building                                                    | 1.111.400,00        |
| Architecture                                                | 235.496,56          |
| Interior Design                                             | 25.000,00           |
| Matresses, Bed, Linen                                       | 5.000,00            |
| Equipment and Machinery (cleaning, maintenance and kitchen) | 20.000,00           |
| Crockery and Cuttlery                                       | 3.408,00            |
| Furniture                                                   | 26.300,00           |
| Plants                                                      | 2.500,00            |
| Staff Uniforms                                              | 1.586,00            |
| TV                                                          | 1.650,00            |
| Telephones                                                  | 227,00              |
| Computers                                                   | 500,00              |
| <b>Total Tangibles</b>                                      | <b>1.433.067,56</b> |
| <b>Intangible</b>                                           |                     |
| Software (NewHotel/B-guest)                                 | 500,00              |
| Website                                                     | 250,00              |
| <b>Total Intangibles</b>                                    | <b>750,00</b>       |
| <b>CAPEX</b>                                                | <b>1.433.817,56</b> |

Source: the author, 2018

To support initial investment, opening long-term liabilities correspond to bank loan conceded by Millenium BCP bank:

Table 9. Opening Equity and Liabilities, through bank loan

| Opening Equity and Liabilities |                     |
|--------------------------------|---------------------|
| Total CAPEX                    | <b>1.433.817,56</b> |
| Equity                         | 759.923,31          |
| Liabilities                    | 673.894,25          |
| Financial Autonomy (%)         | <b>53%</b>          |

| Bank Loan Details                      |                   |
|----------------------------------------|-------------------|
| Value (€)                              | <b>673.894,25</b> |
| Annual Percentage Rate of Charge (APR) | <b>10,5%</b>      |
| Contract Term                          | <b>35 years</b>   |

Source: the author, 2018

The heaviest financial heading in CAPEX is the building acquisition costs.

For a total area of 555,7 m<sup>2</sup>, an average price of 2.000€/m<sup>2</sup> <sup>16</sup>, considering the building's conditions and the urgent need for requalification (poor condition state), which demand a reconstruction of interior areas and renovation of façade, totalizing 1.111.400€.

### Financial Evaluation

Through the analysis of cash-flows (in appendix 72 - Operational Cash Flows Map, the author, 2018), it is visible that the accumulated values are negative during the majority of project's time horizon, but they finally reach a positive value in the last year, indicating that in such time frame, business is profitable. The clear indicator is the NPV value (25.220€), against a IRR (Internal Return Rate) of 4% (investors perspective in appendix 73 - the author, 2018). Through the accumulated cash-flows to which the discount rate was applied, one can see that the projects' payback period is 15 years. To compute financial viability, WACC (Weighted Average Cost of Capital) was considered, since the guesthouse is financed by both equity and bank loan (cost of capital considers both equity and debt).

Table 10. Beta, risk-free rate, market risk premium, NPV and PB

|                            |                                          |
|----------------------------|------------------------------------------|
| <b>βu</b>                  | 0,74 (Damodaran, 2018)                   |
| <b>Risk Free Rate</b>      | 5,27% (Portugal 30 Year Government Bond) |
| <b>Market Risk Premium</b> | 5,5%                                     |
| <b>NPV</b>                 | 25.220€                                  |
| <b>Payback Period</b>      | 15 years                                 |

Source: the author, 2018

Nonetheless, it is relevant to point out that, even though the project is considered viable, and very attractive from the operational exploration point of view (gross margin contribution and EBITDA results – see appendix 74 - Income Statement, the author, 2018), there are some

<sup>16</sup> GeoHab (INE, 2018) registered an average price of 2,585€/m<sup>2</sup> in the district of Arroios.

factors that influence the economic-financial performance of the business in a negative way and prevents better net results.

The net profit is negatively influenced by the weight of depreciation of assets and bank loan interests.

An economic analysis shows that the heavier heading in this business plan are:

- Initial CAPEX, and, particularly “Building” (which included edifice acquisition and architecture plan remodeling) and “Interior Design” (project and decor elements) representing almost 96% of CAPEX,
  - Depreciation and Amortizations (appendix 75 - Depreciation and Amortization Map, the author, 2018), which are unavoidable consequences of the assets (tangibles and intangibles) acquired for business functioning,
- Human Resources Costs represents 79% of annual business costs (in opening income statement).

After a first analysis, and considering the aforementioned, a business manager must examine decisions made throughout the plan and decide whether what, if any, variables can be changed to influence financial viability. For the present business plan, the following points were considerable non-negotiable to preserve the quality-based concept of the project:

- Location – to satisfy the defined target, location near the city center is mandatory and a safe, agreeable, with good accesses site are all pluses. This factor is of major relevance because it directly impacts the building choice as well its acquisition selling price;
- Areas
  - Rooms - must be, at least, 19,50m<sup>2</sup>, which is the minimum measure for 4-star hotel rooms and, for that reason, a guideline for room quality standards;
  - Breakfast room – continental breakfast buffet is iconic in the hospitality service as a symbol of convenience and luxury for guests, meaning its obliteration would distort the quality concept basis;
  - Kitchen – essential for the referred above;
- Design & Décor – the architectural project and interior design/decoration investments are critical for a quality based project, since these are the physical elements that firstly impact the potential guest and influence purchase behavior, since these are the elements that allow for the consumer to develop a construct of quality of the service. To eliminate

or spare on these may implicate decreasing initial investment costs, but to skew the guesthouse concept and quality perception, which would directly harm revenues;

- Prices – as a beginning agent in the market, prices mustn't differ considerably from competition and, specially, cannot overcome (at least in an early stage) the rates practiced by 4-star hotels;
- HR costs (detailed in appendices 77 - Functions and Remunerations, the author, 2018; 78 – Total HR Costs, the author, 2018 and 79 - Staff Uniforms prices, quantities and costs, the author, 2018) – human capital is highly valuable in the hospitality industry, particularly in an environment where they must be available and customer-focused throughout the entire shift, so a reasonably attractive remuneration is the minimum requirement to maintain employee satisfaction and discourage turnover. This means the author considers salaries are not to be trimmed, because they are indirectly linked with revenues/profits of the business. “If you pay peanuts, you get monkeys” (James Goldsmith, *n.d.* in Boyle, 2006).

The effects of HR cost structure and investment (in the form of tangible and intangible assets) in this business plan are very similar: a large part of it is imperative, regardless of the number of rooms. For 9 or 100 rooms, one front-office manager is necessary. For 9 or 100 rooms, the PMS system is necessary. For 9 or 100 rooms, the computer to manage bookings is necessary. For 9 or 100 rooms, a housekeeping manager is necessary. For 18 or 40 guests being served breakfast, a person in the kitchen and another in the breakfast room are critical for proper service regardless if 18 or 40 people are being served.

In a simplified way, it is safe to say that, even if the guesthouse had 30 or 100 rooms, some of the fixed costs would stay the same, but, consequentially, revenues would be higher, allowing a faster recovery of initial investment (payback period), more retained earnings and with a better liquidity and profitability ratios. A much more attractive financial performance.

(To understand the financial condition of the company in each of year see appendix 76 – Balance Sheet, the author, 2018. This reports the company's assets, liabilities and shareholders' equity evolution through the years.)

### **Exogenous Factors**

With that said, the exogenous factor of 9 rooms/30 guests limit is critical in the financial performance, since it impedes higher revenues, which directly affects net earnings.

Another external factor that cannot be ignored and highly influences the initial CAPEX and economic and financial performance is the acquisition price of the building.

As previously stated, the average m<sup>2</sup> price considered for Garden 58 guesthouse building acquisition was 2,000€. The Saldanha neighborhood is one of the most cosmopolitan, fanciest and safest in Lisbon. But, average m<sup>2</sup>/price on other areas in the city of Lisbon, that don't offer previously mentioned conditions, don't differ that much. In fact, out of the other city districts, only Beato, Marvila, Santa Clara and Olivais presented average m<sup>2</sup>/price below 2000€ in the first trimester of the present year (Idealista, 2018), and, apart from not offering the atmosphere of Saldanha, are considerably distant from city center (Santa Clara and Olivais share boards with the city's outskirts – see appendix 80 - Map of Lisbon per districts, Municipal de Lisboa, 2013).

Relevant proof of how number of rooms is critical in business performance is the fact that direct competitors have more than 9 rooms, suggesting they all began their activity previously to the current legal framework of local accommodation<sup>17</sup>.

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<sup>17</sup> Information provided by Turismo de Lisboa entity directly to the author.

## 16 Conclusion

Local accommodation "industry" grew exponentially in the last 3 to 4 years and is undergoing relevant changes right now, which may meaningfully impact the future of this hospitality business typology.

The present business plan explores one of the typologies within local accommodation (guest accommodation establishments - room units), but these typologies of local accommodation are never analyzed separately in official data, which simultaneously presents a limitation to the study, but, at the same time, permits a global vision on the subject. Consequentially, the author suggests some general cues on what could be the future horizon for local accommodation and hospitality in Portugal.

As explored before, local accommodation and real estate go hand in hand, in a cyclical way. More local accommodation units mean more tourists, higher renting fees, growth of real estate prices, landlords evict long-term residents to profit from tourist rates applied via new local accommodation business.

Although local accommodation appears attractive, the issue for guesthouses is that new businesses demands huge initial costs, since the investment on building is mandatory (to mention one component of CAPEX). Then, the structure of existing buildings must be adjusted to the business, increasing initial costs with construction, architecture plans, interior design/decoration, plus heavy staff structure costs. All topped off by the limit of 9 rooms / 30 units. For a quality based concept, in which decoration, architecture, interior design and staff quality are key factors for success, the author comprehends the business implications are not attractive due to required investment.

For cost-differentiation based businesses, investments may be lower, but guesthouse typology will always face the constraint of maximum of 9 rooms and human capital costs. The most favorable situation is for investors/owners who already possess or receive (e.g. inheritance) buildings/constructions/land in the desired location and are free to evaluate what to do with it.

So, this is the reason why it is believable that many of local accommodation registrations correspond to housing or apartment rentals and that will not change in the future.

Another argument supporting the aforementioned is that, as ALEP's president stated (Observador, 2018), many tourists specifically prefer local accommodation, which is coherent with recent studies that show how millennials are redefining the concept of luxury/premium and that, to many of them, travel goals/expectations include experiencing the destination "like a local". And there is no experience closer to living like a local than living with (or in the house of) a local – even if for only a couple days. Following this train of thought, it appears that local accommodation business owners should really consider not following quality/premium concepts (i.e., special decoration items, thoughtfully architecture styles, etc.), but go for an authentic concept (which may pretty much consist in purposely renting your house as it is).

Passed the issue of initial investment requirements and decision on business strategy, new local accommodation units will have to overcome the hurdles imposed by the new legal framework: power of condominium (when it applies), and municipalities definition of constraint areas.

Adding all up, it seems right to conclude that even though some business models of local accommodation aren't the most attractive for investors and managers (and maybe not even to guests), those that are (flat/house renting) may be blocked by external entities (as municipalities). Still, considering the rush to the BUE when the new law of local accommodation was approved in August this year (Eco, 2018) (and existing businesses have 2 years to adjust to new rules), the impact on local accommodation may take a few years to be truly noticed.

Looking at international examples (Madrid, Barcelona, Amsterdam, etc.) it is evident that local accommodation has a huge impact on the touristic pressure of the cities, but also on the resident communities, and Portugal is now reaching the decisive point in which impact must be measured because it includes both positive and negative consequences. Laws (as the one mentioned in previous paragraphs) are a clear response to prevent/retrocede damages over benefits.

But the particularity when looking at the international examples is Barcelona's PEUT (Plan Especial de Urbanización Turística, 2016) that, to fight unbearable real estate costs and touristic pressure, defined new limits to all touristic accommodation – hotels included -, not just to local accommodation.

In the remaining cases where only local accommodation is considered, as Portugal, hoteliers face a favorable situation. Not only indirect competition is facing significant constraints that will, inevitably, stop the growth rate of local accommodation, but also the touristic market that prefers premium/luxury (in its conventional meaning) options, may be absorbed by hotels (4-5 stars), since these are the hospitality agents with possibility to scale business (number of rooms) and profit even where there's a heavy initial investment and significant fixed costs.

### Limitations

For the present business plan, the author did not carry out a primary market research, such as an enquiry or survey, because of the multiple sources developing studies, statistics and information on the industry, the market, trends and the target demands. Tourism and hospitality are popular contemporary subjects and local accommodation is a trending international concept being explored on various perspectives by multiple agents.

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## 18 Appendix

### Appendix 1. Main impacts of e-WOM from consumer perspective



Source: Cantallops and Salvi, 2014

### Appendix 2. Main impacts of e-WOM from company perspective



Source: Cantallops and Salvi, 2014.

### Appendix 3. Biophilic Categories and correspondent patterns (detailed)

|  <b>NATURE IN THE SPACE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  <b>NATURAL ANALOGUES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  <b>NATURE OF THE SPACE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. <b>Visual Connection with Nature</b><br/>A view to elements of nature, living systems and natural processes.</li> <li>2. <b>Non-Visual Connection with Nature</b><br/>Auditory, haptic, olfactory, or gustatory stimuli that engender a deliberate and positive reference to nature, living systems or natural processes.</li> <li>3. <b>Non-Rhythmic Sensory Stimuli</b><br/>Stochastic and ephemeral connections with nature that may be analyzed statistically but may not be predicted precisely.</li> <li>4. <b>Thermal &amp; Airflow Variability</b><br/>Subtle changes in air temperature, relative humidity, airflow across the skin, and surface temperatures that mimic natural environments.</li> <li>5. <b>Presence of Water</b><br/>A condition that enhances the experience of a place through the seeing, hearing or touching of water.</li> <li>6. <b>Dynamic &amp; Diffuse Light</b><br/>Leveraging varying intensities of light and shadow that change over time to create conditions that occur in nature.</li> <li>7. <b>Connection with Natural Systems</b><br/>Awareness of natural processes, especially seasonal and temporal changes characteristic of a healthy ecosystem.</li> </ol> | <ol style="list-style-type: none"> <li>8. <b>Biomorphic Forms &amp; Patterns</b><br/>Symbolic references to contoured, patterned, textured or numerical arrangements that persist in nature.</li> <li>9. <b>Material Connection with Nature</b><br/>Material and elements from nature that, through minimal processing, reflect the local ecology or geology to create a distinct sense of place.</li> <li>10. <b>Complexity &amp; Order</b><br/>Rich sensory information that adheres to a spatial hierarchy similar to those encountered in nature.</li> </ol> | <ol style="list-style-type: none"> <li>11. <b>Prospect</b><br/>An unimpeded view over a distance for surveillance and planning.</li> <li>12. <b>Refuge</b><br/>A place for withdrawal, from environmental conditions or the main flow of activity, in which the individual is protected from behind and overhead.</li> <li>13. <b>Mystery</b><br/>The promise of more information achieved through partially obscured views or other sensory devices that entice the individual to travel deeper into the environment.</li> <li>14. <b>Risk/Peril</b><br/>An identifiable threat coupled with a reliable safeguard.</li> </ol> |

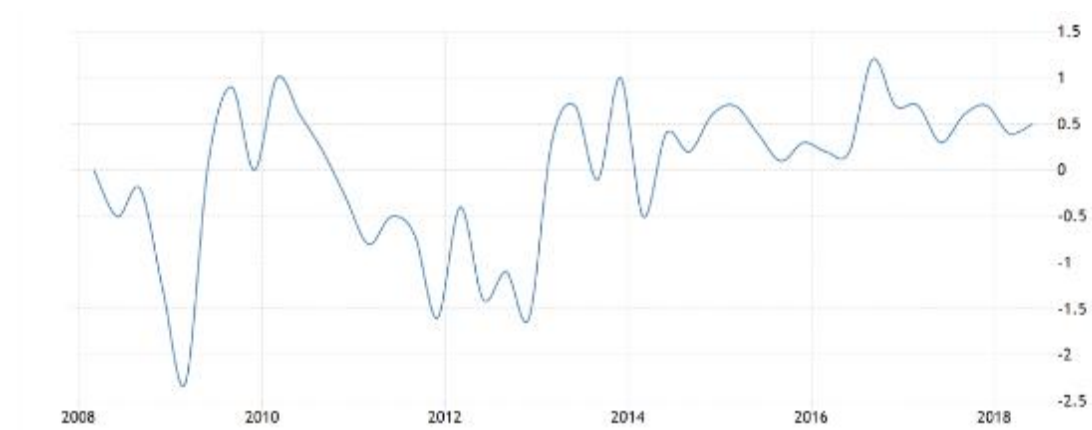
Source: Browning, Ryan et Clancy, 2014.

## Appendix 4. Biophilic Patterns and Biological Response

| 14 PATTERNS         | •                                 | STRESS REDUCTION                                                                                                                                                                                                                                                  | COGNITIVE PERFORMANCE                                                                                                                                                                                | EMOTION, MOOD & PREFERENCE                                                                                                                                                                                                                              |
|---------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NATURE IN THE SPACE | Visual Connection with Nature     | <ul style="list-style-type: none"> <li>Lowered blood pressure and heart rate (Brown, Barton &amp; Gladwell, 2013; van den Berg, Hartig, &amp; Staats, 2007; Tsunetsugu &amp; Miyazaki, 2005)</li> </ul>                                                           | Improved mental engagement/ attentiveness (Biederman & Vessel, 2006)                                                                                                                                 | Positively impacted attitude and overall happiness (Barton & Pretty, 2010)                                                                                                                                                                              |
|                     | Non-Visual Connection with Nature | <ul style="list-style-type: none"> <li>Reduced systolic blood pressure and stress hormones (Park, Tsunetsugu, Kasetani et al., 2009; Hartig, Evans, Jamner et al., 2003; Orsega-Smith, Mowen, Payne et al., 2004; Ulrich, Simons, Losito et al., 1991)</li> </ul> | Positively impacted on cognitive performance (Mehta, Zhu & Cheema, 2012; Ljungberg, Neely, & Lundström, 2004)                                                                                        | Perceived improvements in mental health and tranquility (L. Kobayashi, Inagaki et al., 2012; Jahncke, et al., 2011; Tsunetsugu, Park, & Miyazaki, 2010; Kim, Ren, & Fielding, 2007; Stigsdöter & Grahn, 2003)                                           |
|                     | Non-Rhythmic Sensory Stimuli      | <ul style="list-style-type: none"> <li>Positively impacted on heart rate, systolic blood pressure and sympathetic nervous system activity (Li, 2009; Park et al., 2008; Kahn et al., 2008; Beauchamp, et al., 2003; Ulrich et al., 1991)</li> </ul>               | Observed and quantified behavioral measures of attention and exploration (Windhager et al., 2011)                                                                                                    |                                                                                                                                                                                                                                                         |
|                     | Thermal & Airflow Variability     | <ul style="list-style-type: none"> <li>Positively impacted comfort, well-being and productivity (Heerwagen, 2006; Tham &amp; Willem, 2005; Wigó, 2005)</li> </ul>                                                                                                 | Positively impacted concentration (Hartig et al., 2003; Hartig et al., 1991; R. Kaplan & Kaplan, 1989)                                                                                               | Improved perception of temporal and spatial pleasure (alliesthesia) (Parkinson, de Dear & Candido, 2012; Zhang, Arens, Huizenga & Han, 2010; Arens, Zhang & Huizenga, 2006; Zhang, 2003; de Dear & Brager, 2002; Heschong, 1979)                        |
|                     | Presence of Water                 | <ul style="list-style-type: none"> <li>Reduced stress, increased feelings of tranquility, lower heart rate and blood pressure (Ravasson, Wiers, &amp; Nilsson, 2010; Pleasant, Fisher, Watts et al., 2010; Biederman &amp; Vessel, 2006)</li> </ul>               | Improved concentration and memory restoration (Ravasson et al., 2010; Biederman & Vessel, 2006)<br>Enhanced perception and psychological responsiveness (Ravasson et al., 2010; Hunter et al., 2010) | Observed preferences and positive emotional responses (Windhager, 2011; Barton & Pretty, 2010; White, Smith, Humphries et al., 2010; Karmanov & Hamel, 2008; Biederman & Vessel, 2006; Heerwagen & Orians, 1993; Russo & Atzwanger, 2003; Ulrich, 1983) |
|                     | Dynamic & Diffuse Light           | <ul style="list-style-type: none"> <li>Positively impacted circadian system functioning (Figueiro, Bross, Fitzpatrick et al., 2011; Beckett &amp; Roden, 2009)</li> <li>Increased visual comfort (Elyezadi, 2012; Kim &amp; Kim, 2007)</li> </ul>                 |                                                                                                                                                                                                      |                                                                                                                                                                                                                                                         |
|                     | Connection with Natural Systems   |                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                      | Enhanced positive health responses; Shifted perception of environment (Keller et al., 2008)                                                                                                                                                             |
| NATURAL ANALOGUES   | Biomorphic Forms & Patterns       | •                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                      | Observed view preference (Vessel, 2012; Joye, 2007)                                                                                                                                                                                                     |
|                     | Material Connection with Nature   |                                                                                                                                                                                                                                                                   | Decreased diastolic blood pressure (Tsunetsugu, Miyazaki & Sato, 2007)<br>Improved creative performance (Lichtenfeld et al., 2012)                                                                   | Improved comfort (Tsunetsugu, Miyazaki & Sato 2007)                                                                                                                                                                                                     |
|                     | Complexity & Order                | <ul style="list-style-type: none"> <li>Positively impacted perceptual and physiological stress responses (Salingaros, 2012; Joye, 2007; Taylor, 2006; S. Kaplan, 1988)</li> </ul>                                                                                 |                                                                                                                                                                                                      | Observed view preference (Salingaros, 2012; Hägerhäll, Lake, Taylor et al., 2008; Hägerhäll, Purcella, & Taylor, 2004; Taylor, 2006)                                                                                                                    |
| NATURE OF THE SPACE | Prospect                          | <ul style="list-style-type: none"> <li>Reduced stress (Grahn &amp; Stigsdöter, 2010)</li> </ul>                                                                                                                                                                   | Reduced boredom, irritation, fatigue (Clearwater & Coss, 1991)                                                                                                                                       | Improved comfort and perceived safety (Herzog & Bryce, 2007; Wang & Taylor, 2006; Petherick, 2000)                                                                                                                                                      |
|                     | Refuge                            | •<br>•<br>•                                                                                                                                                                                                                                                       | Improved concentration, attention and perception of safety (Grahn & Stigsdöter, 2010; Wang & Taylor, 2006; Wang & Taylor, 2006; Petherick, 2000; Ulrich et al., 1993)                                |                                                                                                                                                                                                                                                         |
|                     | Mystery                           | •<br>•                                                                                                                                                                                                                                                            |                                                                                                                                                                                                      | Induced strong pleasure response (Biederman, 2011; Salimpoor, Benovoy, Larcher et al., 2011; Kern, 2005; Blood & Zatorre, 2001)                                                                                                                         |
|                     | Risk/Peril                        | •                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                      | Resulted in strong dopamine or pleasure responses (Kohno et al., 2013; Wang & Tsien, 2011; Zaki et al., 2008)                                                                                                                                           |

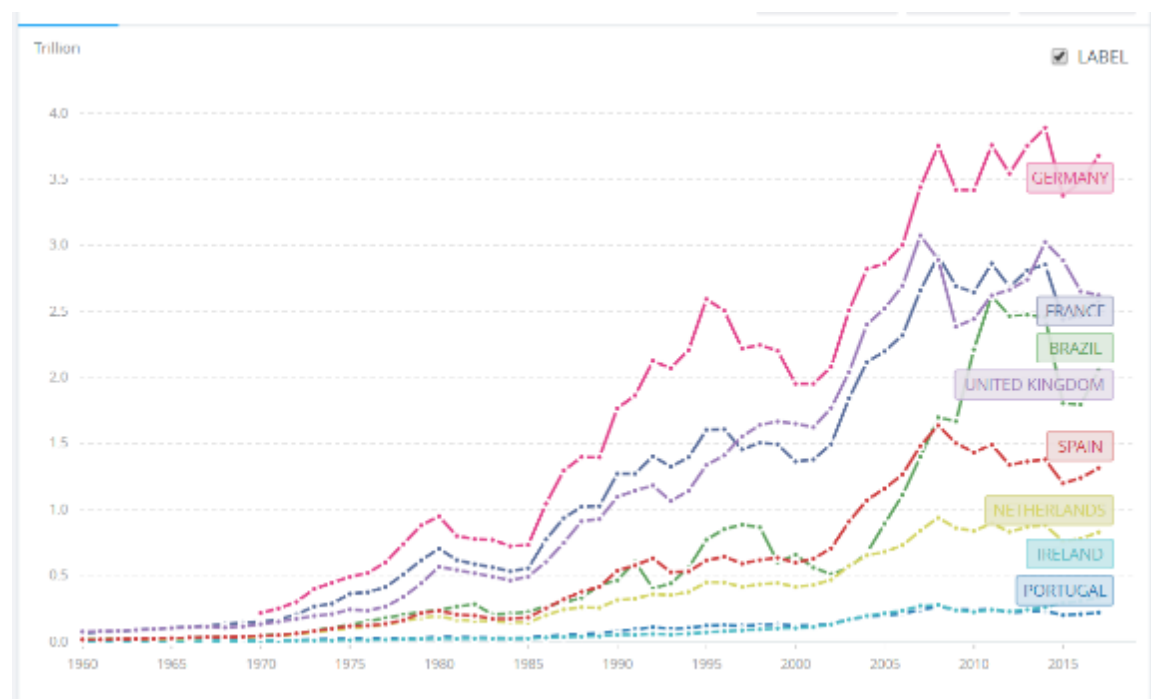
Source: Browning, Ryan et Clancy, 2014.

## Appendix 5. Portuguese GDP growth record over the last decade



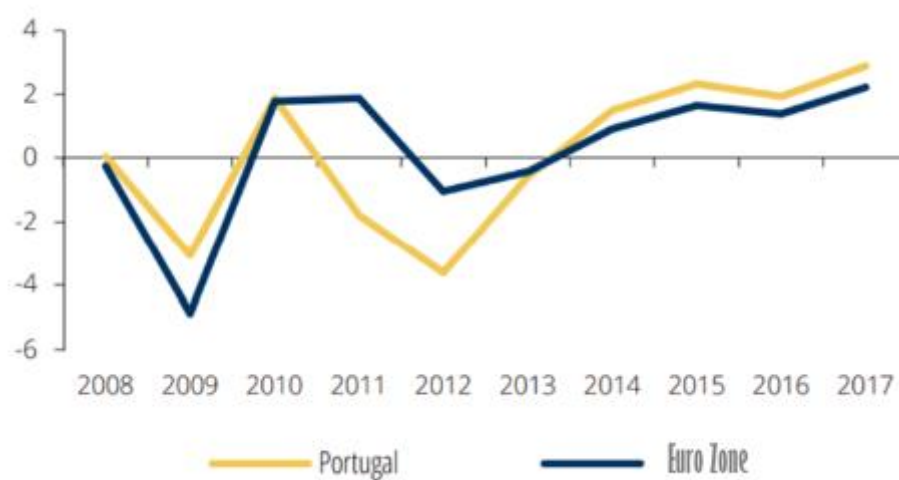
Source: TradingEconomics.com, 2018

## Appendix 6. GDP evolution, per country, from 1960 to 2017 (trillion USD)



Source: World Bank, 2018

## Appendix 7. Growth of GDP per capita in Portugal and Euro Zone (%)



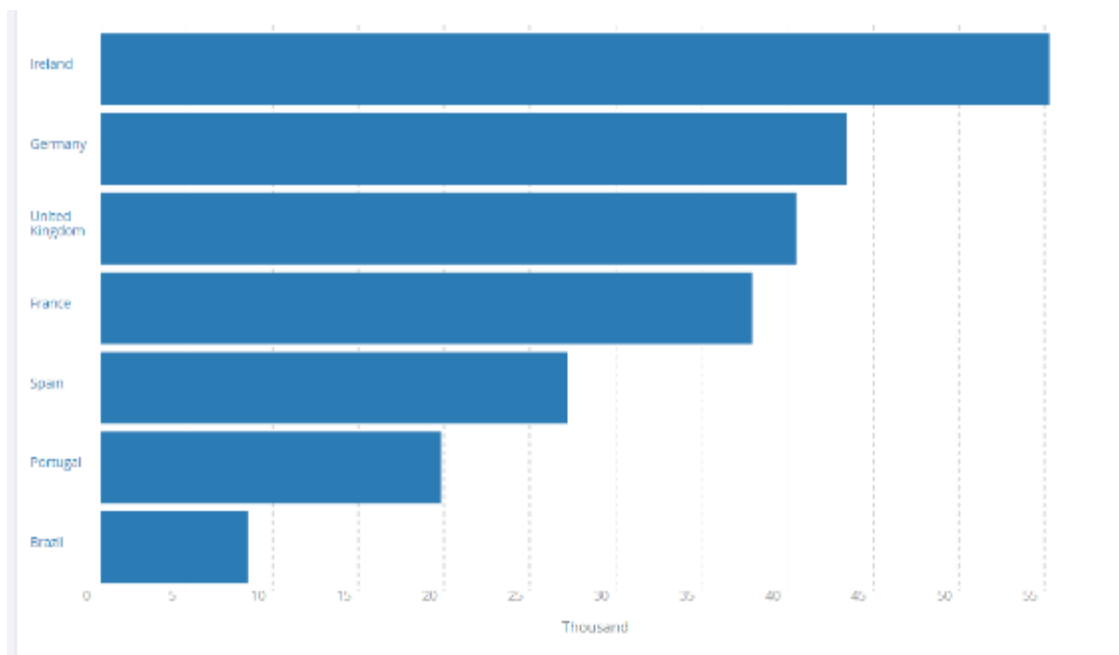
Source: INE and Eurostat, 2018

## Appendix 8. GDP per capita per country, 2015, 2016 and 2017

| GDP per capita (US\$) | 2015  | 2016  | $\Delta$ (t-1) | 2017  | $\Delta$ (t-1) |
|-----------------------|-------|-------|----------------|-------|----------------|
| Portugal              | 22061 | 22444 | 2%             | 23116 | 2,9%           |
| Spain                 | 25789 | 26616 | 3%             | 28156 | 5,7%           |
| Germany               | 41536 | 42039 | 1%             | 42514 | 1%             |
| France                | 41642 | 41968 | 0,7%           | 42567 | 1,4%           |
| Ireland               | 67229 | 69892 | 3,9%           | 74433 | 6,4%           |
| Netherlands           | 51410 | 52267 | 1,6%           | 53597 | 2,5%           |
| UK                    | 41536 | 42039 | 1,2%           | 42514 | 1%             |
| Brazil                | 11351 | 10868 | 0,95%          | 10888 | 0,2%           |

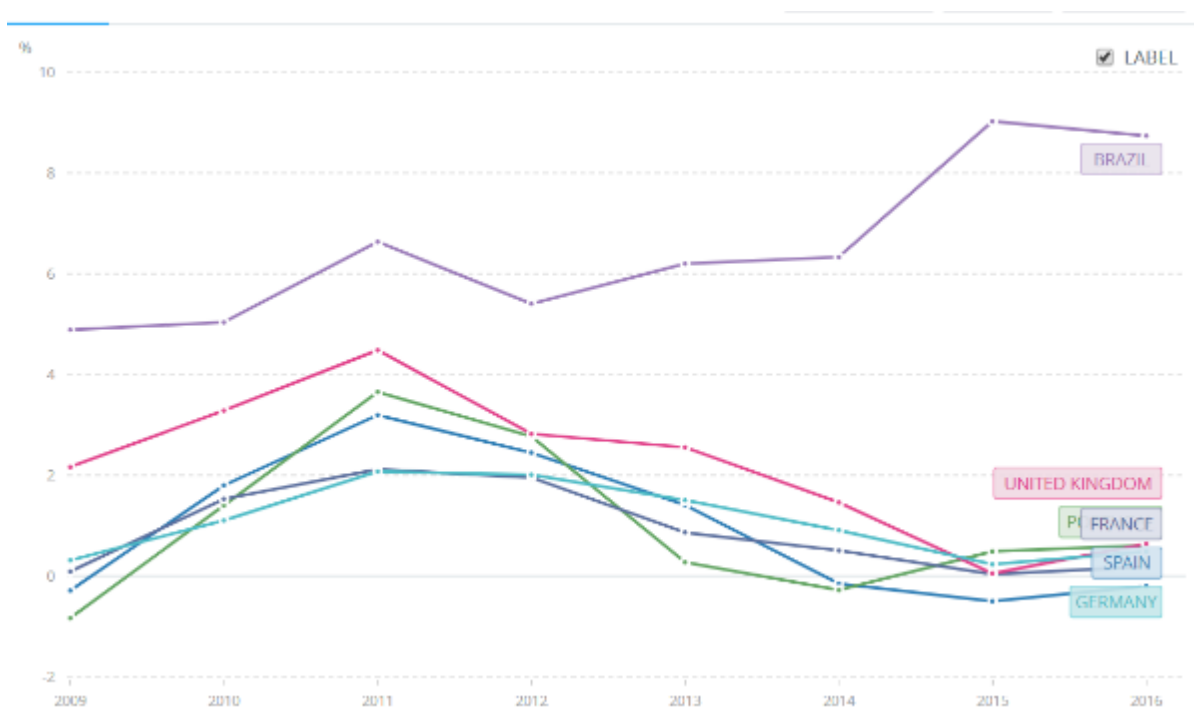
Source: TradingEconomics, 2018

## Appendix 9. GNI per Capita 2017



Source: World Bank, 2018

## Appendix 10. Inflation, consumer prices (annual %)



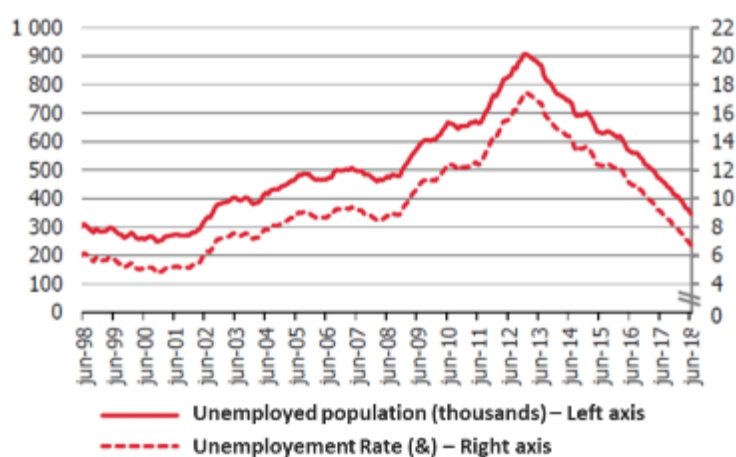
Source: The World Bank, 2018

## Appendix 11. Portugal Unemployment Rate in 2017 per month



Source: Trading Economics, 2018

## Appendix 12. Unemployed population (k) and rate (%) from June 1998 to June 2018



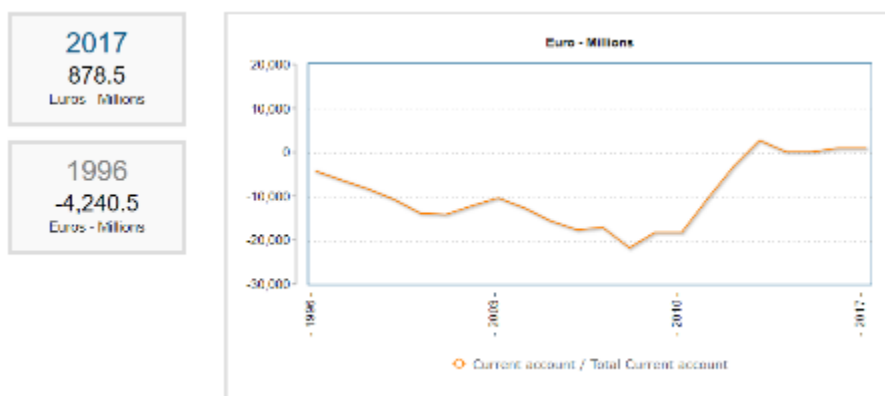
Source: INE, 2018

## Appendix 13. Unemployment Rate per country in July 2017 and July 2018

| Unemployment Rate | jul/17 | jul/18 |
|-------------------|--------|--------|
| Portugal          | 8,8    | 6,7    |
| Spain             | 17,22  | 15,3   |
| Germany           | 3,7    | 3,4    |
| France            | 9,4    | 9,1    |
| Ireland           | 6,8    | 5,1    |
| Netherlands       | 4,8    | 3,8    |
| UK                | 4,3    | 4      |
| Brazil            | 12,6   | 12,3   |

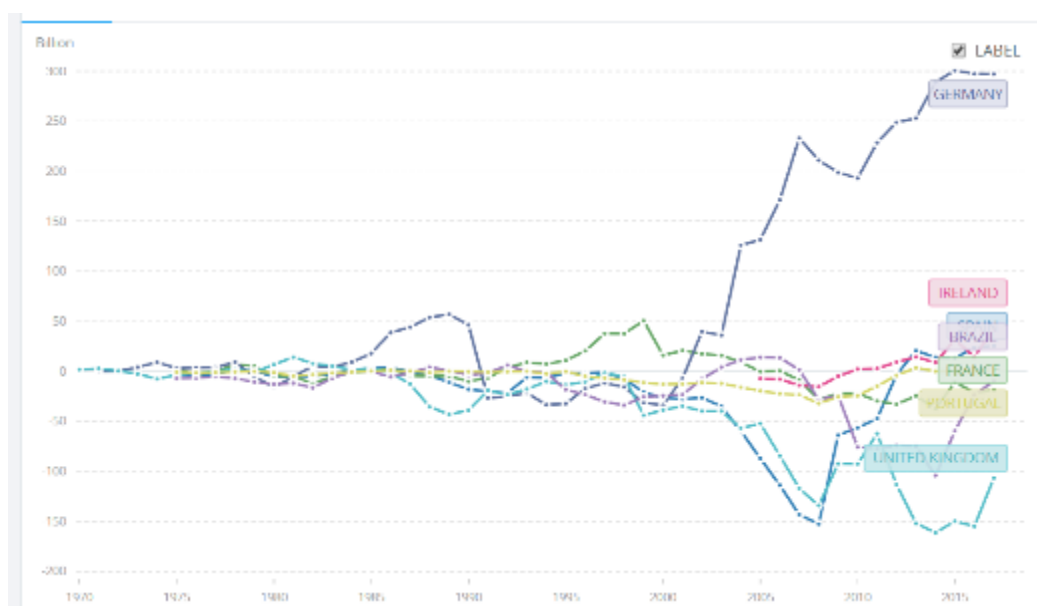
Source: Statista, 2018

## Appendix 14. Portuguese BOP Evolution (1996-2017)



Source: PORDATA, 2018

## Appendix 15. Portuguese and foreign BOP Evolution (1970-2015)



Source: The World Bank, 2018

## Appendix 16. Euribor Rates per maturity period

| Current Euribor Rates |            |            |            |
|-----------------------|------------|------------|------------|
| Period                | 08-31-2018 | 08-30-2018 | 08-29-2018 |
| 1 Month               | -0.369%    | -0.370%    | -0.370%    |
| 3 Months              | -0.319%    | -0.319%    | -0.319%    |
| 6 Months              | -0.268%    | -0.268%    | -0.266%    |
| 12 Months             | -0.166%    | -0.166%    | -0.165%    |

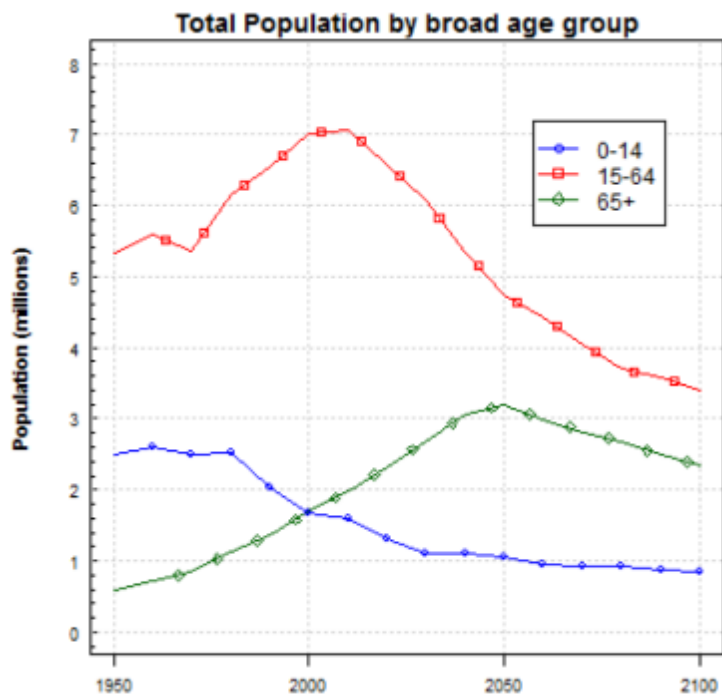
Source: Euribor-rates.eu, 2018

## Appendix 17. Demographics 2018 - population, populational density and median age per country

| Demographics Data 2018 |             |                      |            |
|------------------------|-------------|----------------------|------------|
| Country                | Population  | Pop. Density (P/Km2) | Median Age |
| Portugal               | 10,291,196  | 112                  | 44         |
| Spain                  | 46,397,452  | 93                   | 43         |
| France                 | 65,233,271  | 119                  | 41         |
| Germany                | 82,293,458  | 236                  | 46         |
| Ireland                | 4,803,748   | 70                   | 37         |
| UK                     | 66,643,735  | 275                  | 40         |
| Brazil                 | 210,867,954 | 25                   | 31         |

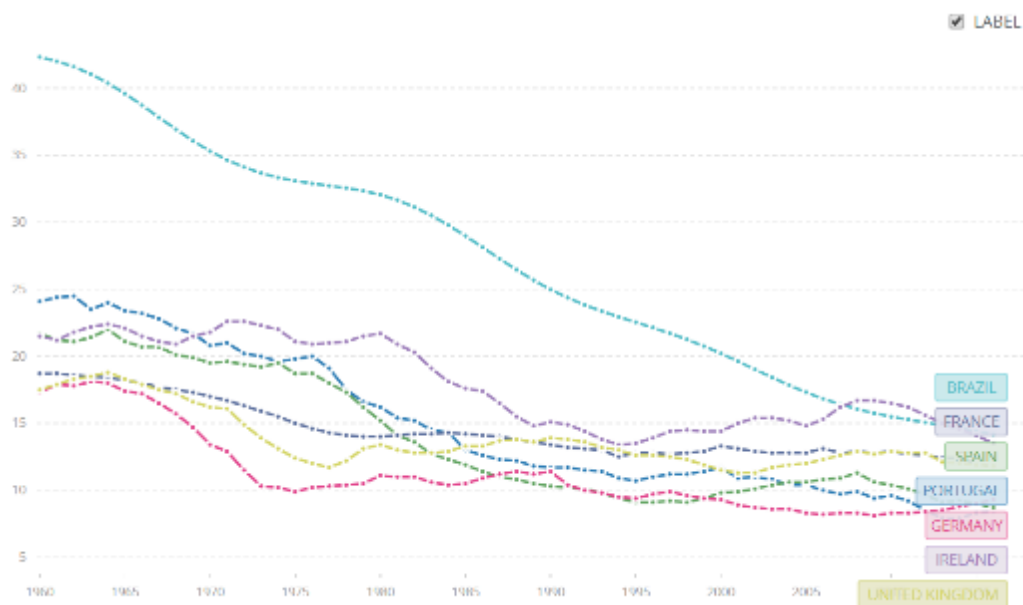
Source: Statista, 2018

## Appendix 18. Portuguese population evolution and projection (1950-2100) per broad age group



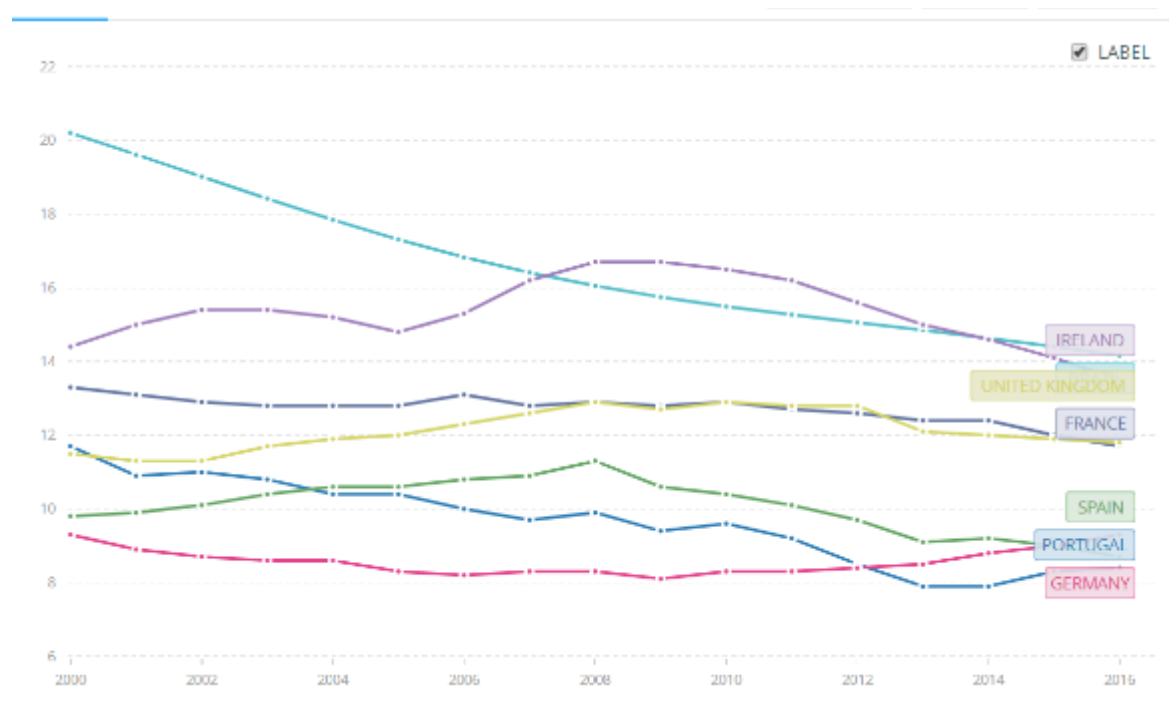
Source: UN, 2018

## Appendix 19. Birth Rate crude per country (1960-2016)



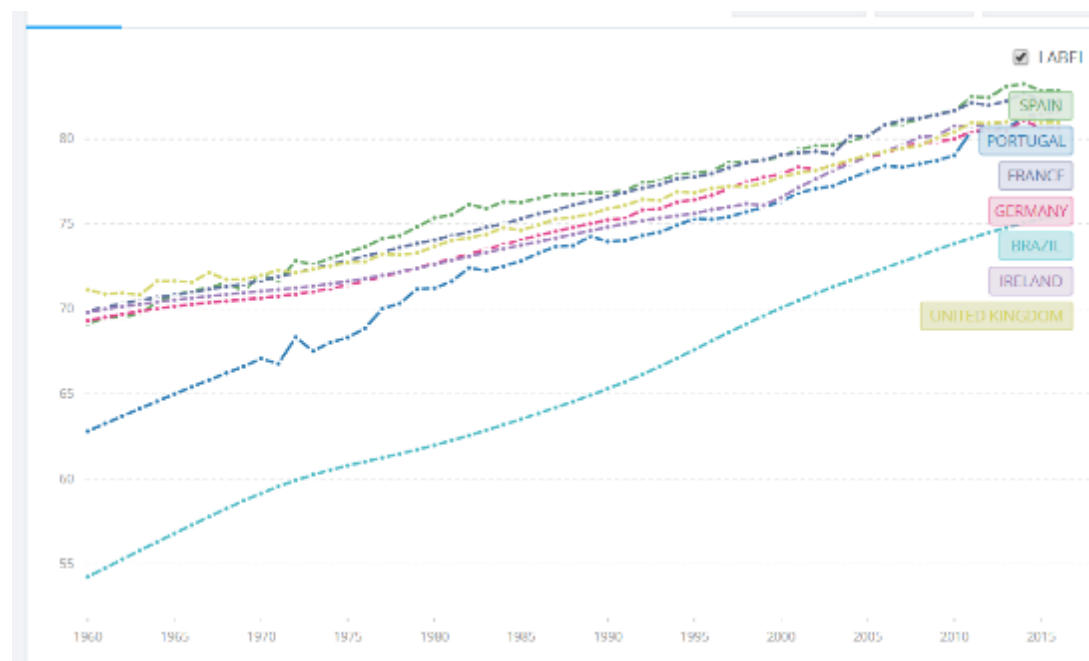
Source: The World Bank, 2018

## Appendix 20. Birth Rate crude per country (2000-2016)



Source: The World Bank, 2018

## Appendix 21. Life Expectancy at birth evolution (1960-2016)



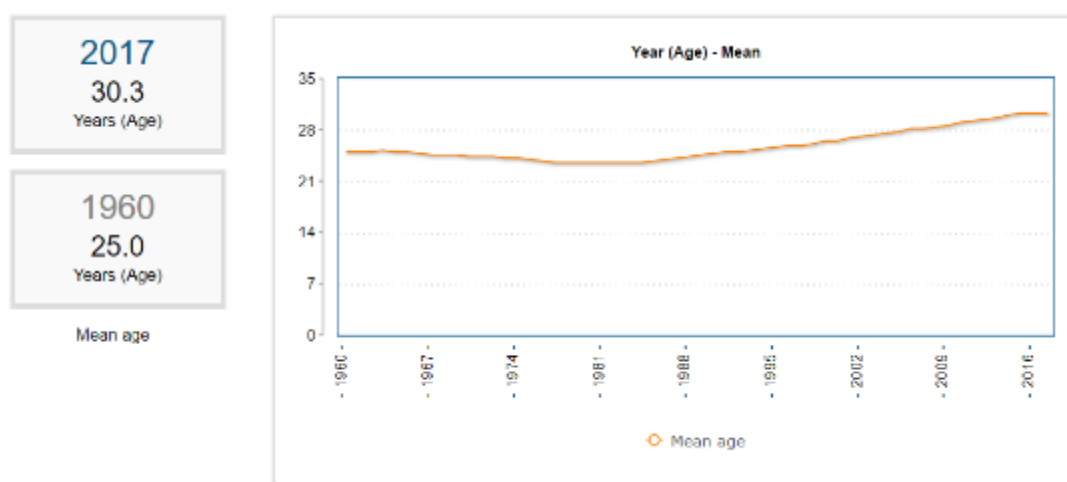
Source: The World Bank, 2018

## Appendix 22. Life Expectancy in Years (1960 vs. 2016)

| Country        | 1960 | 2016 |
|----------------|------|------|
| Brazil         | 54   | 76   |
| France         | 70   | 82   |
| Germany        | 69   | 81   |
| Ireland        | 70   | 82   |
| Portugal       | 63   | 81   |
| Spain          | 69   | 83   |
| United Kingdom | 71   | 81   |

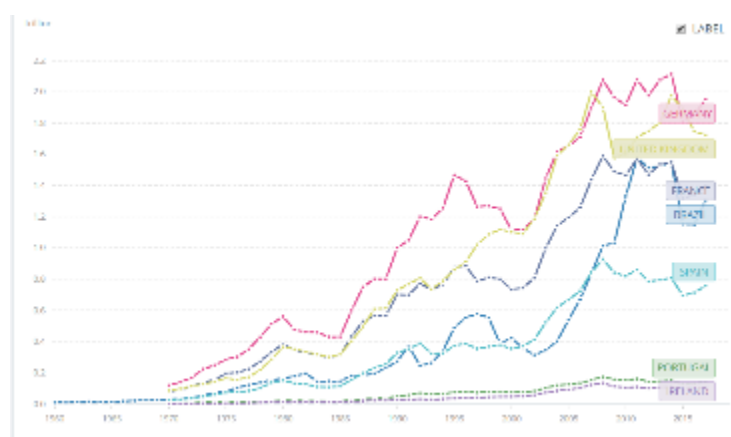
Source: The World Bank, 2018

## Appendix 23. Mean age of the mother at the birth of first child in Portugal (1960-2017)



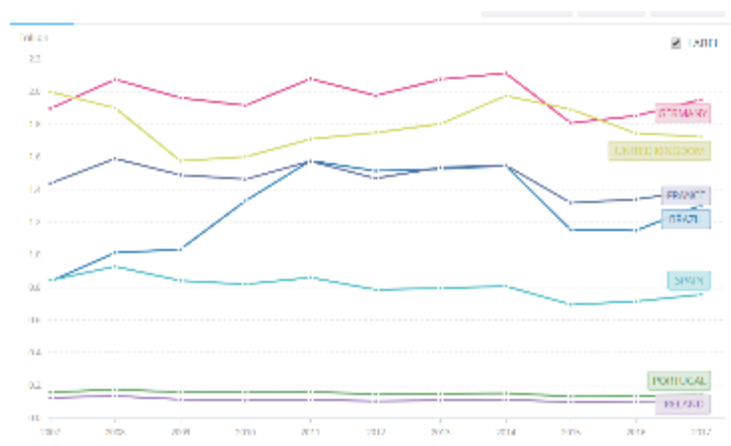
Source: PORDATA, 2018

## Appendix 24. Household expenditure (USD) 1960 to 2017



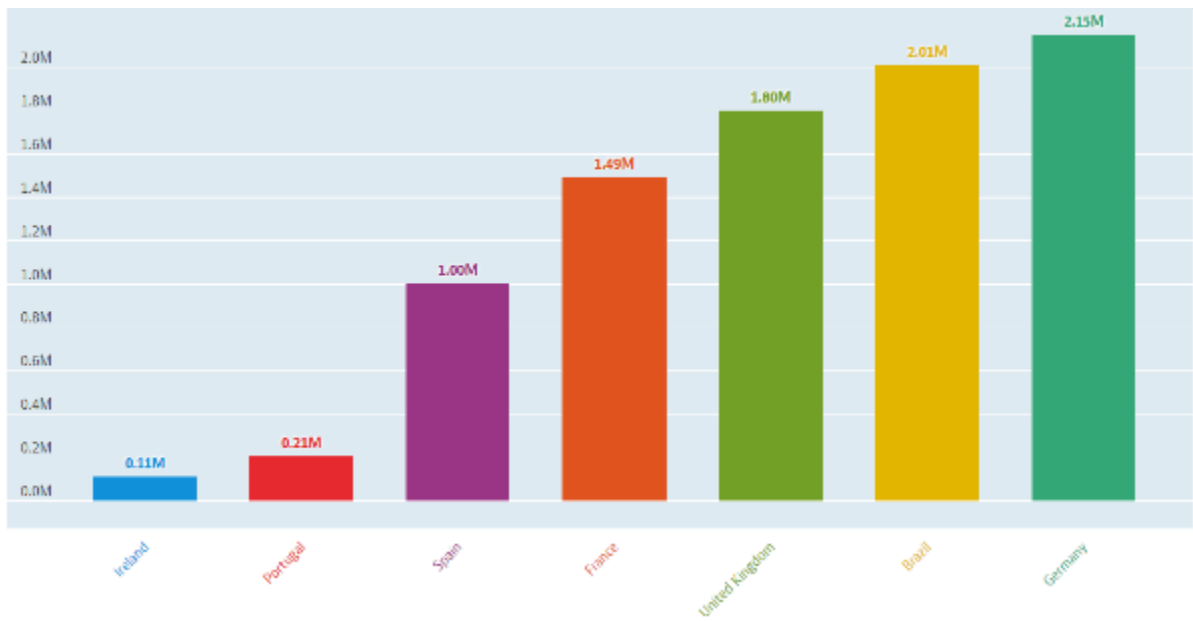
Source: The World Bank, 2018

## Appendix 25. Household expenditure analysis (USD) from 2007 to 2017



Source: The World Bank, 2018

## Appendix 26. Household spending (USD Million) per country 2017



Source: PORDATA, 2018

## Appendix 27. Most downloaded mobile apps on Android and iOS in 2017

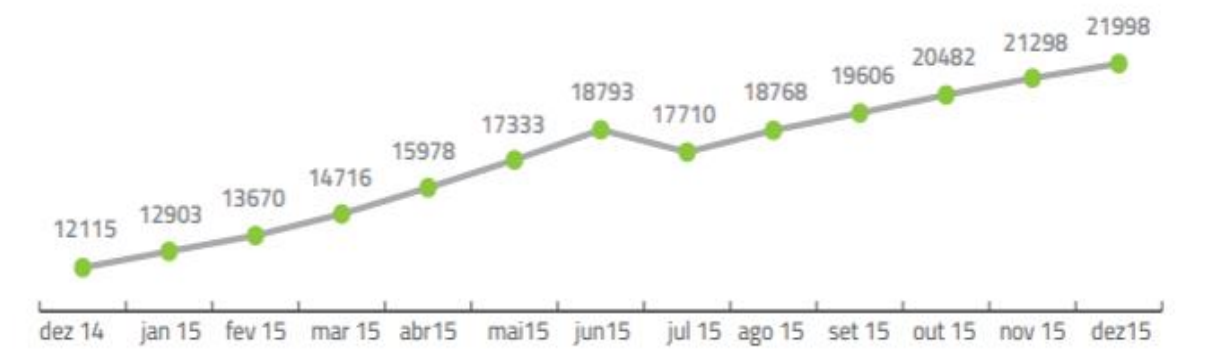
| Android <sup>18</sup>       | iOS        |
|-----------------------------|------------|
| Youtube                     | Youtube    |
| Facebook                    | Wish       |
| Whatsapp                    | Whatsapp   |
| Instagram                   | Waze       |
| Skype                       | Uber       |
| Subway Surfers              | Twitter    |
| Twitter                     | Spotify    |
| Clean Master antivirus      | SoundCloud |
| Candy Crush                 | Snapchat   |
| Snapchat                    | Pandora    |
| SHAREit                     | Netflix    |
| Dropbox                     | Messenger  |
| LINE                        | Lyft       |
| Viber                       | Instagram  |
| Flipboard                   | Facebook   |
| Super-bright LED Flashlight | Bitmoji    |
| My Talking Tom              | Amazon     |
| Security Master             |            |

Source: AndroidRank, 2018 and Business Insider, 2018

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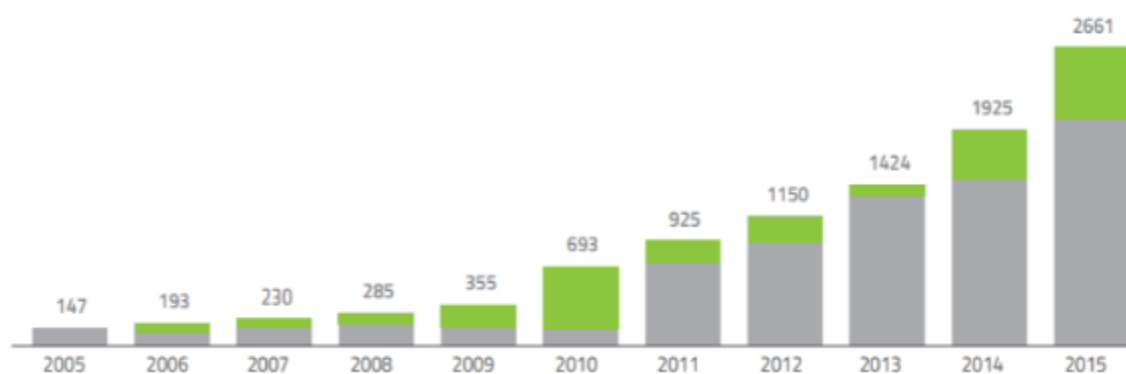
<sup>18</sup> Excluding pre-loaded apps on stock Android devices, such as Google Play Services, Gmail, Google, Google News.

## Appendix 28. Monthly evolution of local accommodation units.



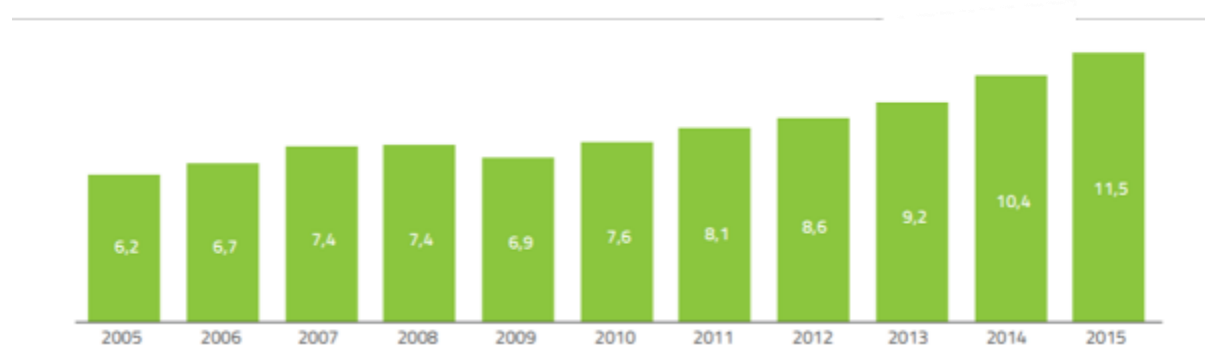
Source: Turismo de Portugal, 2016.

## Appendix 29. Annual evolution of existent and new touristic animation companies



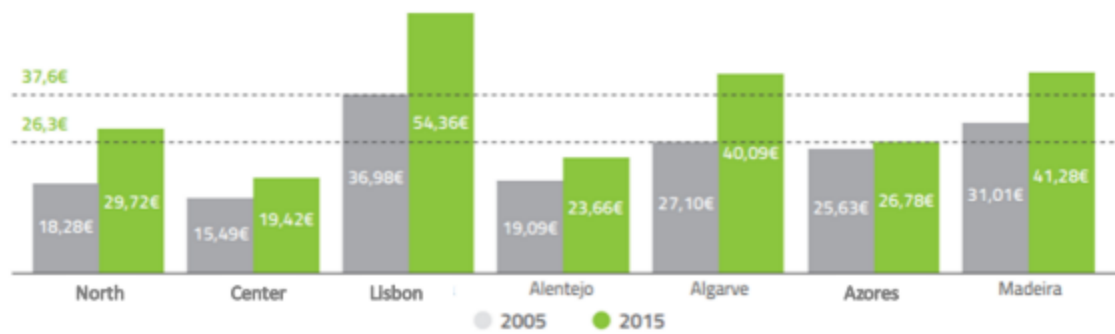
Source: Turismo de Portugal, 2016.

## Appendix 30. Touristic activity revenues evolution (kM€)



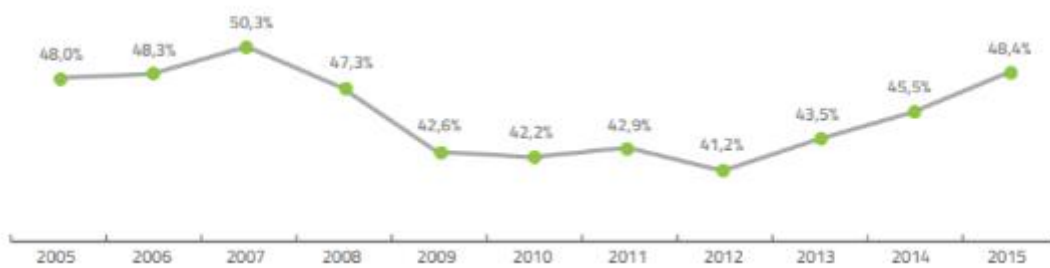
Source: Turismo de Portugal, 2016.

### Appendix 31. RevPar per region



Source: Turismo de Portugal, 2016

### Appendix 32. Average occupancy rates in hospitality establishments



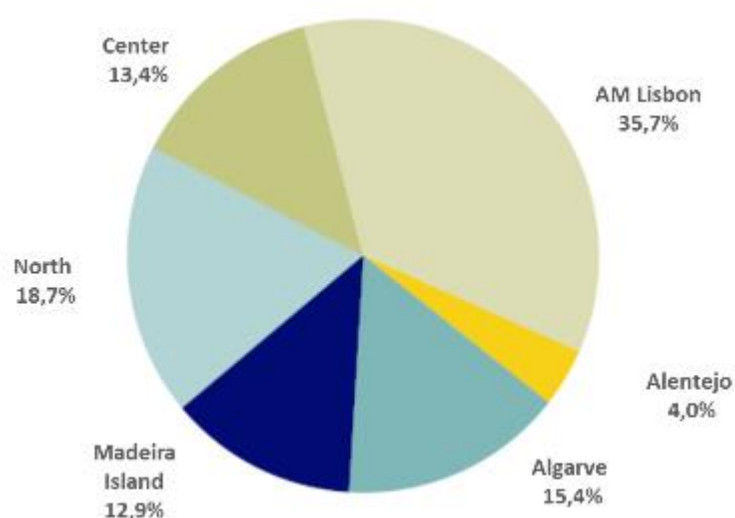
Source: INE, 2015

### Appendix 33. Threats and opportunities for Portuguese tourism (2017-2027)

| Threats:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Opportunities:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Increasing pressure over destination and resources;</p> <p>Struggling to reaffirm and develop Portugal as a European market considering the increase of demand for destinations outside of Europe;</p> <p>Climate change;</p> <p>Rise of insecurity phenomenon;</p> <p>European financial-economic situation and access to financing;</p> <p>Uncertainty of economic growth in issuing countries;</p> <p>Potential tourist overload in certain regions, generating negative impacts of social and environmental nature;</p> <p>Protectionism policies;</p> <p>Brexit and its impacts.</p> | <p>Tourism growth predictions until 2030;</p> <p>Political and inter-institutional recognition and mobilization for the touristic development;</p> <p>Consumption patterns change favoring destinations that offer diverse, authentic and environmentally qualified experiences;</p> <p>Growth of senior tourism (<i>silver age</i> segment) and large financial capability to spend in specific segments;</p> <p>High increase of demand on healthy habits and well-being products;</p> <p>Increase of <i>bleisure</i> segment;</p> <p>Opening of direct connections to new markets (e.g. China).</p> |

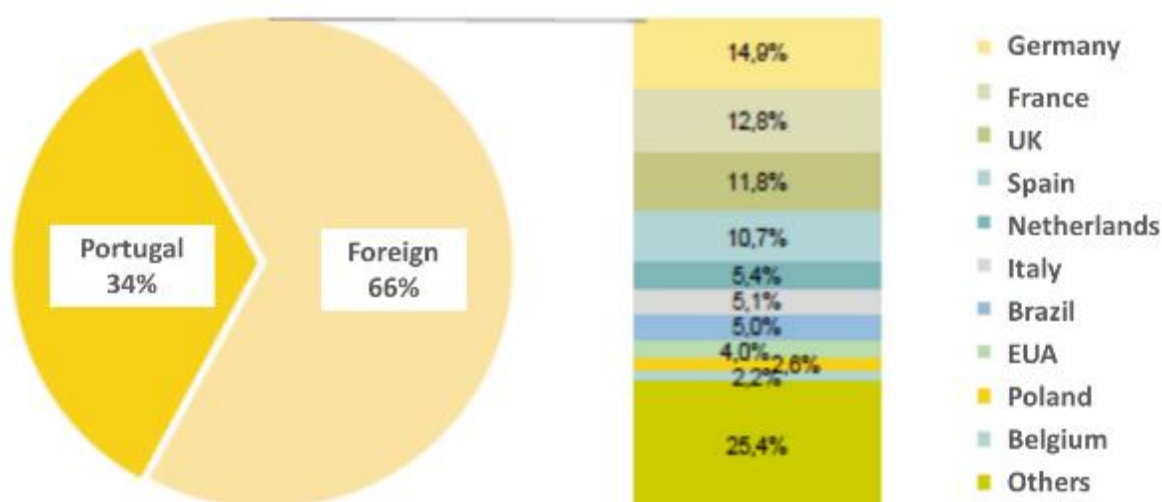
Source: ET27, 2017

#### Appendix 34. Distribution of overnights in local accommodation per region in 2017



Source: IPDT, 2018

#### Appendix 35. Overnights in local accommodation according to country of income in 2017



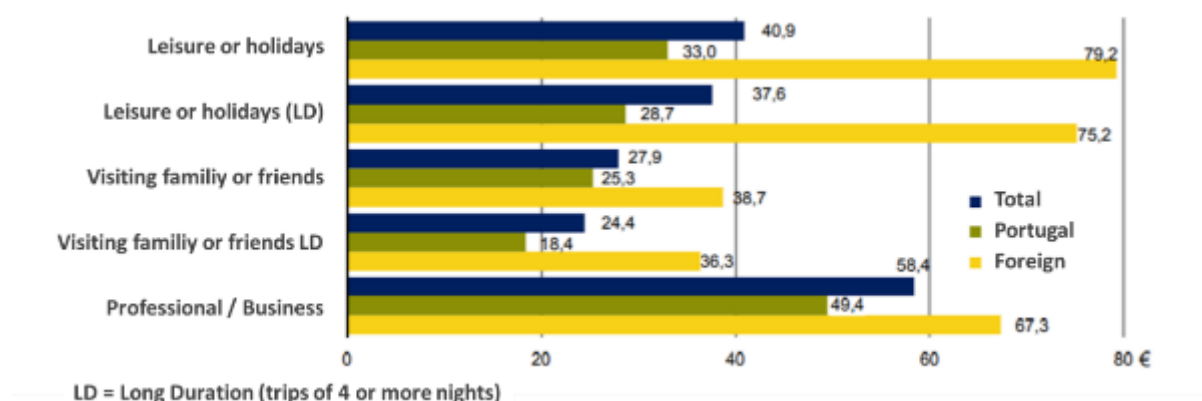
Source: IPDT, 2018

#### Appendix 36. Net Occupancy Rate of bed places in 2017 per category

| Net occupancy rate of bed places |  | 2017 | Jan. | Feb. | Mar. | Apr. | May  | Jun. | Jul. | Aug. | Sept. | Oct. | Nov. | Dec. |
|----------------------------------|--|------|------|------|------|------|------|------|------|------|-------|------|------|------|
| Total                            |  | 48,9 | 27,5 | 34,1 | 38,1 | 51,4 | 51,3 | 57,5 | 63,2 | 71,2 | 60,4  | 50,9 | 34,8 | 30,8 |
| Hospitality Total                |  | 52,9 | 29,5 | 36,6 | 41,2 | 55,8 | 56,0 | 63,1 | 69,0 | 77,1 | 65,9  | 55,4 | 37,5 | 32,9 |
| Rural Tourism                    |  | 23,8 | 9,3  | 13,3 | 13,0 | 24,0 | 20,9 | 25,8 | 34,3 | 45,6 | 30,4  | 22,0 | 12,9 | 14,8 |
| Local Accommodation              |  | 37,2 | 22,7 | 27,4 | 29,6 | 38,7 | 38,2 | 41,4 | 45,9 | 52,4 | 45,1  | 38,5 | 28,4 | 26,1 |

Source: IPDT, 2018

**Appendix 37. Average daily expense per tourist, according to main purpose and duration of trip, per destination, in 2017**



Source: IPDT, 2018

**Appendix 38. Direct Competitors' Services**

| Services/Areas   | Vila Garden Guesthouse Lisboa | Lisbon Garden Boutique | Garden Rooftop by Imperium | Casa do Jasmim by Shiadu | A Boémia Green & Art Guesthouse |
|------------------|-------------------------------|------------------------|----------------------------|--------------------------|---------------------------------|
| 24h Reception    | Yes                           | Yes                    | Yes                        | Yes                      | Yes                             |
| Airport Transfer | Yes                           | No                     | Yes                        | Yes                      | No                              |
| Kettle (room)    | Yes                           | Yes                    | No                         | Yes                      | No                              |
| Free wi-fi       | Yes                           | Yes                    | Yes                        | Yes                      | Yes                             |
| Common room      | No                            | Yes                    | Yes                        | No                       | No                              |
| Communal kitchen | Yes                           | Yes                    | No                         | Yes                      | No                              |
| Pool             | No                            | No                     | Yes                        | No                       | No                              |
| Business Center  | No                            | No                     | No                         | No                       | No                              |
| Room service     | No                            | No                     | No                         | No                       | No                              |
| Bar              | Yes                           | Yes                    | Yes                        | No                       | No                              |
| Breakfast        | No                            | Yes                    | Yes                        | No                       | Yes                             |
| Restaurant       | No                            | Yes                    | No                         | No                       | No                              |

Source: the author, 2018

## Appendix 39. Indirect competition analysis

| Hotel                | Location       | Design concept/details                                                                                                                                                                                                                                       | Online Rating/<br>No. of Reviews <sup>19</sup> | Price Reference <sup>20</sup> |
|----------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------|
| HF Fenix Urban       | Avenidas Novas | Simple, contemporary lines decor with standard-chain-hotel feel.                                                                                                                                                                                             | 8,5<br>3998 reviews                            | 128€                          |
| Lux Lisboa Park      | Avenidas Novas | Biophilic design: open and elevated plans architecture, color palette, natural construction materials, biophilic inspired decoration elements, outdoor area with pool and vertical garden walls. High level of aesthetic sense, modern, minimalist, elegant. | 8,6<br>2349 reviews                            | 448€                          |
| Turim Saldanha Hotel | Saldanha       | Personalized modern room decoration, common areas with biophilic insights (neutral color palette and décor/furniture materials).                                                                                                                             | 8,7<br>5035 reviews                            | 167€                          |
| Turim Alameda Hotel  | Arroios        | Standard hotel-chain-decoration feel, business center ambiance, with classic décor details.                                                                                                                                                                  | 7,8<br>3088 reviews                            | 148€                          |
| Turim Europa Hotel   | Avenidas Novas | Standard hotel-chain-decoration feel, business center ambiance, with 90's hotels typical furniture and décor style.                                                                                                                                          | 8,1<br>4171 reviews                            | 153€                          |
| Turim Iberia Hotel   | Avenidas Novas | Standard hotel-chain-decoration feel, business center ambiance, with 90's hotels typical furniture and décor style.                                                                                                                                          | 8,1<br>3534 reviews                            | 162€                          |
| Turim Lisboa Hotel   | Avenidas Novas | Traditional standard-hotel-chain decoration, dark browns and red color palette. Rooms with bed skirts.                                                                                                                                                       | 8,0                                            | 153€                          |

<sup>19</sup> Rate and Number of online guest reviews in Booking.com, from 0 (Bad) to 10 (Excellent)

<sup>20</sup> Reference for double room with breakfast one night-stay in October (9 to 10).

|                                |                |                                                                                                                                                                                                    |                     |      |
|--------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------|
| Eurostars Lisboa Parque        | Arroios        | Basic 90's decor style (oak trim) with standard hotel-chain furniture feel.                                                                                                                        | 8,5<br>1862 reviews | 147€ |
| Lisbon Wine Hotel              | Arroios        | Wine theme, old classic furniture style and fabrics (e.g. velvet).                                                                                                                                 | 9,5<br>448 reviews  | 188€ |
| Olissippo Saldanha             | Saldanha       | Inconsistent décor style: minimalist decoration rooms, classic furniture rooms, breakfast room with bright white and cerulean blue color palette and mosaic pattern carpeted floor.                | 9,0<br>1234 reviews | 130€ |
| 1908 Lisboa Hotel              | Arroios        | Beginning of the 20th century building; <i>art nouveau</i> decor with modern details (e.g. gigantic insect wall piece in breakfast room)                                                           | 9,1<br>407 reviews  | 195€ |
| WC by the Boutique Hotels      | Arroios        | Unique decoration style inspired in the cleanliness and comfort of a modern bathroom. Blue themed color palette.                                                                                   | 9,0<br>1168 reviews | 148€ |
| Skyna Hotel                    | Avenidas Novas | Minimalist, basic furniture decoration hotel with carpeted floors. Blue, brown and white color palette. Outdoor area with olive tree and other plant elements.                                     | 8,2<br>1249 reviews | 200€ |
| Radisson Blu Hotel Lisbon      | Alvalade       | 90's decoration style (dark wood and white basic linen in eating areas). Dark red, velvet carpeted business and banquets venues.                                                                   | 8,0<br>5131 reviews | 132€ |
| Holiday Inn Lisbon-Continental | Avenidas Novas | Rooms with dark brown, red and orange color palette, antique feel, carpeted floors in common areas and traditional tile mosaic walls.                                                              | 7,9<br>1723 reviews | 150€ |
| Jupiter Lisboa Hotel           | Avenidas Novas | Original building façade of 1906. Modern minimalistic rooms with white, blue and gray color palette. Lisbon iconic elements' photo wallpaper (28 tram, portuguese guitar, alfama landscape, etc.). | 8,9<br>5913 reviews | 129€ |

|                                              |                |                                                                                                                                                                                                                                     |                     |      |
|----------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------|
| NH Lisboa Campo Grande                       | Alvalade       | Soft wood, grey and beige color palette with oak trim floors.                                                                                                                                                                       | 8,3<br>1266 reviews | 161€ |
| VIP Executive Entrecampos Hotel & Conference | Avenidas Novas | 90's decoration style, with oak trim furniture, dark red beds' skirts. Red velvet upholstered chairs and carpeted business center.                                                                                                  | 7,4<br>2029 reviews | 121€ |
| Olissippo Marquês de Sá                      | Avenidas Novas | Blue velvet holstered chairs and carpeted floor in business center. Basic, depersonalized rooms in grey, white and soft yellow colors with damask print décor details (e.g. pillows)                                                | 8,5<br>1893 reviews | 130€ |
| Hotel 3K Barcelona                           | Avenidas Novas | Two-toned bedrooms decoration (ex. Navy blue and white); Miró style artwork in walls and carpets.                                                                                                                                   | 7,7<br>2664 reviews | 133€ |
| Hotel 3K Europa Hotel                        | Avenidas Novas | Cold/cool colors room palette with minimalist décor in common areas with solid color blocks.                                                                                                                                        | 8,4<br>2775 reviews | 182€ |
| Hotel Real Parque                            | Avenidas Novas | Classic decoration style, metallic decoration elements (gold) and velvety carpeted floors and chairs bar in common areas. Business centered with upholstered chairs and table skirts. Basic orange, soft red and brown color rooms. | 8,0<br>1442 reviews | 122€ |
| Neya Lisboa Eco Hotel                        | Arroios        | Natural textures (e.g. Stones, leaves) wallpaper floor in bedrooms; eco themed decoration.                                                                                                                                          | 8,2<br>839 reviews  | 177€ |
| Lutécia Smart Design Hotel                   | Alvalade       | Modern style with vintage and surrealist decoration details (e.g. peacock carpet pattern and Salvador Dali lip couch).                                                                                                              | 7,9<br>2230 reviews | 98€  |
| Czar Lisbon Hotel                            | Arroios        | White, gold, dark brown and dark grey themed colors.<br>Business centered with upholstered chairs, wallpapered floor and table skirts. Renovated on June 21 <sup>st</sup> 2018.                                                     | 7,8<br>797 reviews  | 135€ |

|                                            |                |                                                                                                                                                                                                                                                                  |                     |      |
|--------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------|
| VIP Executive Saldanha                     | Saldanha       | Lisbon iconic elements' photo wallpaper (28 tram, portuguese guitar, alfama landscape, etc.). Standard room 90's decoration (beige, white and red).                                                                                                              | 7,7<br>926 reviews  | 121€ |
| SANA Metropolitan Hotel                    | Avenidas Novas | Tile Friezes ornament in bathroom, basic 2 toned decoration in bedrooms with oak trim furniture. <i>Art nouveau</i> tile floor in the reception area.                                                                                                            | 8,2<br>855 reviews  | 149€ |
| Zenit Lisboa                               | Avenidas Novas | Basic depersonalized hotel style with dark wood furniture, leather-like armchairs in reception, and dark brown, white and grey color scheme. Portuguese mosaic tile wall. Velvet upholstered chairs, carpeted floor and table skirts' decorated business center. | 7,9<br>1082 reviews | 126€ |
| DoubleTree by Hilton Lisboa – Fontana Park | Arroios        | Contemporary design with black, white and gray color scheme. Nature inspired wallpaper in rooms and open view with glass windows/balconies and white-stone like bathroom porcelain.                                                                              | 8,0<br>323 reviews  | 198€ |

Source: the author, 2018

## Appendix 40. 5 Forces of Porter

| Force/Score                                                                                                                                                                                                          | 1 | 2 | 3 | 4 | 5 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|
| <b>Competitive Rivalry</b>                                                                                                                                                                                           |   |   | x |   |   |
| There are endless accommodation choices in Lisbon (around 300 hotels and similar, plus local accommodation in 2017), but no known hotel/guesthouse with the same concept (biophilic design + quality over quantity); |   |   |   | x |   |
| Biophilic-design-like options in Portugal can be found in country/rural areas (e.g. Hotel Rio do Prado or Torre de Palma Wine Hotel), but not in Lisbon's urban area guesthouses;                                    | x |   |   |   |   |
| Regarding technology, the best example is the Evolution Lisbon Hotel. But because this one is solely focused on the technology aspect, it ends up diverging completely from the presented concept;                   | x |   |   |   |   |
| Tourism/Accommodation is a growing industry and some players have the skills/tools to adjust to competition (i.e., by copy-cating a new one);                                                                        |   |   |   |   | x |
| Not a concentrated market. Some players stand-out, but not a monopoly nor an oligopoly;                                                                                                                              |   | x |   |   |   |
| Brand reputation impacts in conversion to sales;                                                                                                                                                                     |   |   |   | x |   |
| No overcapacity problem;                                                                                                                                                                                             | x |   |   |   |   |

|                                                                                                  |   |   |   |  |  |
|--------------------------------------------------------------------------------------------------|---|---|---|--|--|
| <b>Supplier Power: 4 (Low supplier power)</b>                                                    |   | x |   |  |  |
| No meaningful switching costs if necessary (no exclusive/unique supplier);                       | x |   |   |  |  |
| Substitute inputs available;                                                                     | x |   |   |  |  |
| No concentration of suppliers;                                                                   | x |   |   |  |  |
| Some suppliers may have a relevant impact in the overall cost structure;                         |   |   | x |  |  |
| A small business may be a less important client for supplies – importance of volume to supplier; |   |   | x |  |  |
| No threat of forward integration;                                                                | x |   |   |  |  |

| Buyer Power: 2,8 (Medium/high buyer power)                                                                                                                      |   |  | X |   |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|---|---|---|
| Low or inexistent buyer concentration: there are a lot of accommodation options to an even larger number of potential travelers (leisure or business or other); | X |  |   |   |   |
| Consumer's volume follows the industry output;                                                                                                                  | X |  |   |   |   |
| No switching costs to buyers;                                                                                                                                   |   |  |   |   | X |
| High price sensitivity;                                                                                                                                         |   |  |   | X |   |
| Client reviews and feedback have major impact in businesses health/future (because it influences potential customers);                                          |   |  |   |   | X |

| Threat of Substitution: 3 (Medium/low threat of substitutes)                                   |  |  | X |  |  |
|------------------------------------------------------------------------------------------------|--|--|---|--|--|
| No exact substitute identified until now. So, to substitute it means the customer must choose: |  |  | X |  |  |
| o The same or higher quality for a higher price or                                             |  |  |   |  |  |
| o The same or lower price for lower quality;                                                   |  |  |   |  |  |

| Threat of New Entry: 2,75 (Medium level of new entrant threat)                                                                                                                                                                    |   | X   |  |  |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-----|--|--|---|
| Even though hospitality is an open market (Briscoe and Fuller, 2007), new legal constraints for local accommodation will start on 21 <sup>st</sup> october 2018, which may create a higher hurdle of obstacles to new businesses; |   | X   |  |  |   |
| Competition can easily copy-cat the concept for an already existing brand/building or new project;                                                                                                                                |   |     |  |  | X |
| The real estate market prices increased exponentially over the last years, which means high costs of entry;                                                                                                                       | X |     |  |  |   |
| Hospitality is a business with high capital requirements.                                                                                                                                                                         | X |     |  |  |   |
| <b>Total Forces Evaluation</b>                                                                                                                                                                                                    |   | 2,6 |  |  |   |

Source: the author, 2018

## Appendix 41. Garden 48 Location



Source: the author (using Google.maps), 2018

## Appendix 42. Hierarchical SWOT

| Internal analysis                                                                                                                                      |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Strengths                                                                                                                                              | Importance |
| Unique value proposition on the market.                                                                                                                | 5          |
| Price advantage when compared to direct and indirect competitors.                                                                                      | 5          |
| Biophilic design contributes to guest well-being and, consequently, satisfaction.                                                                      | 5          |
| Areas and services support not only guesthouse business but extra services for external guests and additional revenues.                                | 5          |
| Location in city center, near all main attractions, public transports and gret accesses, and in one of the most sophisticated neighborhoods of Lisbon. | 5          |
| High quality product.                                                                                                                                  | 4          |
| Business partners with experience in the area and related fields.                                                                                      | 4          |
| Project born from identifying a market gap from personal experience.                                                                                   | 2          |

| Weaknesses                                                                                                              | Importance |
|-------------------------------------------------------------------------------------------------------------------------|------------|
| Heavy initial investment and capital structure                                                                          | 5          |
| Business small dimension (due legal requirements) impedes scale economy.                                                | 5          |
| Highly reliable on staff and that's a difficult element to replicate (difficult in expanding/replicating the business). | 5          |
| Small professional network to get best partners/suppliers contracts.                                                    | 3          |
| Lack of own business management.                                                                                        | 3          |

| External analysis                                                                                                                                                                     |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Opportunities                                                                                                                                                                         | Attractiveness |
| Growing industry with positive results over the last year and positive perspective.                                                                                                   | 5              |
| Growth of the millennial market that perceives luxury/premium quality in a different perspective (experiences and not consistent hotels) and travels more than precedent generations. | 5              |
| Presenting a unique solution to the market (if well received) can represent high occupancy rates.                                                                                     | 4              |
| Threats                                                                                                                                                                               | Impact         |
| Tourism staff has a high turn-over rate which can harm the business (training requires time, but guests don't wait).                                                                  | 4              |
| Continuous changes in the local accommodation legal framework that may harm (new and settled) businesses.                                                                             | 4              |
| Concept copy-cat by competitors                                                                                                                                                       | 3              |
| Being considered a "less" important client to suppliers, so less beneficial contracts due to low level of orders.                                                                     | 3              |
| Uncontrollable conditions that may affect tourism (e.g. weather conditions, terrorist attacks, etc.)                                                                                  | 2              |

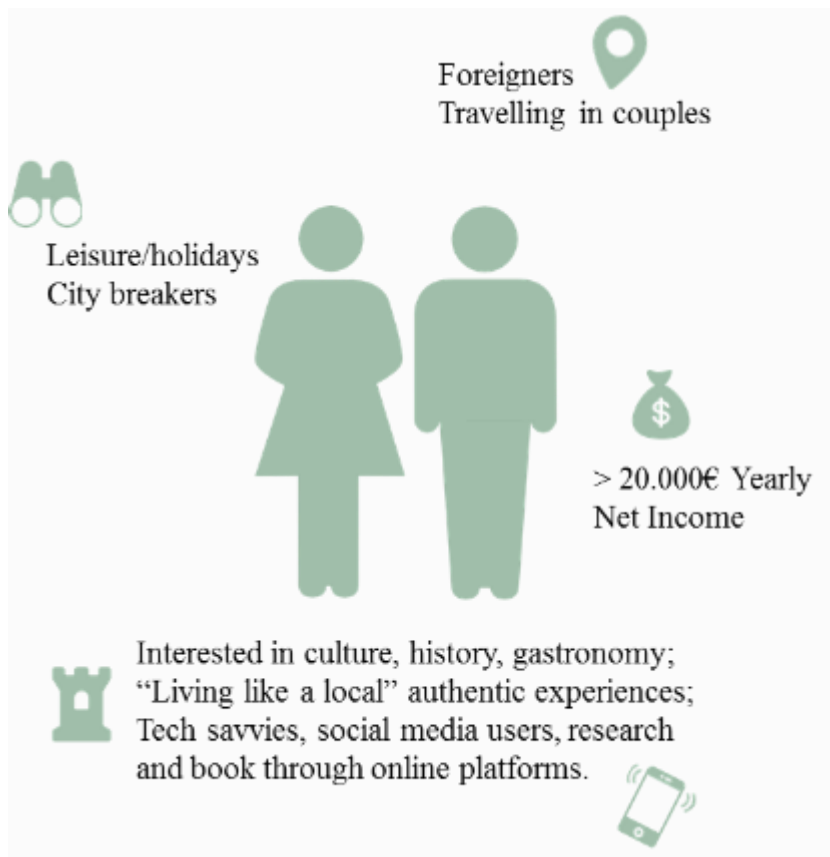
Source: the author, 2018

### Appendix 43. Garden 48 Targeting

| Criteria                 | Targets                                                                                                                                                                                        |                                                                                                                                           |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Travel Motivation        | Leisure/Holiday                                                                                                                                                                                | Business                                                                                                                                  |
| Geographic               | Non-residents (external markets)                                                                                                                                                               |                                                                                                                                           |
| Socio-demographic        | <div>25 and over</div> <div>High school or superior</div> <div>&gt; 20,000€</div>                                                                                                              |                                                                                                                                           |
| Age                      |                                                                                                                                                                                                |                                                                                                                                           |
| Educational Level        |                                                                                                                                                                                                |                                                                                                                                           |
| Net Yearly Income        |                                                                                                                                                                                                |                                                                                                                                           |
| Travel Companion         | In couples                                                                                                                                                                                     | Solo or with co-workers                                                                                                                   |
| Travel Planning          | Independent (by themselves)                                                                                                                                                                    | Via company                                                                                                                               |
| Psychographic-Behavioral | <p>Interested in culture, history, gastronomy;</p> <p>“Living like a local” authentic experiences;</p> <p>Tech savvies, social media users, research and booking through online platforms.</p> | <p>Tech savvy and dependent;</p> <p>Social media user;</p> <p>Entrepreneur profile;</p> <p>Prioritization of comfort and convenience.</p> |

Source: the author, 2018

## Appendix 44. City-breakers Target



Source: the author, 2018

## Appendix 45. Target personas

### Leisure City Breakers

Alice and Robert are a young couple (31 and 33) from the UK. Alice is a food stylist at Food Network UK and an Instagram addict. Robert is a financial auditor and a free-time runner. They're passionate about travelling and every long weekend is a potential city break. The only downside of travelling is having to leave Daisy, their border collie, back at home. They're staying at Garden 48.

### Business Traveler

Adrián, 27, is the owner of an IT start-up company in Madrid. The company is recent, prospect is bright and is present at the Web Summit for promotion purposes. He needs a city center, but won't spend company budget in a ridiculously expensive hotel. Adrián needs to

prepare his presentation pitch and a good night sleep the day before the event. He's staying at Garden 48.

## **Appendix 46. Garden 48 Location and access details**

### **Garden 48 Location, Surroundings and Access Details**

Located in the heart of the city, amongst residential, business and commercial areas, easily accessible from the airport or other city points and perfect to explore the city, by foot or public transportation. A 2 min. walk to the subway station of Saldanha is the perfect start point to discover Lisbon.

**Airport:** 14 min. car; 23 min. public transportation

**Gare Oriente:** 14 min. public transportation

**Saldanha Metro Station:** 2 min. walk

#### **City centre**

Baixa/Chiado: 17 min. public transports

Príncipe Real: 12 min. public transports

Cais do Sodré: 20 min. public transports

Bairro Alto: 20 min. public transports

Estrela: 19 min. public transports

Campo de Ourique: 25 min. public transports

Alfama: 26 min. public transports

Beato/Marvila: 32 min. public transports

#### **Monuments/Attractions**

Thre Sweet Art Museum: 30 min. public transports

MUDE (Museum of Fashion and Design): 19 min. transports

Augusta Street Arch: 20 min. public transports

Lisbon's Cathedral ("Sé"): 25 min. public transports

St. Jorge's Castle: 25 min. public transports

Jerónimos Monastery: 30 min. public transports

Belém Tower: 32 min. public transports

Lx Factory: 26 min. public transports

Lisbon Story Centre: 18 min. walk; 12 min. public transport

### **Near destinations**

Sintra: 49 min. public transports

Cascais: 60 min. public transports

Óbidos: 60 min. car

### **Restaurants (with Zomato Rating)**

À Parte II (4): 4 min. walking

Passage to India (4,1): 2 min. walking

Horta dos Brunos (4,1): 7 min. walking

Bistro 100 Maneiras (Chef Ljubomir Stanisic – 4,6): 23 min. public transports

Belcanto (Chef José Avillez – 4,7): 23 min. public transports

Alma (Chef Henrique Sá Pessoa – 4,6): 22 min. public transports

Brasserie de L'Entrecote (4,4): 22 min. public transports

Boa Bao (4,8): 21 min. public transports

Solar dos Presuntos (4,6): 17 min. public transports

Forno d'Oro (4,8): 13 min. public transports

O Prego da Peixaria (4): 4 min. walk

Nicolau Lisboa (4,2): 19 min. public transports

Zenith – Brunch and Cocktails (4,3): 15 min. public transports

Choupanna Caffé (4,1): 6 min. walk

### **Commercial Areas**

Atrium Saldanha: 1min. walk

Dolce Vita Monumental: 3 min. walk

Campo Pequeno: 15 min. walk

El Corte Inglés: 15 min. walk

Liberdade Avenue: 20 min. walk; 10 min. public transports

Chiado Warehouses: 19 min. public transports

Baixa-chiado: 17min. public transports

**Nightlife**

Bairro Alto: 20 min. public transports

Santos-o-Velho: 23 min. public transports

Intendente: 23 min. walking; 14 min. public transports

**Supermarkets**

Puro Bio (biologic and organic products): 1 min. walk

Continente Bom Dia (Almirante Barroso): 5 min. walk

Minipreço (José Estêvão): 10 min. walk

Pingo Doce (Duque de Ávila): 5 min. walk

Source: the author, 2018

## Appendix 47. Hospitality Services vs. Garden 48 Services

| Hospitality Conventional Services       | Garden 48 Services                           |
|-----------------------------------------|----------------------------------------------|
| Air Conditioner/Heating                 | Yes                                          |
| Babby Sitting                           | No                                           |
| Bar                                     | Yes                                          |
| Breakfast                               | Yes                                          |
| Cable TV                                | Yes                                          |
| Car parking                             | No                                           |
| Car rental                              | No                                           |
| Concierge Service                       | Yes (via B-guest app)                        |
| Crib/Children bed                       | On demand                                    |
| Dental Kit                              | On demand                                    |
| Early Check-in / Late Check-out         | On demand                                    |
| Events/Banquets                         | No                                           |
| Fax and Printer                         | Printer                                      |
| Fitness Room                            | No                                           |
| Hair dryer                              | Yes                                          |
| Laundry Service                         | On demand                                    |
| Linen change                            | Yes                                          |
| Lost&Found                              | Yes (for 3 months)                           |
| Luggage Room                            | Yes                                          |
| Massages                                | No                                           |
| Meetings Room                           | Yes                                          |
| Room Mini-bar                           | Yes                                          |
| Mobile/Computer/Other devices' Chargers | Yes (available by request in the reception)  |
| Newspapers                              | No                                           |
| Pillow Menu                             | No (2 pillows per guest already in the room) |
| Pool                                    | No                                           |
| Restaurant                              | No                                           |
| Room Service                            | No                                           |
| Shoe Kit                                | On demand                                    |
| Slippers and Bathrobe                   | Slippers                                     |
| Spa                                     | No                                           |
| Taxi                                    | Yes                                          |
| Transfer/Shuttle                        | On demand to any destination                 |
| Wake-up Service                         | Yes                                          |
| Wi-fi                                   | Yes                                          |

Source: the author, 2016

## Appendix 48. Egg Electronics



Source: Egg Electronics, 2018

## Appendix 49. Caffé Garden 48 Menu

|                                                                                                             |       |
|-------------------------------------------------------------------------------------------------------------|-------|
| <h1>GARDEN 48</h1>  <hr/> |       |
| <h2>EAT</h2>                                                                                                |       |
| Butter or Jam Toast                                                                                         | 1,9   |
| Cheese or/and Ham Sandwich or Toast                                                                         | 2,1/3 |
| Smoked Salmon, Yogurt Sauce and Rocket Leafs Wrap                                                           | 5     |
| Brie cheese, Portuguese Smoked Ham and Oregano Toast                                                        | 3,5   |
| Garden 48 Toast (Chèvre cheese, caramelized Onion and crispy Bacon)                                         | 6     |
|                                                                                                             |       |
| Portuguese 'Pastel de Nata' (with powdered sugar and cinnamon)                                              | 1,3   |
| Cake / Pie of the Day (slice)                                                                               | 3     |
| Yogurt Bowl with season Fruit, Granola and Honey                                                            | 5     |
|                                                                                                             |       |
| <h2>DRINK</h2>                                                                                              |       |
| Mineral Flat / Sparkling Water (0,33)                                                                       | 1/1,5 |
| Soft Drinks (0,33)                                                                                          | 2     |
| Fruit Juice / Milkshake                                                                                     | 2,5   |
| Peppermint Lemonade                                                                                         | 2,5   |
| Espresso                                                                                                    | 1     |
| Caffé Latte                                                                                                 | 1,5   |
| Cappuccino                                                                                                  | 2,5   |
| Nutella meets Marshmallows Cappuccino                                                                       | 4,5   |
| Teas and Infusions                                                                                          | 1,5   |

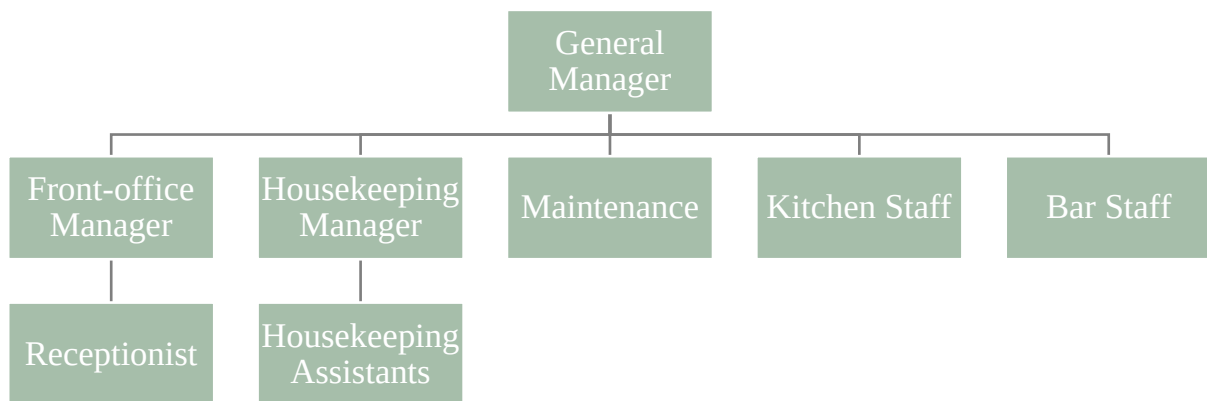
Source: the author, 2018

## Appendix 50. Garden 48 Brand Logo



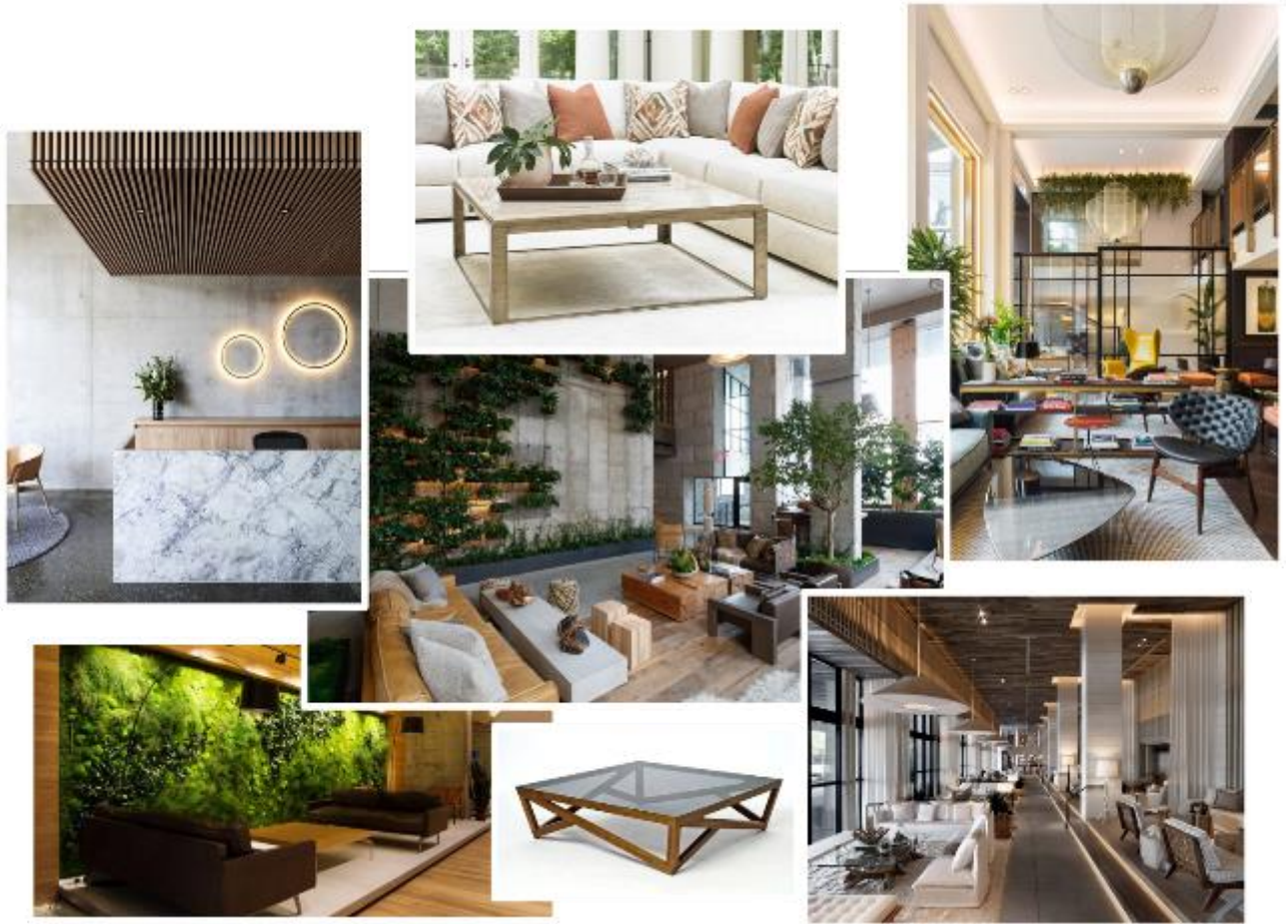
Source: the author, 2018

## Appendix 51. Garden 48 Organizacional Chart



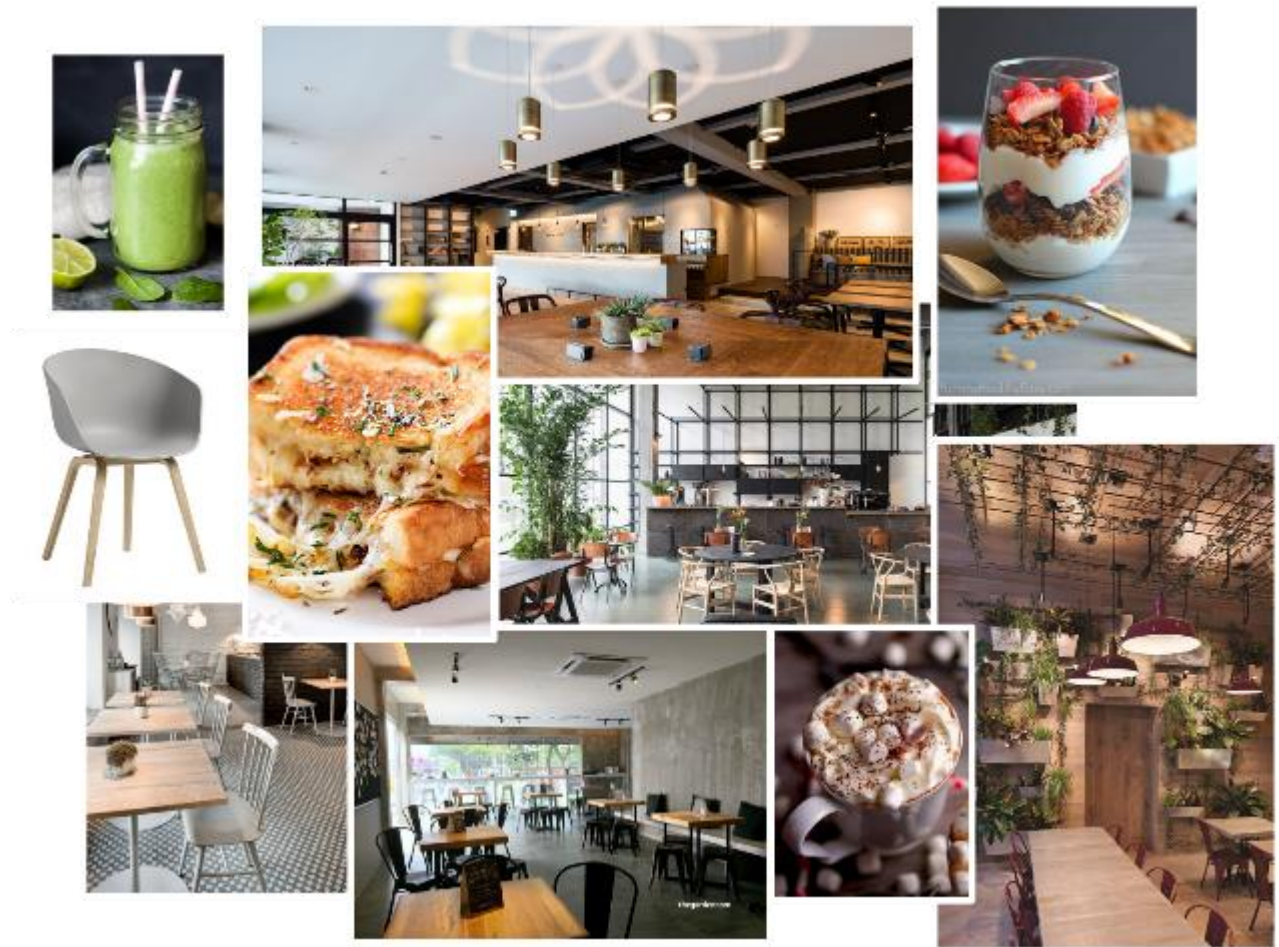
Source: the author, 2018

## Appendix 52. Lobby inspiration mood board



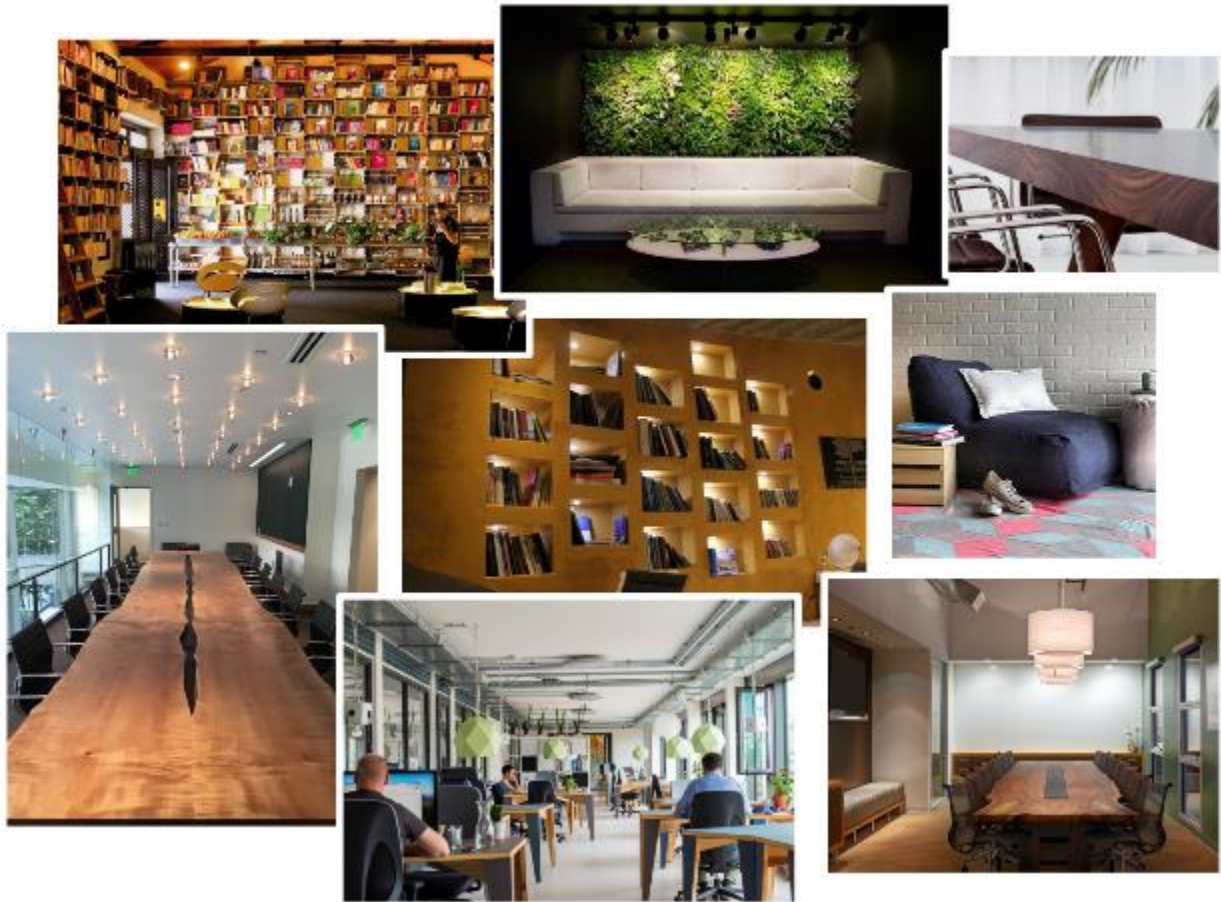
Source: the author, 2018

## Appendix 53. Caffé inspiration mood board



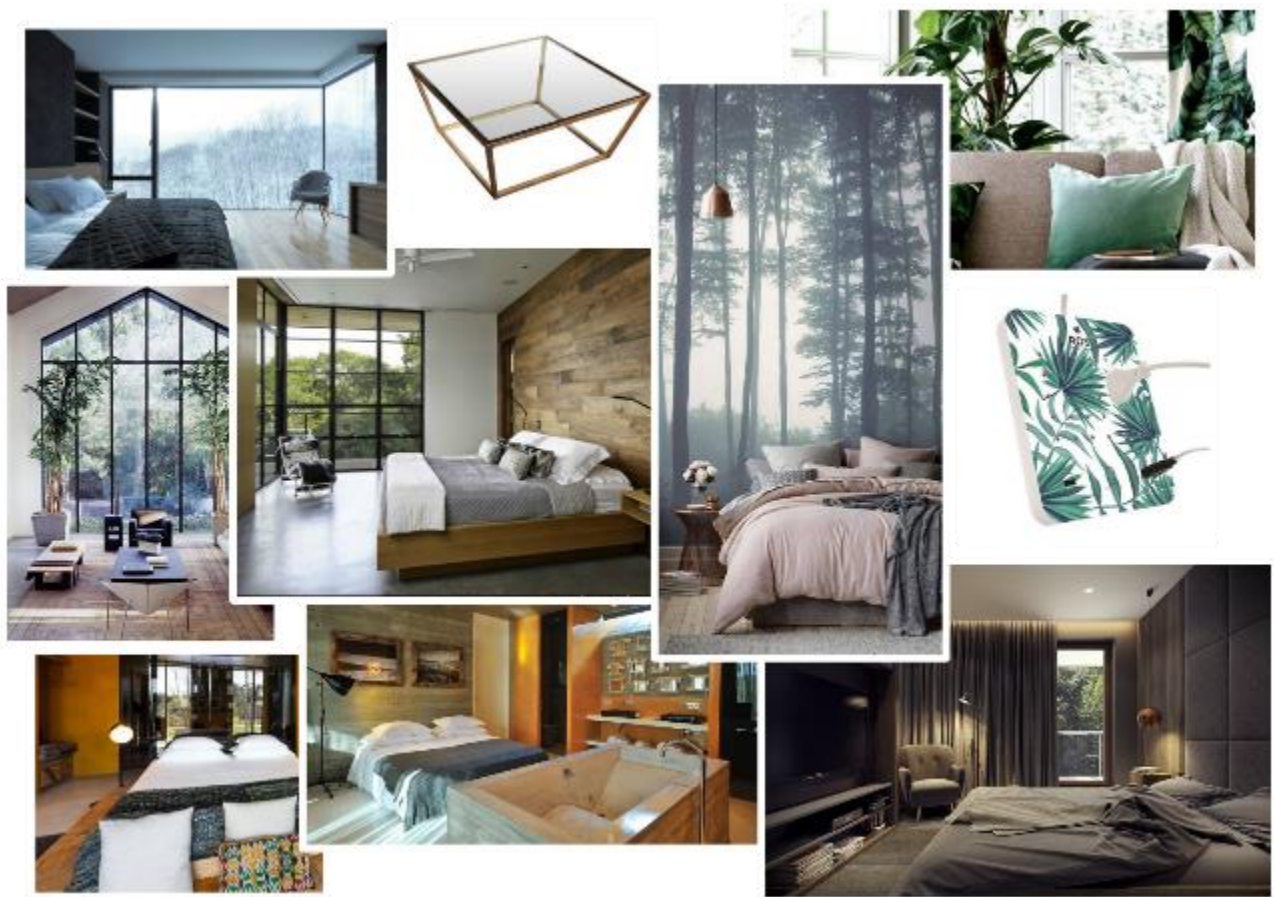
Source: the author, 2018

## Appendix 54. Library inspiration mood board



Source: the author, 2018

## Appendix 55. Rooms inspiration mood board



Source: the author, 2018

## Appendix 56. Garden inspiration mood board



Source: the author, 2018

## Appendix 57. Staff uniforms

**Front Office Manager**



**Receptionist**



**Kitchen**



**Caffé Waiter**



**Housekeeping Manager**



**Housekeeping**

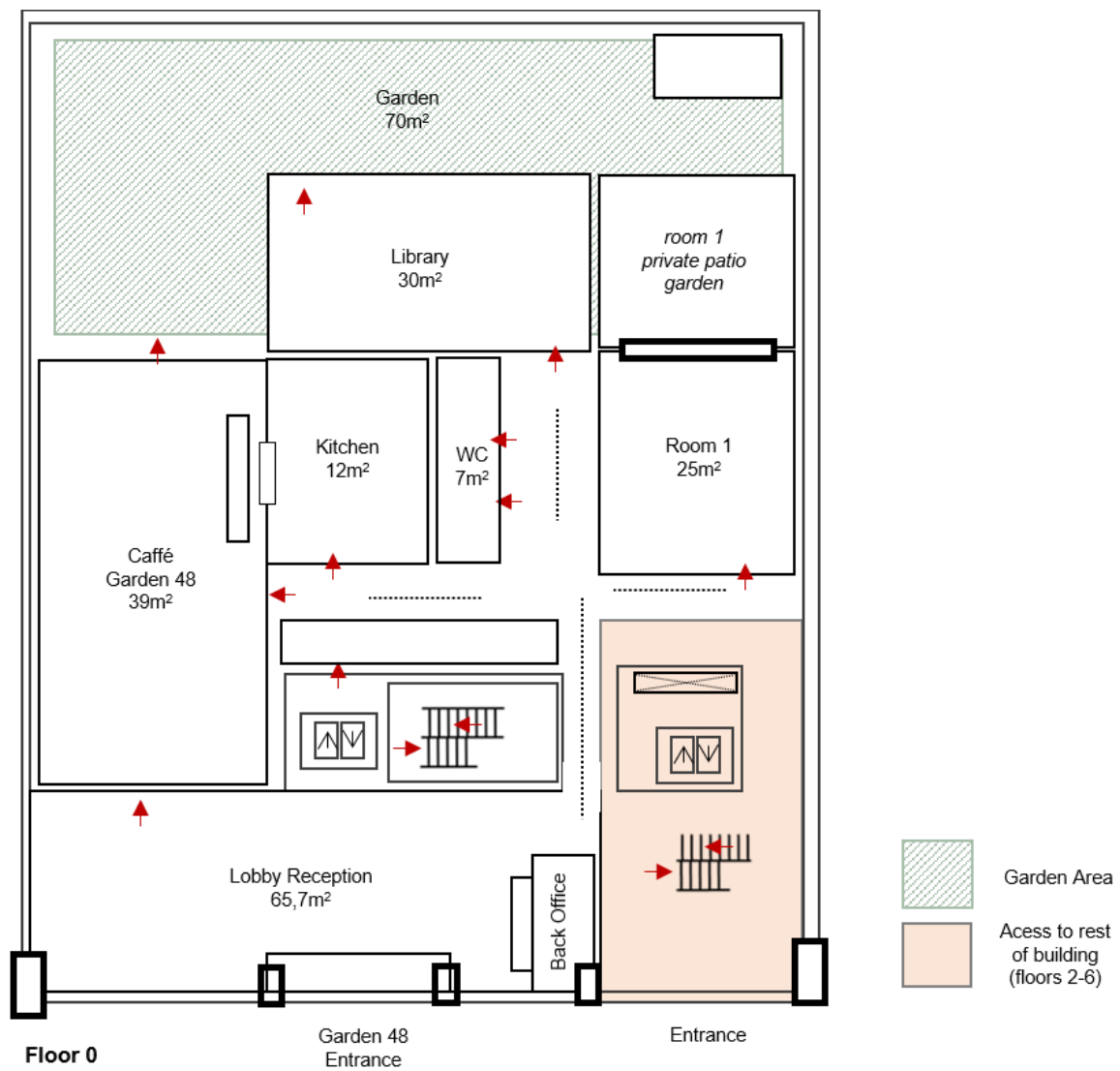


**Maintenance**



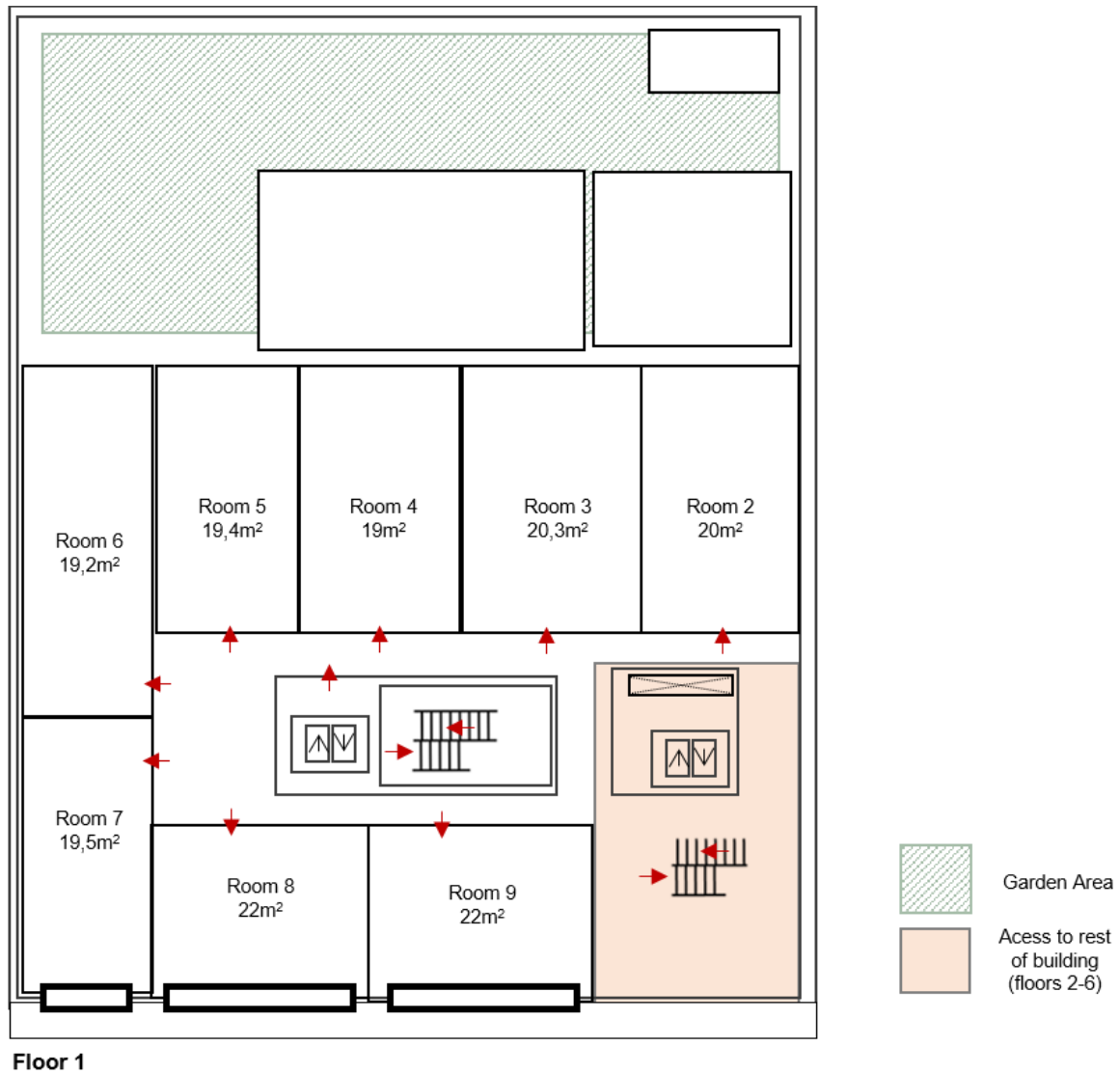
Source: the author, 2018

## Appendix 58. Garden 48 Ground floor Plant



Source: the author, 2018

## Appendix 59. Garden 48 1<sup>st</sup> Floor Plant



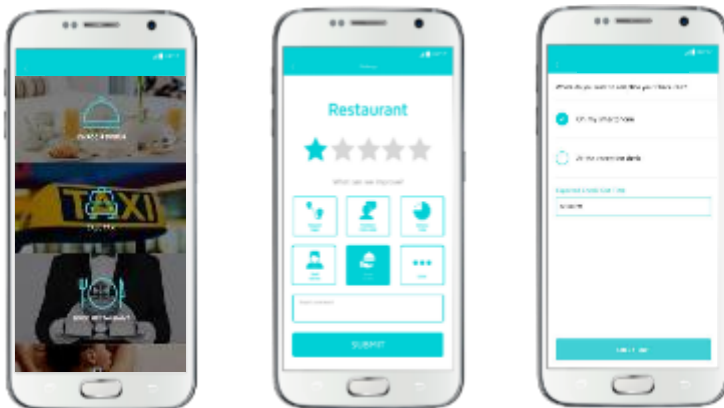
Source: the author, 2018

## Appendix 60. Current Building façade at ground level



Source: the author (using Google.maps), 2018

## Appendix 61. Guest perspective B-guest App



Source: B-guest, 2018

## Appendix 62. Guest Analytics Dashboard



Source: B-guest, 2018

### Appendix 63. External Services and Supplies (€) Assumptions

| External Services and Supplies (€) Assumptions |             |                        |                       |        |
|------------------------------------------------|-------------|------------------------|-----------------------|--------|
| Supply/Service                                 | monthly     | per<br>guest/overnight | per<br>room/overnight | yearly |
| FIXED COSTS                                    | €           | €                      | €                     | €      |
| Software (New Hotel + B-guest)                 | 200         |                        |                       | 2400   |
| Office Supplies                                | 125         |                        |                       | 1500   |
| Communications and Internet                    | 200         |                        |                       | 2400   |
| Accountant                                     | 125         |                        |                       | 1500   |
| Communication and Marketing                    | 150         |                        |                       | 1800   |
| multirisk insurance                            | 708,333333  |                        |                       | 8500   |
| <b>Total Fixed Costs</b>                       | 1508,333333 |                        |                       | 18100  |
| VARIABLE COSTS                                 |             |                        |                       |        |
| Laundry                                        |             |                        | 1,5                   |        |
| Water                                          |             |                        | 2,1                   |        |
| Electricity                                    |             |                        | 3,5                   |        |
| Amenities                                      |             | 0,75                   |                       |        |
| Breakfast                                      |             | 2,5                    |                       |        |
| Cleaning Supplies                              |             | 0,5                    |                       |        |
| Welcome Offer                                  |             | 0,675                  |                       |        |

Source: the author, 2018

#### Appendix 64. Yearly Variable FSE Costs (Accommodation)

| Yearly Variable FSE Costs (Accommodation) |        |                |                 |               |           |             |         |         |                   |                  |
|-------------------------------------------|--------|----------------|-----------------|---------------|-----------|-------------|---------|---------|-------------------|------------------|
| 2020                                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs      |
| Total Guests / Overnights                 |        | 70%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                  |
| Guests                                    | 4599   |                | 11497,5         | 3104,325      | 3449,25   |             |         |         |                   | 18051,075        |
| Overnights                                | 2299,5 |                |                 |               |           | 8048,25     | 4828,95 | 5748,75 | 1149,75           | 19775,7          |
| <b>Total</b>                              |        |                |                 |               |           |             |         |         |                   | <b>37826,775</b> |
| 2021                                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs      |
| Total Guests / Overnights                 |        | 80%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                  |
| Guests                                    | 5256   |                | 13140           | 3547,8        | 3942      |             |         |         |                   | 20629,8          |
| Overnights                                | 2628   |                |                 |               |           | 9198        | 5518,8  | 6570    | 1314              | 22600,8          |
| <b>Total</b>                              |        |                |                 |               |           |             |         |         |                   | <b>43230,6</b>   |
| 2022                                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs      |
| Total Guests / Overnights                 |        | 82%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                  |
| Guests                                    | 5387,4 |                | 13468,5         | 3636,495      | 4040,55   |             |         |         |                   | 21145,545        |
| Overnights                                | 2693,7 |                |                 |               |           | 9427,95     | 5656,77 | 6734,25 | 1346,85           | 23165,82         |
| <b>Total</b>                              |        |                |                 |               |           |             |         |         |                   | <b>44311,365</b> |
| 2023                                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs      |
| Total Guests / Overnights                 |        | 84%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                  |
| Guests                                    | 5518,8 |                | 13797           | 3725,19       | 4139,1    |             |         |         |                   | 21661,29         |

|                           |              |                       |                        |                      |                  |                    |              |                |                          |                    |
|---------------------------|--------------|-----------------------|------------------------|----------------------|------------------|--------------------|--------------|----------------|--------------------------|--------------------|
| Overnights                | 2759,4       |                       |                        |                      |                  | 9657,9             | 5794,74      | 6898,5         | 1379,7                   | 23730,84           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>45392,13</b>    |
| <b>2024</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 86%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5650,2       |                       | 14125,5                | 3813,885             | 4237,65          |                    |              |                |                          | 22177,035          |
| Overnights                | 2825,1       |                       |                        |                      |                  | 9887,85            | 5932,71      | 7062,75        | 1412,55                  | 24295,86           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>46472,895</b>   |
| <b>2025</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2026</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2027</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |

|                           |              |                       |                        |                      |                  |                    |              |                |                          |                    |
|---------------------------|--------------|-----------------------|------------------------|----------------------|------------------|--------------------|--------------|----------------|--------------------------|--------------------|
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2028</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2029</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total</b>       |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2030</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |
| <b>2031</b>               | <b>Total</b> | <b>Occupancy Rate</b> | <b>Breakfast costs</b> | <b>Welcome Offer</b> | <b>Amenities</b> | <b>Electricity</b> | <b>Water</b> | <b>Laundry</b> | <b>Cleaning Supplies</b> | <b>Total Costs</b> |
| Total Guests / Overnights |              | 88%                   | 2,5                    | 0,675                | 0,75             | 3,5                | 2,1          | 2,5            | 0,5                      |                    |
| Guests                    | 5781,6       |                       | 14454                  | 3902,58              | 4336,2           |                    |              |                |                          | 22692,78           |
| Overnights                | 2890,8       |                       |                        |                      |                  | 10117,8            | 6070,68      | 7227           | 1445,4                   | 24860,88           |
| <b>Total</b>              |              |                       |                        |                      |                  |                    |              |                |                          | <b>47553,66</b>    |

| 2032                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs     |
|---------------------------|--------|----------------|-----------------|---------------|-----------|-------------|---------|---------|-------------------|-----------------|
| Total Guests / Overnights |        | 88%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                 |
| Guests                    | 5781,6 |                | 14454           | 3902,58       | 4336,2    |             |         |         |                   | 22692,78        |
| Overnights                | 2890,8 |                |                 |               |           | 10117,8     | 6070,68 | 7227    | 1445,4            | 24860,88        |
| <b>Total</b>              |        |                |                 |               |           |             |         |         |                   | <b>47553,66</b> |
| 2033                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs     |
| Total Guests / Overnights |        | 88%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                 |
| Guests                    | 5781,6 |                | 14454           | 3902,58       | 4336,2    |             |         |         |                   | 22692,78        |
| Overnights                | 2890,8 |                |                 |               |           | 10117,8     | 6070,68 | 7227    | 1445,4            | 24860,88        |
| <b>Total</b>              |        |                |                 |               |           |             |         |         |                   | <b>47553,66</b> |
| 2034                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs     |
| Total Guests / Overnights |        | 88%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                 |
| Guests                    | 5781,6 |                | 14454           | 3902,58       | 4336,2    |             |         |         |                   | 22692,78        |
| Overnights                | 2890,8 |                |                 |               |           | 10117,8     | 6070,68 | 7227    | 1445,4            | 24860,88        |
| <b>Total</b>              |        |                |                 |               |           |             |         |         |                   | <b>47553,66</b> |
| 2035                      | Total  | Occupancy Rate | Breakfast costs | Welcome Offer | Amenities | Electricity | Water   | Laundry | Cleaning Supplies | Total Costs     |
| Total Guests / Overnights |        | 88%            | 2,5             | 0,675         | 0,75      | 3,5         | 2,1     | 2,5     | 0,5               |                 |
| Guests                    | 5781,6 |                | 14454           | 3902,58       | 4336,2    |             |         |         |                   | 22692,78        |
| Overnights                | 2890,8 |                |                 |               |           | 10117,8     | 6070,68 | 7227    | 1445,4            | 24860,88        |
| <b>Total</b>              |        |                |                 |               |           |             |         |         |                   | <b>47553,66</b> |

Source: the author, 2018

## Appendix 65. F&B Costs per Guests and External Clients

| Food & Drinks Costs (Guests)    |                 |                  |                   |                   |                   |                  |                   |                   |
|---------------------------------|-----------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Food Cost Caffé Garden 48 Costs | 2020            | 2021             | 2022              | 2023              | 2024              | 2025             | 2026              | 2027              |
| Average food cost               | 1,11            | 1,11             | 1,11              | 1,11              | 1,11              | 1,11             | 1,11              | 1,11              |
| Total Guests                    | 4599            | 5256             | 5387,4            | 5518,8            | 5650,2            | 5781,6           | 5781,6            | 5781,6            |
| % Guests consuming              | 30%             | 31%              | 32%               | 33%               | 34%               | 35%              | 36%               | 37%               |
| Total guests consuming          | 1379,7          | 1629,36          | 1723,968          | 1821,204          | 1921,068          | 2023,56          | 2081,376          | 2139,192          |
| <b>Total Food Costs</b>         | <b>1531,467</b> | <b>1808,5896</b> | <b>1913,60448</b> | <b>2021,53644</b> | <b>2132,38548</b> | <b>2246,1516</b> | <b>2310,32736</b> | <b>2374,50312</b> |

| Food & Drinks Costs (Guests)    |                   |                   |                   |                   |                   |                   |                   |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Food Cost Caffé Garden 48 Costs | 2028              | 2029              | 2030              | 2031              | 2032              | 2033              | 2034              | 2035              |
| Average food cost               | 1,11              | 1,11              | 1,11              | 1,11              | 1,11              | 1,11              | 1,11              | 1,11              |
| Total Guests                    | 5781,6            | 5781,6            | 5781,6            | 5781,6            | 5781,6            | 5781,6            | 5781,6            | 5781,6            |
| % Guests consuming              | 38%               | 39%               | 39%               | 39%               | 39%               | 39%               | 39%               | 39%               |
| Total guests consuming          | 2197,008          | 2254,824          | 2254,824          | 2254,824          | 2254,824          | 2254,824          | 2254,824          | 2254,824          |
| <b>Total Food Costs</b>         | <b>2438,67888</b> | <b>2502,85464</b> | <b>2502,85464</b> | <b>2502,85464</b> | <b>2502,85464</b> | <b>2502,85464</b> | <b>2502,85464</b> | <b>2502,85464</b> |

| Food & Drinks Costs (Guests)      |                |                  |                   |                   |                   |                  |                  |                  |
|-----------------------------------|----------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| Drinks Cost Caffé Garden 48 Costs | 2020           | 2021             | 2022              | 2023              | 2024              | 2025             | 2026             | 2027             |
| Average drink cost                | 0,47           | 0,47             | 0,47              | 0,47              | 0,47              | 0,47             | 0,47             | 0,47             |
| Total Guests                      | 4599           | 5256             | 5387,4            | 5518,8            | 5650,2            | 5781,6           | 5781,6           | 5781,6           |
| % Guests consuming                | 40%            | 41%              | 42%               | 43%               | 44%               | 45%              | 45%              | 45%              |
| Total guests consuming            | 1839,6         | 2154,96          | 2262,708          | 2373,084          | 2486,088          | 2601,72          | 2601,72          | 2601,72          |
| <b>Total Drink Costs</b>          | <b>864,612</b> | <b>1012,8312</b> | <b>1063,47276</b> | <b>1115,34948</b> | <b>1168,46136</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> |

| Food & Drinks Costs (Guests)      |                  |                  |                  |                  |                  |                  |                  |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Drinks Cost Caffé Garden 48 Costs | 2028             | 2029             | 2030             | 2031             | 2032             | 2033             | 2034             | 2035             |
| Average drink cost                | 0,47             | 0,47             | 0,47             | 0,47             | 0,47             | 0,47             | 0,47             | 0,47             |
| Total Guests                      | 5781,6           | 5781,6           | 5781,6           | 5781,6           | 5781,6           | 5781,6           | 5781,6           | 5781,6           |
| % Guests consuming                | 45%              | 45%              | 45%              | 45%              | 45%              | 45%              | 45%              | 45%              |
| Total guests consuming            | 2601,72          | 2601,72          | 2601,72          | 2601,72          | 2601,72          | 2601,72          | 2601,72          | 2601,72          |
| <b>Total Drink Costs</b>          | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> | <b>1222,8084</b> |

| Food & Drinks Costs (External Clients) |                |                 |                 |                 |                 |                 |                 |                 |
|----------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Food Sales Caffé Garden 48 Costs       | 2020           | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            |
| Average food expenditure               | 1,11           | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            |
| Total Capacity Clients                 | 60681          | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           |
| % External Clients                     | 30%            | 35%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             |
| Total Clients                          | 18204,3        | 21238,35        | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         |
| % Clients consuming                    | 40%            | 50%             | 55%             | 55%             | 55%             | 55%             | 55%             | 55%             |
| Total Clients consuming                | 7281,72        | 10619,175       | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        |
| <b>Total Food Costs</b>                | <b>8082,71</b> | <b>11787,28</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> |

| Food & Drinks Costs (External Clients) |                 |                 |                 |                 |                 |                 |                 |                 |
|----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Food Sales Caffé Garden 48 Costs       | 2028            | 2029            | 2030            | 2031            | 2032            | 2033            | 2034            | 2035            |
| Average food expenditure               | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            | 1,11            |
| Total Capacity Clients                 | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           |
| % External Clients                     | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             |
| Total Clients                          | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         |
| % Clients consuming                    | 55%             | 55%             | 55%             | 55%             | 55%             | 55%             | 55%             | 55%             |
| Total Clients consuming                | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        | 13349,82        |
| <b>Total Food Costs</b>                | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> | <b>14818,30</b> |

| Food & Drinks Costs (External Clients) |                |                |                 |                 |                 |                 |                 |                 |
|----------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Drinks Sales Caffé Garden 48 Costs     | 2020           | 2021           | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            |
| Average drink expenditure              | 0,47           | 0,47           | 0,47            | 0,47            | 0,47            | 0,47            | 0,47            | 0,47            |
| Total Capacity Clients                 | 60681          | 60681          | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           |
| % External Clients                     | 30%            | 35%            | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             |
| Total Clients                          | 18204,3        | 21238,35       | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         |
| % Clients consuming                    | 80%            | 90%            | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             |
| Total Clients consuming                | 14563,44       | 19114,515      | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        |
| <b>Total Drink Cost</b>                | <b>6844,82</b> | <b>8983,82</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> |

|                                    | Food & Drinks Costs (External Clients) |                 |                 |                 |                 |                 |                 |                 |
|------------------------------------|----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Drinks Sales Caffé Garden 48 Costs | 2028                                   | 2029            | 2030            | 2031            | 2032            | 2033            | 2034            | 2035            |
| Average drink expenditure          | 0,47                                   | 0,47            | 0,47            | 0,47            | 0,47            | 0,47            | 0,47            | 0,47            |
| Total Capacity Clients             | 60681                                  | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           |
| % External Clients                 | 40%                                    | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             |
| Total Clients                      | 24272,4                                | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         |
| % Clients consuming                | 90%                                    | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             |
| Total Clients consuming            | 21845,16                               | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        |
| <b>Total Drink Cost</b>            | <b>10267,23</b>                        | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> | <b>10267,23</b> |

Source: the author, 2018

## Appendix 66. Suppliers List

| Assets/Service                                 | Supplier                                                                                                                                                                                                                                             |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Architectural Project and Construction         | LA Architect                                                                                                                                                                                                                                         |
| Decoration Project                             | Interior Design Project – TGV Interiores<br>Kitchen Equipment – Atecotel<br>Crockery and cutlery – Costa Nova<br>TIC (phones, tv) - FNAC<br>Bath room materials and equipments – Porcelanosa<br>Plants (plants, vases, etc.) – Horto do Campo Grande |
| Marketing and Communication                    | Likebrands                                                                                                                                                                                                                                           |
| Hotel Management Software                      | Newhotel                                                                                                                                                                                                                                             |
| CRM App                                        | B-guest                                                                                                                                                                                                                                              |
| Water                                          | EPAL                                                                                                                                                                                                                                                 |
| Energy (electricity & gas)                     | EDP                                                                                                                                                                                                                                                  |
| F&B                                            | Recheio & Makro                                                                                                                                                                                                                                      |
| Office Supplies                                | Staples                                                                                                                                                                                                                                              |
| TIC Equipment (telephones, computers, printer) | FNAC                                                                                                                                                                                                                                                 |
| Kitchen Equipment                              | J. Nascimento                                                                                                                                                                                                                                        |
| Accountant                                     | Nominaurea                                                                                                                                                                                                                                           |
| Cleaning Supplies and Equipment                | J. Nascimento                                                                                                                                                                                                                                        |
| Amenities                                      | Polyshow                                                                                                                                                                                                                                             |
| Laundry                                        | Ellis                                                                                                                                                                                                                                                |

Source: the author, 2018

## Appendix 67. Projection Accommodation Revenues

| Projection Accommodation Sales                                       |         |         |          |          |          |          |          |          |
|----------------------------------------------------------------------|---------|---------|----------|----------|----------|----------|----------|----------|
|                                                                      | 2020    | 2021    | 2022     | 2023     | 2024     | 2025     | 2026     | 2027     |
| <b>High Season (15th June to 15th Sept.)</b>                         |         |         |          |          |          |          |          |          |
| Total Period (days)                                                  | 93      | 93      | 93       | 93       | 93       | 93       | 93       | 93       |
| Overnight Rate (€)                                                   | 130     | 130     | 130      | 130      | 130      | 130      | 130      | 130      |
| Total Revenue per Room (€)                                           | 12090   | 12090   | 12090    | 12090    | 12090    | 12090    | 12090    | 12090    |
| Total Revenue all Rooms (9) (€)                                      | 108810  | 108810  | 108810   | 108810   | 108810   | 108810   | 108810   | 108810   |
| Occupancy Rate                                                       | 70%     | 80%     | 82%      | 84%      | 86%      | 88%      | 88%      | 88%      |
| Total occupied overnights                                            | 585,90  | 669,60  | 686,34   | 703,08   | 719,82   | 736,56   | 736,56   | 736,56   |
| Season Total Revenue                                                 | 76167   | 87048   | 89224,2  | 91400,4  | 93576,6  | 95752,8  | 95752,8  | 95752,8  |
| <b>Mid Season (16th April to 14th June; 16th Sept. to 15th Oct.)</b> |         |         |          |          |          |          |          |          |
| Total Period (days)                                                  | 90      | 90      | 90       | 90       | 90       | 90       | 90       | 90       |
| Overnight Rate (€)                                                   | 95      | 95      | 95       | 95       | 95       | 95       | 95       | 95       |
| Total Revenue per Room (€)                                           | 8550    | 8550    | 8550     | 8550     | 8550     | 8550     | 8550     | 8550     |
| Total Revenue all Rooms (9) (€)                                      | 76950   | 76950   | 76950    | 76950    | 76950    | 76950    | 76950    | 76950    |
| Occupancy Rate                                                       | 70%     | 80%     | 82%      | 84%      | 86%      | 88%      | 88%      | 88%      |
| Total occupied overnights                                            | 567,00  | 648,00  | 664,20   | 680,40   | 696,60   | 712,80   | 712,80   | 712,80   |
| Season Total Revenue                                                 | 53865   | 61560   | 63099    | 64638    | 66177    | 67716    | 67716    | 67716    |
| <b>Low Season (1st Jan. to 15th April; 16th Oct. to 31st Dec.)</b>   |         |         |          |          |          |          |          |          |
| Total Period (days)                                                  | 182     | 182     | 182      | 182      | 182      | 182      | 182      | 182      |
| Overnight Rate (€)                                                   | 85      | 85      | 85       | 85       | 85       | 85       | 85       | 85       |
| Total Revenue per Room (€)                                           | 15470   | 15470   | 15470    | 15470    | 15470    | 15470    | 15470    | 15470    |
| Total Revenue all Rooms (9) (€)                                      | 139230  | 139230  | 139230   | 139230   | 139230   | 139230   | 139230   | 139230   |
| Occupancy Rate                                                       | 70%     | 80%     | 82%      | 84%      | 86%      | 88%      | 88%      | 88%      |
| Total occupied overnights                                            | 1146,60 | 1310,40 | 1343,16  | 1375,92  | 1408,68  | 1441,44  | 1441,44  | 1441,44  |
| Season Total Revenue                                                 | 97461   | 111384  | 114168,6 | 116953,2 | 119737,8 | 122522,4 | 122522,4 | 122522,4 |

|                        |        |        |          |          |          |          |          |          |
|------------------------|--------|--------|----------|----------|----------|----------|----------|----------|
| Total Revenue per Year | 227493 | 259992 | 266491,8 | 272991,6 | 279491,4 | 285991,2 | 285991,2 | 285991,2 |
|------------------------|--------|--------|----------|----------|----------|----------|----------|----------|

| Projection Accommodation Sales                                       |         |         |         |         |         |         |         |         |
|----------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                                                      | 2028    | 2029    | 2030    | 2031    | 2032    | 2033    | 2034    | 2035    |
| <b>High Season (15th June to 15th Sept.)</b>                         |         |         |         |         |         |         |         |         |
| Total Period (days)                                                  | 93      | 93      | 93      | 93      | 93      | 93      | 93      | 93      |
| Overnight Rate (€)                                                   | 130     | 130     | 130     | 130     | 130     | 130     | 130     | 130     |
| Total Revenue per Room (€)                                           | 12090   | 12090   | 12090   | 12090   | 12090   | 12090   | 12090   | 12090   |
| Total Revenue all Rooms (9) (€)                                      | 108810  | 108810  | 108810  | 108810  | 108810  | 108810  | 108810  | 108810  |
| Occupancy Rate                                                       | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     |
| total occupied overnights                                            | 736,56  | 736,56  | 736,56  | 736,56  | 736,56  | 736,56  | 736,56  | 736,56  |
| Season Total Revenue                                                 | 95752,8 | 95752,8 | 95752,8 | 95752,8 | 95752,8 | 95752,8 | 95752,8 | 95752,8 |
| <b>Mid Season (16th April to 14th June; 16th Sept. to 15th Oct.)</b> |         |         |         |         |         |         |         |         |
| Total Period (days)                                                  | 90      | 90      | 90      | 90      | 90      | 90      | 90      | 90      |
| Overnight Rate (€)                                                   | 95      | 95      | 95      | 95      | 95      | 95      | 95      | 95      |
| Total Revenue per Room (€)                                           | 8550    | 8550    | 8550    | 8550    | 8550    | 8550    | 8550    | 8550    |
| Total Revenue all Rooms (9) (€)                                      | 76950   | 76950   | 76950   | 76950   | 76950   | 76950   | 76950   | 76950   |
| Occupancy Rate                                                       | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     |
| total occupied overnights                                            | 712,80  | 712,80  | 712,80  | 712,80  | 712,80  | 712,80  | 712,80  | 712,80  |
| Season Total Revenue                                                 | 67716   | 67716   | 67716   | 67716   | 67716   | 67716   | 67716   | 67716   |
| <b>Low Season (1st Jan. to 15th April; 16th Oct. to 31st Dec.)</b>   |         |         |         |         |         |         |         |         |
| Total Period (days)                                                  | 182     | 182     | 182     | 182     | 182     | 182     | 182     | 182     |
| Overnight Rate (€)                                                   | 85      | 85      | 85      | 85      | 85      | 85      | 85      | 85      |
| Total Revenue per Room (€)                                           | 15470   | 15470   | 15470   | 15470   | 15470   | 15470   | 15470   | 15470   |
| Total Revenue all Rooms (9) (€)                                      | 139230  | 139230  | 139230  | 139230  | 139230  | 139230  | 139230  | 139230  |
| Occupancy Rate                                                       | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     | 88%     |
| Total occupied overnights                                            | 1441,44 | 1441,44 | 1441,44 | 1441,44 | 1441,44 | 1441,44 | 1441,44 | 1441,44 |

|                        |          |          |          |          |          |          |          |          |
|------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Season Total Revenue   | 122522,4 | 122522,4 | 122522,4 | 122522,4 | 122522,4 | 122522,4 | 122522,4 | 122522,4 |
| Total Revenue per Year | 285991,2 | 285991,2 | 285991,2 | 285991,2 | 285991,2 | 285991,2 | 285991,2 | 285991,2 |

Source: the author, 2018

#### Appendix 68. Projection Library Renting Revenues

| Projection Library Sales                         |        |         |        |         |        |         |        |         |
|--------------------------------------------------|--------|---------|--------|---------|--------|---------|--------|---------|
|                                                  | 2020   | 2021    | 2022   | 2023    | 2024   | 2025    | 2026   | 2027    |
| <b>Half Day</b>                                  |        |         |        |         |        |         |        |         |
| Price (€)                                        | 200    | 200     | 200    | 200     | 200    | 200     | 200    | 200     |
| Total Revenue per Half Day at 100% occupancy (€) | 73000  | 73000   | 73000  | 73000   | 73000  | 73000   | 73000  | 73000   |
| Occupancy (%)                                    | 2%     | 2,50%   | 3%     | 3,50%   | 4%     | 4,50%   | 5%     | 5%      |
| <b>Total Revenue per Half Day (€)</b>            | 1460   | 1825    | 2190   | 2555    | 2920   | 3285    | 3650   | 3650    |
| <b>Full day</b>                                  |        |         |        |         |        |         |        |         |
| Price (€)                                        | 350    | 350     | 350    | 350     | 350    | 350     | 350    | 350     |
| Total Revenue per Half Day at 100% occupancy (€) | 127750 | 127750  | 127750 | 127750  | 127750 | 127750  | 127750 | 127750  |
| Occupancy (%)                                    | 1%     | 1,50%   | 2%     | 2,50%   | 3%     | 3,50%   | 4%     | 4,50%   |
| <b>Total Revenue per Half Day (€)</b>            | 1277,5 | 1916,25 | 2555   | 3193,75 | 3832,5 | 4471,25 | 5110   | 5748,75 |
| <b>Total Yearly Revenue Library</b>              | 2737,5 | 3741,25 | 4745   | 5748,75 | 6752,5 | 7756,25 | 8760   | 9398,75 |

| Projection Library Sales                         |                |                |                |                |                |                |                |                |
|--------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                  | 2028           | 2029           | 2030           | 2031           | 2032           | 2033           | 2034           | 2035           |
| <b>Half Day</b>                                  |                |                |                |                |                |                |                |                |
| Price (€)                                        | 200            | 200            | 200            | 200            | 200            | 200            | 200            | 200            |
| Total Revenue per Half Day at 100% occupancy (€) | 73000          | 73000          | 73000          | 73000          | 73000          | 73000          | 73000          | 73000          |
| Occupancy (%)                                    | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             |
| <b>Total Revenue per Half Day (€)</b>            | 3650           | 3650           | 3650           | 3650           | 3650           | 3650           | 3650           | 3650           |
| <b>Full day</b>                                  |                |                |                |                |                |                |                |                |
| Price (€)                                        | 350            | 350            | 350            | 350            | 350            | 350            | 350            | 350            |
| Total Revenue per Half Day at 100% occupancy (€) | 127750         | 127750         | 127750         | 127750         | 127750         | 127750         | 127750         | 127750         |
| Occupancy (%)                                    | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             | 5%             |
| <b>Total Revenue per Half Day (€)</b>            | 6387,5         | 6387,5         | 6387,5         | 6387,5         | 6387,5         | 6387,5         | 6387,5         | 6387,5         |
| <b>Total Yearly Revenue Library</b>              | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> | <b>10037,5</b> |

Source: the author, 2018

#### Appendix 69. F&B Revenues Guests

| Food & Drink Sales (Guests)        |                 |                  |                   |                   |                   |                  |                   |                   |
|------------------------------------|-----------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Food Sales Caffé Garden 48 Revenue | 2020            | 2021             | 2022              | 2023              | 2024              | 2025             | 2026              | 2027              |
| Average food expenditure           | 3,19            | 3,19             | 3,19              | 3,19              | 3,19              | 3,19             | 3,19              | 3,19              |
| Total Guests                       | 4599            | 5256             | 5387,4            | 5518,8            | 5650,2            | 5781,6           | 5781,6            | 5781,6            |
| % Guests consuming                 | 30%             | 31%              | 32%               | 33%               | 34%               | 35%              | 36%               | 37%               |
| Total guests consuming             | 1379,7          | 1629,36          | 1723,968          | 1821,204          | 1921,068          | 2023,56          | 2081,376          | 2139,192          |
| <b>Total Revenue</b>               | <b>4401,243</b> | <b>5197,6584</b> | <b>5499,45792</b> | <b>5809,64076</b> | <b>6128,20692</b> | <b>6455,1564</b> | <b>6639,58944</b> | <b>6824,02248</b> |

| Food & Drink Sales (Guests)        |            |            |            |            |            |            |            |            |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Food Sales Caffé Garden 48 Revenue | 2028       | 2029       | 2030       | 2031       | 2032       | 2033       | 2034       | 2035       |
| Average food expenditure           | 3,19       | 3,19       | 3,19       | 3,19       | 3,19       | 3,19       | 3,19       | 3,19       |
| Total Guests                       | 5781,6     | 5781,6     | 5781,6     | 5781,6     | 5781,6     | 5781,6     | 5781,6     | 5781,6     |
| % Guests consuming                 | 38%        | 39%        | 39%        | 39%        | 39%        | 39%        | 39%        | 39%        |
| Total guests consuming             | 2197,008   | 2254,824   | 2254,824   | 2254,824   | 2254,824   | 2254,824   | 2254,824   | 2254,824   |
| Total Revenue                      | 7008,45552 | 7192,88856 | 7192,88856 | 7192,88856 | 7192,88856 | 7192,88856 | 7192,88856 | 7192,88856 |

| Food & Drink Sales (Guests)          |         |          |           |           |           |          |          |          |
|--------------------------------------|---------|----------|-----------|-----------|-----------|----------|----------|----------|
| Drinks Sales Caffé Garden 48 Revenue | 2020    | 2021     | 2022      | 2023      | 2024      | 2025     | 2026     | 2027     |
| Average drink expenditure            | 2,1     | 2,1      | 2,1       | 2,1       | 2,1       | 2,1      | 2,1      | 2,1      |
| Total Guests                         | 4599    | 5256     | 5387,4    | 5518,8    | 5650,2    | 5781,6   | 5781,6   | 5781,6   |
| % Guests consuming                   | 40%     | 41%      | 42%       | 43%       | 44%       | 45%      | 45%      | 45%      |
| Total guests consuming               | 1839,6  | 2154,96  | 2262,708  | 2373,084  | 2486,088  | 2601,72  | 2601,72  | 2601,72  |
| Total Revenue                        | 3863,16 | 4525,416 | 4751,6868 | 4983,4764 | 5220,7848 | 5463,612 | 5463,612 | 5463,612 |

| Food & Drink Sales (Guests)          |          |          |          |          |          |          |          |          |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Drinks Sales Caffé Garden 48 Revenue | 2028     | 2029     | 2030     | 2031     | 2032     | 2033     | 2034     | 2035     |
| Average drink expenditure            | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      |
| Total Guests                         | 5781,6   | 5781,6   | 5781,6   | 5781,6   | 5781,6   | 5781,6   | 5781,6   | 5781,6   |
| % Guests consuming                   | 45%      | 45%      | 45%      | 45%      | 45%      | 45%      | 45%      | 45%      |
| Total guests consuming               | 2601,72  | 2601,72  | 2601,72  | 2601,72  | 2601,72  | 2601,72  | 2601,72  | 2601,72  |
| Total Revenue                        | 5463,612 | 5463,612 | 5463,612 | 5463,612 | 5463,612 | 5463,612 | 5463,612 | 5463,612 |

Source: the author, 2018

## Appendix 70. Auxiliary Calculation - Caffé Garden 48 Clients Capacity

| Auxiliary Calculations - Caffé Garden 48 Capacity<br>(Externals) |          |
|------------------------------------------------------------------|----------|
| Total Seats                                                      | 35       |
| Service hours (11.30pm-9pm) (h)                                  | 9,5      |
| Average "shift" (h)                                              | 2        |
| Total shifts                                                     | 4,75     |
| Total client capacity                                            | 166,25   |
| Total client capacity per year                                   | 60681,25 |

Source: the author, 2018

## Appendix 71. F&B Revenues External Clients

| Food & Drinks Sales (External Clients) |          |           |          |          |          |          |          |          |
|----------------------------------------|----------|-----------|----------|----------|----------|----------|----------|----------|
| Food Sales Caffé Garden 48 Revenue     | 2020     | 2021      | 2022     | 2023     | 2024     | 2025     | 2026     | 2027     |
| Average food expenditure               | 3,19     | 3,19      | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     |
| Total Capacity Clients                 | 60681    | 60681     | 60681    | 60681    | 60681    | 60681    | 60681    | 60681    |
| % External Clients                     | 30%      | 35%       | 40%      | 40%      | 40%      | 40%      | 40%      | 40%      |
| Total Clients                          | 18204,3  | 21238,35  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  |
| % Clients consuming                    | 40%      | 50%       | 55%      | 55%      | 55%      | 55%      | 55%      | 55%      |
| Total Clients consuming                | 7281,72  | 10619,175 | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 |
| Total Revenue                          | 23228,69 | 33875,17  | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 |

| Food & Drinks Sales (External Clients) |          |          |          |          |          |          |          |          |
|----------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Food Sales Caffé Garden 48 Revenue     | 2028     | 2029     | 2030     | 2031     | 2032     | 2033     | 2034     | 2035     |
| Average food expenditure               | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     | 3,19     |
| Total Capacity Clients                 | 60681    | 60681    | 60681    | 60681    | 60681    | 60681    | 60681    | 60681    |
| % External Clients                     | 40%      | 40%      | 40%      | 40%      | 40%      | 40%      | 40%      | 40%      |
| Total Clients                          | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  |
| % Clients consuming                    | 55%      | 55%      | 55%      | 55%      | 55%      | 55%      | 55%      | 55%      |
| Total Clients consuming                | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 | 13349,82 |
| Total Revenue                          | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 | 42585,93 |

| Food & Drinks Sales (External Clients) |          |           |          |          |          |          |          |          |
|----------------------------------------|----------|-----------|----------|----------|----------|----------|----------|----------|
| Drinks Sales Caffé Garden 48 Revenue   | 2020     | 2021      | 2022     | 2023     | 2024     | 2025     | 2026     | 2027     |
| Average drink expenditure              | 2,1      | 2,1       | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      | 2,1      |
| Total Capacity Clients                 | 60681    | 60681     | 60681    | 60681    | 60681    | 60681    | 60681    | 60681    |
| % External Clients                     | 30%      | 35%       | 40%      | 40%      | 40%      | 40%      | 40%      | 40%      |
| Total Clients                          | 18204,3  | 21238,35  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  | 24272,4  |
| % Clients consuming                    | 80%      | 90%       | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      |
| Total Clients consuming                | 14563,44 | 19114,515 | 21845,16 | 21845,16 | 21845,16 | 21845,16 | 21845,16 | 21845,16 |
| Total Revenue                          | 30583,22 | 40140,48  | 45874,84 | 45874,84 | 45874,84 | 45874,84 | 45874,84 | 45874,84 |

| Food & Drinks Sales (External Clients) |                 |                 |                 |                 |                 |                 |                 |                 |
|----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Drinks Sales Caffé Garden 48 Revenue   | 2028            | 2029            | 2030            | 2031            | 2032            | 2033            | 2034            | 2035            |
| Average drink expenditure              | 2,1             | 2,1             | 2,1             | 2,1             | 2,1             | 2,1             | 2,1             | 2,1             |
| Total Capacity Clients                 | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           | 60681           |
| % External Clients                     | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             | 40%             |
| Total Clients                          | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         | 24272,4         |
| % Clients consuming                    | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             | 90%             |
| Total Clients consuming                | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        | 21845,16        |
| <b>Total Revenue</b>                   | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> | <b>45874,84</b> |

Source: the author, 2018

## Appendix 72. Operational Cash Flows Map

| Operational Cash Flows Map                 | 2020              | 2021              | 2022              | 2023              | 2024              | 2025             | 2026             | 2027             |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| Cash Flow Generation                       |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Operational Result (EBIT) x (1-IRC)</b> | -58595,6          | -13284,0          | 8856,0            | 19946,6           | 31403,1           | 43059,7          | 49861,9          | 58278,3          |
| <b>Depreciation &amp; Amortization</b>     | 80164,7           | 80164,7           | 80164,7           | 80089,1           | 80089,1           | 80089,1          | 80089,1          | 77837,1          |
| <b>Provisions for the Year</b>             | 0                 | 0                 | 0                 | 0                 | 0                 | 0                | 0                | 0                |
|                                            | <b>21569,1</b>    | <b>66880,7</b>    | <b>89020,7</b>    | <b>100035,7</b>   | <b>111492,2</b>   | <b>123148,8</b>  | <b>129951,0</b>  | <b>136115,4</b>  |
| Investim./Desinvest. In Operating Fund     |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Operating Fund</b>                      | 19841,0           | 3562,8            | 899,9             | 354,3             | 545,0             | -888,1           | 1426,6           | 244,4            |
|                                            |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Exploration Cash Flow</b>               | <b>41410,1</b>    | <b>70443,5</b>    | <b>89920,7</b>    | <b>100390,0</b>   | <b>112037,2</b>   | <b>122260,7</b>  | <b>131377,6</b>  | <b>136359,8</b>  |
|                                            |                   |                   |                   |                   |                   |                  |                  |                  |
| Investim./Desinvest.in Fixed Capital       |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Fixed Capital</b>                       | -1431317,5        | 0,0               | 0,0               | -1586,0           | 0,0               | -23408,0         | -1586,0          | 0,0              |
|                                            |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Free cash-flow</b>                      | <b>-1389907,4</b> | <b>70443,5</b>    | <b>89920,7</b>    | <b>98804,0</b>    | <b>112037,2</b>   | <b>98852,7</b>   | <b>129791,6</b>  | <b>136359,8</b>  |
|                                            |                   |                   |                   |                   |                   |                  |                  |                  |
| <b>Accummulated Cash Flows</b>             | <b>-1389907,4</b> | <b>-1319463,9</b> | <b>-1229543,2</b> | <b>-1130739,2</b> | <b>-1018702,0</b> | <b>-919849,2</b> | <b>-790057,6</b> | <b>-653697,8</b> |

| Operational Cash Flows Map                 | 2028             | 2029             | 2030             | 2031             | 2032            | 2033            | 2034            | 2035            |
|--------------------------------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Cash Flow Generation                       |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Operational Result (EBIT) x (1-IRC)</b> | 63262,5          | 69649,8          | 76160,6          | 82628,3          | 89225,4         | 95954,4         | 102818,0        | 113517,3        |
| <b>Depreciation &amp; Amortization</b>     | 80089,1          | 80089,1          | 79874,1          | 79874,1          | 79874,1         | 79874,1         | 79874,1         | 75192,5         |
| <b>Provisions for the Year</b>             | 0                | 0                | 0                | 0                | 0               | 0               | 0               | 0               |
|                                            | <b>143351,6</b>  | <b>149738,9</b>  | <b>156034,6</b>  | <b>162502,4</b>  | <b>169099,4</b> | <b>175828,4</b> | <b>182692,0</b> | <b>188709,8</b> |
| Investim./Desinvest. In Operating Fund     |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Operating Fund</b>                      | 155,6            | 30,1             | -1134,4          | 1468,8           | 34,1            | 219,0           | 130,3           | 41,7            |
|                                            |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Exploration Cash Flow</b>               | <b>143507,2</b>  | <b>149769,0</b>  | <b>154900,3</b>  | <b>163971,1</b>  | <b>169133,5</b> | <b>176047,4</b> | <b>182822,4</b> | <b>188751,5</b> |
|                                            |                  |                  |                  |                  |                 |                 |                 |                 |
| Investim./Desinvest.in Fixed Capital       |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Fixed Capital</b>                       | <b>-56300,0</b>  | <b>-1586,0</b>   | <b>-23408,0</b>  | <b>0,0</b>       | <b>-1586,0</b>  | <b>0,0</b>      | <b>0,0</b>      | <b>-1586,0</b>  |
|                                            |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Free cash-flow</b>                      | <b>87207,2</b>   | <b>148183,0</b>  | <b>131492,3</b>  | <b>163971,1</b>  | <b>167547,5</b> | <b>176047,4</b> | <b>182822,4</b> | <b>187165,5</b> |
|                                            |                  |                  |                  |                  |                 |                 |                 |                 |
| <b>Accummulated Cash Flows</b>             | <b>-566490,6</b> | <b>-418307,6</b> | <b>-286815,3</b> | <b>-122844,2</b> | <b>44703,3</b>  | <b>220750,7</b> | <b>403573,1</b> | <b>590738,6</b> |

Source: the author, 2018

### Appendix 73. Financial Evaluation (Investor's Perspective)

| Investor's Perspective                                 | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       |
|--------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Free Cash Flow to Equity                               | -787715,74 | -20092,85  | 1654,39    | 12567,52   | 27830,49   | 16675,77   | 49644,43   | 58242,32   |
| Riskfree interest Rate                                 | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       |
| Market Risk Premium                                    | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       |
| Taxa de Actualização $R = R_f + B_u \cdot (R_m - R_f)$ | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       |
| Factor actualização                                    | 1,00       | 1,04       | 1,09       | 1,14       | 1,18       | 1,24       | 1,29       | 1,35       |
| Discounted Cash Flows                                  | -787715,74 | -19259,87  | 1519,99    | 11066,76   | 23487,57   | 13487,37   | 38478,05   | 43257,26   |
| Accummulated Discounted Cashflows                      | -787715,74 | -806975,61 | -805455,62 | -794388,86 | -770901,29 | -757413,92 | -718935,86 | -675678,61 |

| Investor's Perspective                                 | 2028       | 2029       | 2030       | 2031       | 2032       | 2033       | 2034       | 2035      |
|--------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|-----------|
| Free Cash Flow to Equity                               | 11119,51   | 74125,12   | 59464,15   | 113226,89  | 118833,07  | 129362,70  | 138167,42  | 539201,30 |
| Riskfree interest Rate                                 | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00       | 0,00      |
| Market Risk Premium                                    | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06       | 0,06      |
| Taxa de Actualização $R = R_f + B_u \cdot (R_m - R_f)$ | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04       | 0,04      |
| Factor actualização                                    | 1,41       | 1,47       | 1,53       | 1,60       | 1,67       | 1,74       | 1,82       | 1,90      |
| Discounted Cash Flows                                  | 7913,34    | 50543,92   | 40547,00   | 73970,34   | 74374,59   | 77562,12   | 79354,80   | 296632,36 |
| Accummulated Discounted Cashflows                      | -667765,27 | -617221,34 | -576674,35 | -502704,00 | -428329,41 | -350767,29 | -271412,49 | 25219,86  |

|                         |             |
|-------------------------|-------------|
| NPV (Net Present Value) | 25219,86368 |
| IRR                     | 4%          |
| Pay Back period         | 15 Years    |

Source: the author, 2018

#### Appendix 74. Income Statement

| Income Statement                           | 2020            | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2027           |
|--------------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Sales and Revenues</b>                  | 292 354         | 353 472        | 382 578        | 397 622        | 413 204        | 429 040        | 437 651        | 446 052        |
| <b>Operational Costs (FSEs and others)</b> | 57 569          | 61 331         | 62 412         | 63 492         | 64 573         | 65 654         | 65 654         | 65 654         |
| <b>Staff Costs</b>                         | 228 792         | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        |
| <b>EBITDA</b>                              | <b>5 993</b>    | <b>63 350</b>  | <b>91 375</b>  | <b>105 338</b> | <b>119 840</b> | <b>134 595</b> | <b>143 205</b> | <b>151 607</b> |
| <b>Depreciation/Amortization Expense</b>   | 80 165          | 80 165         | 80 165         | 80 089         | 80 089         | 80 089         | 80 089         | 77 837         |
| <b>EBIT</b>                                | <b>-74 172</b>  | <b>-16 815</b> | <b>11 210</b>  | <b>25 249</b>  | <b>39 751</b>  | <b>54 506</b>  | <b>63 116</b>  | <b>73 770</b>  |
| <b>Interest and similar earnings</b>       |                 |                |                |                |                | 252            | 1 871          | 3 788          |
| <b>Interest and similar charges</b>        | 72 821          | 73 870         | 71 791         | 69 132         | 65 685         | 62 923         | 60 893         | 58 863         |
| <b>Income before taxes</b>                 | <b>-146 993</b> | <b>-90 685</b> | <b>-60 581</b> | <b>-43 884</b> | <b>-25 934</b> | <b>-8 165</b>  | <b>4 094</b>   | <b>18 694</b>  |
| <b>Taxes over Profit</b>                   |                 |                |                |                |                |                | 860            | 3 926          |
| <b>Net Income</b>                          | <b>-146 993</b> | <b>-90 685</b> | <b>-60 581</b> | <b>-43 884</b> | <b>-25 934</b> | <b>-8 165</b>  | <b>3 234</b>   | <b>14 768</b>  |

| Income Statement                           | 2028           | 2029           | 2030           | 2031           | 2032           | 2033           | 2034           | 2035           |
|--------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Sales and Revenues</b>                  | 454 613        | 462 699        | 470 725        | 478 912        | 487 263        | 495 780        | 504 469        | 513 330        |
| <b>Operational Costs (FSEs and others)</b> | 65 654         | 65 654         | 65 654         | 65 654         | 65 654         | 65 654         | 65 654         | 65 654         |
| <b>Staff Costs</b>                         | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        | 228 792        |
| <b>EBITDA</b>                              | <b>160 168</b> | <b>168 253</b> | <b>176 280</b> | <b>184 467</b> | <b>192 818</b> | <b>201 335</b> | <b>210 023</b> | <b>218 885</b> |
| <b>Depreciation/Amortization Expense</b>   | 80 089         | 80 089         | 79 874         | 79 874         | 79 874         | 79 874         | 79 874         | 75 192         |
| <b>EBIT</b>                                | <b>80 079</b>  | <b>88 164</b>  | <b>96 406</b>  | <b>104 593</b> | <b>112 943</b> | <b>121 461</b> | <b>130 149</b> | <b>143 693</b> |
| <b>Interest and similar earnings</b>       | 4 500          | 6 991          | 9 214          | 12 423         | 15 903         | 19 788         | 23 703         | 27 709         |
| <b>Interest and similar charges</b>        | 56 834         | 54 804         | 52 774         | 50 744         | 48 714         | 46 685         | 44 655         | 42 625         |
| <b>Income before taxes</b>                 | <b>27 746</b>  | <b>40 352</b>  | <b>52 846</b>  | <b>66 272</b>  | <b>80 132</b>  | <b>94 565</b>  | <b>109 197</b> | <b>128 776</b> |
| <b>Taxes over Profit</b>                   |                |                |                |                |                | 13 367         | 22 931         | 27 043         |
| <b>Net Income</b>                          | <b>27 746</b>  | <b>40 352</b>  | <b>52 846</b>  | <b>66 272</b>  | <b>80 132</b>  | <b>81 198</b>  | <b>86 266</b>  | <b>101 733</b> |

Source: the author, 2018

#### Appendix 75. Depreciation and Amortization Map

| Depreciation & Amortization                               | %   | 2020          | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           | 2027           |
|-----------------------------------------------------------|-----|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Buildings                                                 | 5%  | 67 345        | 67 345         | 67 345         | 67 345         | 67 345         | 67 345         | 67 345         | 67 345         |
| Machinery, Equipment and Appliances                       | 20% | 4 682         | 4 682          | 4 682          | 4 682          | 4 682          | 4 682          | 4 682          | 4 682          |
| Furniture + Mattresses, Linen and Towels                  | 13% | 7 319         | 7 319          | 7 319          | 7 319          | 7 319          | 7 319          | 7 319          | 5 067          |
| Televisions                                               | 10% | 165           | 165            | 165            | 165            | 165            | 165            | 165            | 165            |
| Computers                                                 | 10% | 50            | 50             | 50             | 50             | 50             | 50             | 50             | 50             |
| Telephones                                                | 33% | 604           | 604            | 604            | 529            | 529            | 529            | 529            | 529            |
| <b>Total Depreciation &amp; Amortizations</b>             |     | <b>80 165</b> | <b>80 165</b>  | <b>80 165</b>  | <b>80 089</b>  | <b>80 089</b>  | <b>80 089</b>  | <b>80 089</b>  | <b>77 837</b>  |
| <b>Total Accumulated Depreciation &amp; Amortizations</b> |     | <b>80 165</b> | <b>160 329</b> | <b>240 494</b> | <b>320 583</b> | <b>400 672</b> | <b>480 761</b> | <b>560 851</b> | <b>638 688</b> |

| Depreciation & Amortization                               | %   | 2028           | 2029           | 2030           | 2031           | 2032             | 2033             | 2034             | 2035             |
|-----------------------------------------------------------|-----|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Buildings                                                 | 5%  | 67 345         | 67 345         | 67 345         | 67 345         | 67 345           | 67 345           | 67 345           | 67 345           |
| Machinery, Equipment and Appliances                       | 20% | 4 682          | 4 682          | 4 682          | 4 682          | 4 682            | 4 682            | 4 682            |                  |
| Furniture + Mattresses, Linen and Towels                  | 13% | 7 319          | 7 319          | 7 319          | 7 319          | 7 319            | 7 319            | 7 319            | 7 319            |
| Televisions                                               | 10% | 165            | 165            |                |                |                  |                  |                  |                  |
| Computers                                                 | 10% | 50             | 50             |                |                |                  |                  |                  |                  |
| Telephones                                                | 33% | 529            | 529            | 529            | 529            | 529              | 529              | 529              | 529              |
| <b>Total Depreciation &amp; Amortizations</b>             |     | <b>80 089</b>  | <b>80 089</b>  | <b>79 874</b>  | <b>79 874</b>  | <b>79 874</b>    | <b>79 874</b>    | <b>79 874</b>    | <b>75 192</b>    |
| <b>Total Accumulated Depreciation &amp; Amortizations</b> |     | <b>718 777</b> | <b>798 866</b> | <b>878 740</b> | <b>958 614</b> | <b>1 038 488</b> | <b>1 118 362</b> | <b>1 198 236</b> | <b>1 273 429</b> |

Source: the author, 2018

## Appendix 76. Balance Sheet

| Balance Sheet                     | 2020             | 2021             | 2022             | 2023             | 2024             | 2025           | 2026           | 2027           |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                     |                  |                  |                  |                  |                  |                |                |                |
| <b>Non-Current Assets</b>         | 1 351 153        | 1 270 988        | 1 190 823        | 1 112 320        | 1 032 231        | 975 550        | 897 047        | 819 210        |
| <b>Fixed Tangible Assets</b>      | 1 350 403        | 1 270 238        | 1 190 073        | 1 111 570        | 1 031 481        | 974 800        | 896 297        | 818 460        |
| <b>Intangible Assets</b>          | 750              | 750              | 750              | 750              | 750              | 750            | 750            | 750            |
| <b>Current Assets</b>             |                  |                  |                  |                  |                  | 10 070         | 74 840         | 151 502        |
| <b>Cash and Equivalents</b>       |                  |                  |                  |                  |                  | 10 070         | 74 840         | 151 502        |
| <b>TOTAL ASSETS</b>               | <b>1 351 153</b> | <b>1 270 988</b> | <b>1 190 823</b> | <b>1 112 320</b> | <b>1 032 231</b> | <b>985 620</b> | <b>971 887</b> | <b>970 712</b> |
|                                   |                  |                  |                  |                  |                  |                |                |                |
| <b>SHAREHOLDERS EQUITY</b>        |                  |                  |                  |                  |                  |                |                |                |
| <b>Paid-up capital</b>            | 759 923          | 759 923          | 759 923          | 759 923          | 759 923          | 759 923        | 759 923        | 759 923        |
| <b>Capital reserves</b>           |                  | -146 993         | -237 678         | -298 259         | -342 143         | -368 077       | -376 242       | -373 007       |
| <b>Retained Earnings</b>          | -146 993         | -90 685          | -60 581          | -43 884          | -25 934          | -8 165         | 3 234          | 14 768         |
| <b>TOTAL SHAREHOLDERS EQUITY</b>  | <b>612 930</b>   | <b>522 245</b>   | <b>461 664</b>   | <b>417 781</b>   | <b>391 847</b>   | <b>383 682</b> | <b>386 916</b> | <b>401 685</b> |
|                                   |                  |                  |                  |                  |                  |                |                |                |
| <b>LIABILITIES</b>                |                  |                  |                  |                  |                  |                |                |                |
| <b>Long-term Liabilities</b>      | 673 894          | 654 640          | 635 386          | 616 132          | 596 878          | 577 624        | 558 370        | 539 115        |
| <b>Financiamentos obtidos</b>     | 673 894          | 654 640          | 635 386          | 616 132          | 596 878          | 577 624        | 558 370        | 539 115        |
| <b>Short-term Liabilities</b>     | 64 328           | 94 103           | 93 773           | 78 408           | 43 507           | 24 315         | 26 601         | 29 912         |
| <b>Suppliers</b>                  | 10 892           | 11 611           | 11 817           | 12 022           | 12 228           | 12 434         | 12 434         | 12 434         |
| <b>Government</b>                 | 8 949            | 11 793           | 12 487           | 12 636           | 12 975           | 11 881         | 14 168         | 17 478         |
| <b>Loans Obtained</b>             | 44 487           | 70 699           | 69 469           | 53 749           | 18 303           |                |                |                |
| <b>TOTAL LIABILITIES</b>          | <b>738 223</b>   | <b>748 743</b>   | <b>729 159</b>   | <b>694 539</b>   | <b>640 384</b>   | <b>601 939</b> | <b>584 971</b> | <b>569 027</b> |
| <b>TOTAL EQUITY + LIABILITIES</b> | <b>1 351 153</b> | <b>1 270 988</b> | <b>1 190 823</b> | <b>1 112 320</b> | <b>1 032 231</b> | <b>985 620</b> | <b>971 887</b> | <b>970 712</b> |

| Balance Sheet                     | 2028           | 2029           | 2030             | 2031             | 2032             | 2033             | 2034             | 2035             |
|-----------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                     |                |                |                  |                  |                  |                  |                  |                  |
| <b>Non-Current Assets</b>         | 795 421        | 716 918        | 660 452          | 580 577          | 502 289          | 422 415          | 342 541          | 268 935          |
| <b>Fixed Tangible Assets</b>      | 794 671        | 716 168        | 659 702          | 579 827          | 501 539          | 421 665          | 341 791          | 268 185          |
| <b>Intangible Assets</b>          | 750            | 750            | 750              | 750              | 750              | 750              | 750              | 750              |
| <b>Current Assets</b>             | 180 013        | 279 643        | 368 567          | 496 927          | 636 128          | 791 531          | 948 112          | 1 108 351        |
| <b>Cash and Equivalents</b>       | 180 013        | 279 643        | 368 567          | 496 927          | 636 128          | 791 531          | 948 112          | 1 108 351        |
| <b>TOTAL ASSETS</b>               | <b>975 433</b> | <b>996 561</b> | <b>1 029 018</b> | <b>1 077 505</b> | <b>1 138 417</b> | <b>1 213 947</b> | <b>1 290 653</b> | <b>1 377 285</b> |
|                                   |                |                |                  |                  |                  |                  |                  |                  |
| <b>SHAREHOLDERS EQUITY</b>        |                |                |                  |                  |                  |                  |                  |                  |
| <b>Paid-up capital</b>            | 759 923        | 759 923        | 759 923          | 759 923          | 759 923          | 759 923          | 759 923          | 759 923          |
| <b>Capital reserves</b>           | -358 239       | -330 493       | -290 141         | -237 295         | -171 023         | -90 891          | -9 694           | 76 572           |
| <b>Retained Earnings</b>          | 27 746         | 40 352         | 52 846           | 66 272           | 80 132           | 81 198           | 86 266           | 101 733          |
| <b>TOTAL SHAREHOLDERS EQUITY</b>  | <b>429 431</b> | <b>469 782</b> | <b>522 628</b>   | <b>588 900</b>   | <b>669 032</b>   | <b>750 230</b>   | <b>836 495</b>   | <b>938 229</b>   |
|                                   |                |                |                  |                  |                  |                  |                  |                  |
| <b>LIABILITIES</b>                |                |                |                  |                  |                  |                  |                  |                  |
| <b>Long-term Liabilities</b>      | 519 861        | 500 607        | 481 353          | 462 099          | 442 845          | 423 591          | 404 337          | 385 082          |
| <b>Financiamentos obtidos</b>     | 519 861        | 500 607        | 481 353          | 462 099          | 442 845          | 423 591          | 404 337          | 385 082          |
| <b>Short-term Liabilities</b>     | 26 142         | 26 172         | 25 037           | 26 506           | 26 540           | 40 126           | 49 821           | 53 974           |
| <b>Suppliers</b>                  | 12 434         | 12 434         | 12 434           | 12 434           | 12 434           | 12 434           | 12 434           | 12 434           |
| <b>Government</b>                 | 13 708         | 13 738         | 12 604           | 14 072           | 14 107           | 27 693           | 37 387           | 41 541           |
| <b>Loans Obtained</b>             |                |                |                  |                  |                  |                  |                  |                  |
| <b>TOTAL LIABILITIES</b>          | <b>546 003</b> | <b>526 779</b> | <b>506 390</b>   | <b>488 605</b>   | <b>469 385</b>   | <b>463 717</b>   | <b>454 157</b>   | <b>439 057</b>   |
| <b>TOTAL EQUITY + LIABILITIES</b> | <b>975 433</b> | <b>996 561</b> | <b>1 029 018</b> | <b>1 077 505</b> | <b>1 138 417</b> | <b>1 213 947</b> | <b>1 290 653</b> | <b>1 377 285</b> |

Source: the author, 2018

## Appendix 77. Human Resources Functions and Remunerations

| Staff / Function         | Number of Employees | Base month Remuneration | Base Annual Remuneration | Insurance (1%) |
|--------------------------|---------------------|-------------------------|--------------------------|----------------|
| General Manager          | 1                   | 2000                    | 28000                    | n/a            |
| Front-office Coordinator | 1                   | 1500                    | 21000                    | n/a            |
| Reception Staff          | 3                   | 850                     | 35700                    | n/a            |
| Housekeeping Manager     | 1                   | 1000                    | 14000                    | n/a            |
| Housekeeping Staff       | 2                   | 700                     | 19600                    | n/a            |
| Kitchen Staff            | 2                   | 800                     | 22400                    | n/a            |
| Bar Staff                | 3                   | 750                     | 31500                    | n/a            |
| Maintenance              | 1                   | 800                     | 11200                    | n/a            |
| <b>TOTAL</b>             | <b>14</b>           | <b>8400</b>             | <b>183400</b>            | <b>1834</b>    |

Source: the author, 2018

## Appendix 78. Total HR Costs

| Total Staff Costs          | 2020            | 2021            | 2022            | 2023            | 2024            | 2025            | 2026            | 2027            |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries                   | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          |
| Social Security (Employer) | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         |
| Work Insurance             | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            |
| <b>Total</b>               | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> |

| Total Staff Costs          | 2028            | 2029            | 2030            | 2031            | 2032            | 2033            | 2034            | 2035            |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries                   | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          | 183400          |
| Social Security (Employer) | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         | 43557,5         |
| Work Insurance             | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            | 1834            |
| <b>Total</b>               | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> | <b>228791,5</b> |

| Staff Withholding Taxes    | %    | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  | 2027  |
|----------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Withholding Tax Employee   | 0,11 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 |
| Withholding IRS (Employee) | 0,15 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 |
| <b>Total Withholding</b>   |      | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 |

| Staff Withholding Taxes    | %    | 2028  | 2029  | 2030  | 2031  | 2032  | 2033  | 2034  | 2035  |
|----------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Withholding Tax Employee   | 0,11 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 | 20174 |
| Withholding IRS (Employee) | 0,15 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 | 27510 |
| <b>Total Withholding</b>   |      | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 | 47684 |

Source: the author, 2018

## Appendix 79. Staff Uniforms prices, quantities and costs

| Staff Uniforms*                                      | Price | Quantity | Total Cost     |
|------------------------------------------------------|-------|----------|----------------|
| <b>Front-office manager</b>                          |       |          |                |
| Shirt (model JOFFREY, color white)                   | 17,6  | 2        | 35,2           |
| Blazer (model CONFORT, color black)                  | 105,6 | 2        | 211,2          |
| Trousers (model CONFORT, color black)                | 42,7  | 2        | 85,4           |
| <b>Receptionist</b>                                  |       |          |                |
| Shirt (model JOFFREY, color white)                   | 17,6  | 6        | 105,6          |
| Jacket (model GORDON, color grey)                    | 23,6  | 6        | 141,6          |
| Trousers (model CONFORT, color black)                | 42,7  | 6        | 256,2          |
| <b>Bar Staff</b>                                     |       |          |                |
| Polo (model SUMMER II, color green #269)             | 8,4   | 6        | 50,4           |
| Apron (model TOULOUSE, color black)                  | 10,9  | 6        | 65,4           |
| <b>Kitchen Staff</b>                                 |       |          |                |
| Coat "jaleca" (model HAMBURGO, color white)          | 24,9  | 4        | 99,6           |
| Trousers (model YORK, color black)                   | 22,5  | 4        | 90             |
| Head protection (model BANDANA PIRATA, color black)  | 5,9   | 4        | 23,6           |
| Shoes (model BLOC, color dark blue)                  | 29,61 | 4        | 118,44         |
| <b>Maintenance</b>                                   |       |          |                |
| T-shirt (model LUANDA, color white)                  | 4,2   | 2        | 8,4            |
| Overall (model TOROUN, color grey #8)                | 19,9  | 2        | 39,8           |
| Boots (model ASMARA, color black)                    | 20,5  | 2        | 41             |
| <b>Housekeeping manager</b>                          |       |          |                |
| Jacket/Tunique (model CHARLOTTE, color black)        | 27,9  | 2        | 55,8           |
| Shoes (Adidas, model ESSENTIAL FUN 2.0, color black) | 24,98 | 2        | 49,96          |
| <b>Housekeeping assistants</b>                       |       |          |                |
| Shoes (Berg, model GRYSBOK 2.0)                      | 17,49 | 4        | 69,96          |
| Apron double-sided (model BASIC, color white)        | 9,6   | 4        | 38,4           |
| <b>Total</b>                                         |       |          | <b>1585,96</b> |

Source: the author, 2018

## Appendix 80. Map of Lisbon per districts



Source: Câmara Municipal de Lisboa, 2013