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**Sustainability of an entrepreneurship project:**

Take advantage of a sector that keeps growing despite the economic crisis  
(the Travel & Tourism' sector)



TAKE A BREAK

Author: Francisco Reis Gomes Chambel

Advisor: Susana Frazão Pinheiro

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## **Abstract**

Title: **Sustainability of an entrepreneurship project: *Take a Break***

Sub-title: Take advantage of a sector that keeps growing despite the economic crisis (the Travel & Tourism' sector)

Author: Francisco Reis Gomes Chambel

A trend among tourists has been gaining ground in the last 20 years or so; the search for new and diverse experiences, flavoring local environments achieved through short stays in the principal European cities. These short vacations are called City Breaks and were made possible by the boom of low cost carriers.

On the back of this trend, came a surge in the supply of apartments, rented on a daily basis, to lodge this type of tourists, and a new type of business appeared, the “Short-Breaks”.

The purpose of this dissertation is to determine if, *Take a Break*, a company that plans to rent three specific buildings in Lisbon, to an investor, can develop a sustainable business model, or not, operating in this short-break's market.

An extensive qualitative analysis is carried out, to determine the attractiveness of the market, and future trends. A quantitative analysis is also crucial as in the end determines if the company should or not proceed with the proposed business.

After a careful evaluation and with the consensus of not only the company's managers, but also the investor, it was decided that the company is going forward to put in place a business plan based on what is showed and evaluated in this dissertation.

## Resumo

Título: **Sustentabilidade de um projecto empreendedor: *Take a Break***

Subtítulo: Tirar partido de um sector que continua a crescer em tempo de crise (o sector de Viagens e Turismo)

Autor: Francisco Reis Gomes Chambel

Nos últimos 20 anos, tem vindo a verificar-se uma tendência entre turistas; a procura de novas e diversificadas experiências, saboreando os ambientes locais, através de curtas estadias nas principais cidades Europeias. Estas pequenas férias designam-se *City Breaks* e tornaram-se possíveis pelo grande crescimento das companhias aéreas *low cost*.

Na esteira desta tendência, verificou-se um grande aumento do número de apartamentos alugados ao dia para acomodar este tipo de turista, e um novo negócio nasceu, o *Short-Break*.

O objectivo desta dissertação é determinar se *Take a Break*, uma empresa que planeia arrendar três prédios em Lisboa, a um investidor, consegue ou não, desenvolver um modelo de negocio sustentável, operando no mercado dos *Short-Breaks*.

Procedeu-se a uma aprofundada análise qualitativa, para avaliar a atractividade do mercado e as suas futuras tendências. Foi igualmente efectuada uma análise quantitativa, crucial para determinar se a empresa deve ou não, implementar este negócio.

Depois de uma avaliação cuidada e com o consenso dos gestores e do investidor, decidiu-se avançar com o investimento, levando à prática do modelo de negócio, estudado nesta dissertação.

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## Preface

Having experienced first hand, how to tackle day-to-day business challenges during my internships, during my graduation, I come to cherish entrepreneurship experiences.

Being able to identify a market niche and a business model, were increasingly paramount in my mindset.

When looking for a theme for my dissertation, my first option was to identify a viable business model within a complicate economic environment as the one Portugal is facing.

Tourism in one hand looks set to be (keeps being) a sustainable source of stable, or growing, demand, a key sector in the Portuguese economy.

Serviced apartments, as a serious hospitality option, came to be on the back of the information age possibilities, and I believe it is still in its infancy, facing unforeseeable changes, but providing a strong market proposition.

My first acknowledgments go to my father, since he was the one that consistently guided me through the development of this dissertation. Secondly I would like to thank my advisor, Professor Susana Frazão Pinheiro, for all the valuable suggestions and guidance provided and to Architect Bernardo Mendes, that helped me understanding how to address the main theme of this thesis. Thirdly to my mother that helped me in the final issues related with the format. Last but not least, I would like to thank my girlfriend, for all the support she gave me and for having pushed me in some critical occasions.

Having in mind that in order to achieve the final result, the support of several interveners was necessary. I would like to express my gratitude to all of those that made it possible. Bernardo Clode, a friend that helped me in creating the company logo, the investor that whenever necessary, gave me the information I required, the player of the Short-Break's market interviewed and the director of *Colliers International* that provided me crucial data. Finally I would like to thank my family and friends, who always made me believe.

# 1. Introduction

The aim of this dissertation is to evaluate whether or not, *Take a Break*, a company that plans to rent, in this case, three specific buildings in Lisbon, to an investor, can develop a sustainable business model, or not, operating in the short-break's market. This is the main question of this Thesis.

Competitors in this market (short-break's market), have been increasing significantly, mainly due to the fact that the Travel & Tourism' sector, especially in Portugal, has been consistently growing, despite the economic crisis.

The sub questions that are going to be addressed and be the focus of this paper are those that will determine the attractiveness of this business:

- 1 – Which are the main trends that the Travel & Tourism' sector is facing?
- 2 – How is the short-break's market characterized?
- 3 – What business plan could fit *Take a Break*'s business characteristics?
- 4 – Is this business plan sustainable or not?

The dissertation is written in a case study format due to being focused on the sustainability of a specific company, *Take a Break*, with specific characteristics (rented 3 buildings to an investor).

In the 2<sup>nd</sup> part of this dissertation, Literature Review, data is shown which will support the case study and teaching notes development.

Firstly, the current situation and future trends of **Travel & Tourism' sector**, globally, in Portugal and in Lisbon is addressed. Secondly, the definition and characterization of the **short-break's market**, as well as its costumers' preferences, segmentation and origins are considered. Lastly, a definition of **marketing channels**, focusing then in the Internet distribution channel as it is going to be the one adopted by *Take a Break* is identified.

In the 3<sup>rd</sup> part, the Case Study, the sustainability of a company that rents 3 buildings to a Chinese investor, to then profit from marketing the 193 apartments to tourists searching for short stays in Lisbon is developed and evaluated.

At the beginning, an **executive summary** presents a brief description of the case study. Then in the **business model**, issues such as “what will the company do?” and “what is the opportunity?” are addressed, followed by a practical analysis of the **shot-break’s market**, focused on the concept, where it stands nowadays, supply, demand, prices and occupancy. *Take a Break*’s management and business structure, along with target buildings and market strategy, comes next. Then, a **competitive analysis** with Porter’s Five Forces matrix to understand how is the competition and a SWOT analysis to evaluate the tools to fight the competition and other issues to consider. In the **set up & operations** that follows, it is clarified when the company will start to operate each building and how the company will deal with the marketing of its service, take advantage of web related tools and clarify how it will operate. Finally the **financials** will *judge*, as it will be the financial analysis that determines the risk and the sustainability the company faces.

In the 4<sup>th</sup> part, the Methodology, is explained how the data was collected.

In the 5<sup>th</sup> part, the Teaching Notes, aiming to support in-class discussion about the case. At the beginning, there is a **synopsis of the case**. Then the **teaching objectives** are presented. Followed by the **teaching questions** and **proposed solutions**.

In the 6<sup>th</sup> part, the Conclusions, a sum up and final conclusions are drawn.

Finally, in the 7<sup>th</sup> and last part, Limitations and Future Research are discussed.

## **2. Literature Review**

The purpose of this dissertation is to evaluate the sustainability of a company that plans to rent apartments on a daily-basis (Short-breaks) in Lisbon.

In order to better address this issue, support both the case study and teaching notes and help defining the best business plan possible (in the eyes of the managers, board), it is important to study and have in mind, some relevant topics.

The following literature review was written to help answering the research questions already presented and therefore, the main issue studied was the relevance of the market and the best marketing channel to approach.

It is divided in three major areas.

The first one provides data on the trends that Travel and Tourism sector are facing, from a worldwide point of view to Lisbon.

The second one focuses on the definition of the type of service that the company is going to provide, as well as the type of customer served (targeting).

Finally the last one provides information about marketing channels and then, more precisely, states the advantages of an Internet channel.

### **2.1 Attractiveness of Travel & Tourism**

#### **2.1.1 Worldwide**

Travel & Tourism Industry contribution for the global economy has been increasing, its “contribution to the world GDP grew for the fourth consecutive year in 2013” and its main source comes from the “strong demand of international travelers”.

In 2013 this sector provided to the global economy around US \$7 trillion, representing 9,5% of global GDP.

It is also important to realize that in 2013, it grew “faster than other significant sectors such as financial and business services, transport and manufacturing.”

As relevant as its outcomes, are the number of jobs created throughout this sector and the ability to generate those, “nearly 266 million jobs were supported by Travel & Tourism in 2013 – 1 in 11 of all jobs in the world.”

Facts that prove how valuable and how important tool this sector can be in “economic development and job creation”.

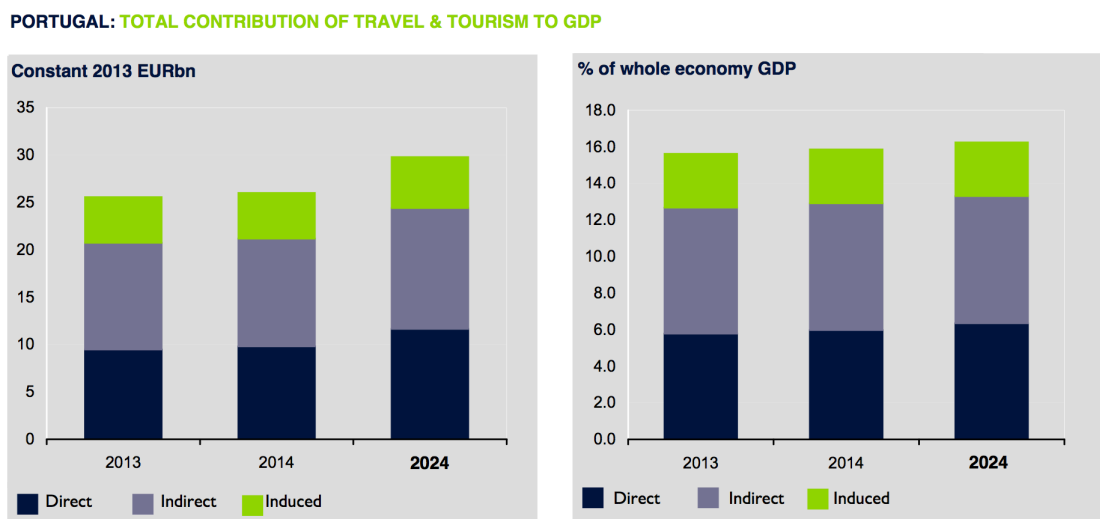
A 4,3% forecasted growth is expected for 2014 with much of it “being driven by higher consumer spending as the recovery from recession gathers pace and is becoming firmly established” and “tourists are expected to spend more per trip”.

Following this positive trend are the forecasts for the sector over the next ten years “with predicted growth rates of over 4% annually”, still “higher than growth rates from another sector”. (Scowsill, 2014)

### 2.1.2 Portugal

In Portugal the trend is the same as the “total contribution of Travel & Tourism to GDP was EUR 25,6bn in 2013 (15,6% of GDP)” and “it is forecast to rise by 1,4% pa to EUR 29,8bn by 2024 (16,2% of GDP)”. (World Travel & Tourism Council, 2014)

**Figure 1: Total contribution of Travel & Tourism to Portuguese GDP**



source: World Travel & Tourism Council report, 2014

The attractiveness of Portugal keeps increasing, and in 2014, “the country is expected to register 8.338.000 international tourist arrivals”, representing a 4,4% growth from the previous year.

In the first semester of 2014 the Top 5 of foreign arrivals were led by United Kingdom with 729.600 English tourists arriving in Portugal from January to June, representing an increase of 17,6%. (Turismo de Portugal, 2014)

**Table 1: Origin of the foreign tourists arriving in Portugal**

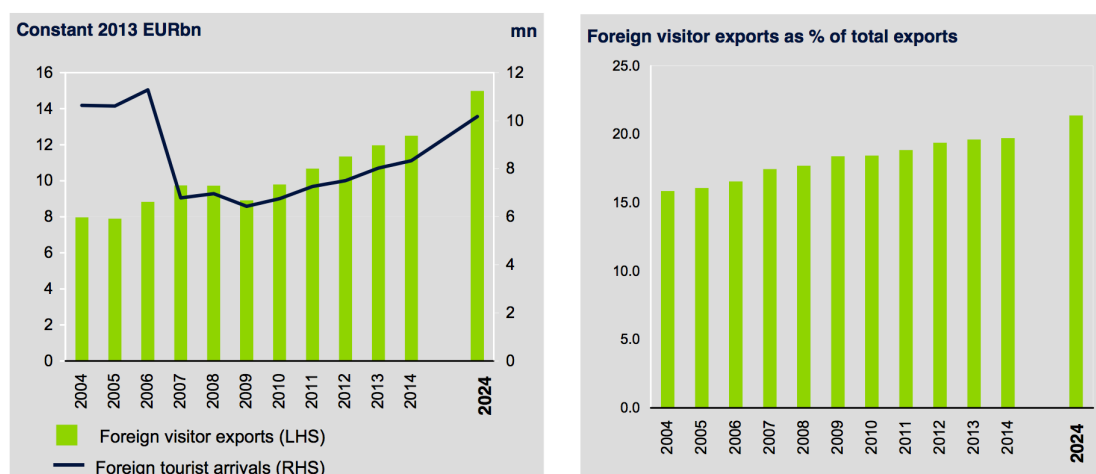
Country of Origin	2014				2014			
	13/14		Abs	Market Share %	13/14		Abs	Market Share %
	2nd trimester	%			1st trimester	%		
United Kingdom	518,9	17,0%	75,4	18,3%	729,6	17,5%	108,5	17,6%
Spain	384,5	41,5%	112,7	13,6%	581,5	21,7%	103,6	14,0%
Germany	316,1	14,2%	39,3	11,1%	482,6	11,2%	48,7	11,6%
France	319,8	15,2%	42,2	11,3%	432,6	17,3%	63,7	10,4%
Brazil	169,6	8,2%	12,9	6,0%	266,1	10,3%	24,8	6,4%
Others	1 125,7	9,7%	99,9	39,7%	1 652,5	9,9%	149,2	39,9%
<b>Total foreigners</b>	<b>2 834,6</b>	<b>16%</b>	<b>382,5</b>	<b>100%</b>	<b>4 155,8</b>	<b>14%</b>	<b>498,5</b>	<b>100%</b>

source: Translated from INE - Instituto Nacional de Estatística, 2014

As the number of tourists rises, so does the value of their expenditures. “Visitor exports are a key component” and in 2013 “Portugal generated EUR12,0bn in visitor exports.” (World Travel & Tourism Council, 2014)

**Figure 2: Visitor exports and international travel arrivals in Portugal**

PORTUGAL: VISITOR EXPORTS AND INTERNATIONAL TOURIST ARRIVALS



source: World Travel & Tourism Council report, 2014

Finally it is also important to state that Portugal is well above average regarding the total contribution (in share of its total GDP) of this sector comparing other European countries: 15,6% in Portugal vs. 8,7% as European average. (World Travel & Tourism Council, 2014)

**Figure 3: Travel & Tourism’s total contribution to GDP**

<b>Travel &amp; Tourism's Total Contribution to GDP</b>	<b>2013 % share</b>
<b>21</b> Malta	<b>25.5</b>
<b>32</b> Cyprus	<b>20.6</b>
<b>38</b> Morocco	<b>18.7</b>
<b>40</b> Greece	<b>16.3</b>
<b>43</b> Spain	<b>15.7</b>
<b>45</b> <b>Portugal</b>	<b>15.6</b>
<b>63</b> Turkey	<b>12.3</b>
<b>75</b> United Kingdom	<b>10.5</b>
<b>78</b> Italy	<b>10.3</b>
<b>World</b>	<b>9.5</b>
<b>86</b> France	<b>9.5</b>
<b>Europe</b>	<b>8.7</b>

source: World Travel & Tourism Council report, 2014

### 2.1.3 Lisbon

About Lisbon, its awards talk for itself, and those are:

2014 Europe’s Leading Cruise Destination; 2014 Europe’s Leading Cruise Port; 2013 Europe’s Leading City Break Destination; 2010 Europe’s Leading City Break Destination; 2009 Europe’s Leading City Break Destination; 2009 Europe’s Leading Cruise Destination; 2009 Europe’s Leading Destination; among all the other nominations from the World Travel Awards.

## 2.2 Short-Break

### 2.2.1 City Breaks

#### 2.2.1.1 Value

For a service to be competitive offers should be as complex as possible regarding the price asked for them.

Relating with the variables, it should be offered to the customer, as much as possible, for the lowest effort for them.

Value is what the client receives on his travel that results from the combination of experiences, emotions and quality of the services. *THR* - (Asesores en Turismo Hotelería y Recepción S.A., 2006)

The formula that *THR* gives is:

**Table 2: THR's formula for the value delivered in city/short-break's business**

Value	=	Experience	+	Emotions	+	Services
Effort		Inconveniences	+	Insecurity	+	Price

source: *THR*

#### 2.2.1.2 Types

There are 3 types of different city breaks but the motivations and activities are similar to each one of those.

**Table 3: Different types of city breaks**

Motivation	Market
Get to know the city and its attractions, monuments, architectures, culture commerce and gastronomy	<b>City breaks standard:</b> tourists travel to a city with the purpose of seeing attractions related to some themes (historical, cultural, social, etc.). During their stay they get accommodations from comfortable 2-3 stars hotels and search for accessible products.
Activities	<b>City breaks upscale:</b> tourists travel to a city with the purpose of seeing attractions related to some themes (historical, cultural, social, etc.). During their stay they search for personalized high quality products, boutique hotels, 4-5 stars charm hotels, tasting menus, wine tasting, etc.
Short stay with the purpose of seeing several city attractions	<b>City breaks thematic:</b> tourists travel to a city with the purpose of seeing attractions and living experiences related to a specific theme, for example, go to a musical event, theatre, sports event, fashion show, etc.

source: Translated from Asesores en Turismo Hotelería y Recreación, S.A., 2006

### 2.2.1.3 Volume

In 2006, the volume of travels where the city break is the principal purpose of the travel, was about “34 millions with duration of one or more nights” representing more or less “14% of the total leisure trips done by European citizens”.

Although the evolution of these numbers is somehow irregular, it is expected “an annual growth between 12% and 15% on city breaks travels”.

“Based on estimates, the evolution of European city breaks market will reach in 10 years a volume of 1.000 million travels”. (Asesores en Turismo Hotelería y Recreación S.A., 2006)

### 2.2.1.4 Origin

The market that sends the highest number of tourist in this type of travels is the United Kingdom with 5,5 million of travels in 2004 and the second highest is Germany with 5 million. (European Travel Monitor, 2006)

**Table 4: Origin from city breaks' tourists**

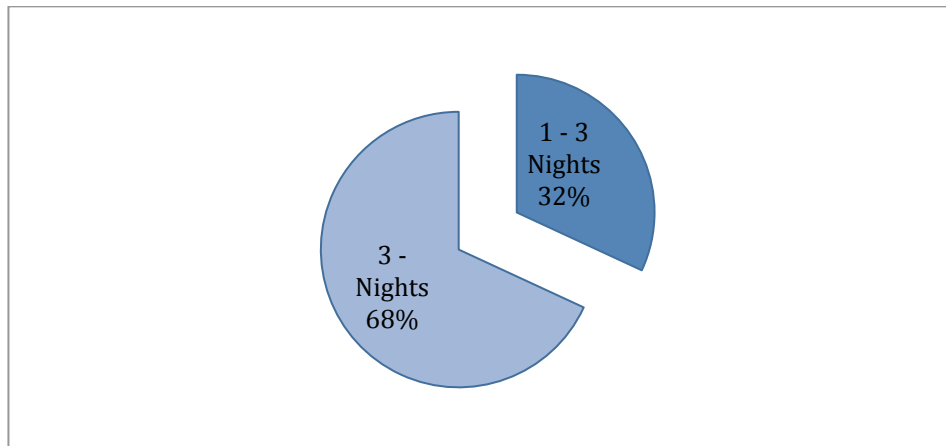
Origin Market	Total travels (in thousands)	% Of city breaks over total travels	City breaks travels (in thousands)	% Over total city breaks travels
<b>Europe</b>	<b>245 000</b>	<b>14%</b>	<b>34 300</b>	<b>100%</b>
United Kingdom	39 349	14%	5 509	16,06%
Germany	51 685	10%	5 169	15,07%
Spain	9 103	50%	4 552	13,27%
Scandinavia	18 571	17%	3 157	9,20%
Holland	17 763	15%	2 664	7,77%
Italy	16 880	10%	1 688	4,92%
France	18 493	7%	1 295	3,77%

source: Translated from European Travel Monitor, 2004

### 2.2.1.5 Duration

Most of the city breaks from European citizens have duration of 4 nights, however the average duration is expected not to take more than 6 nights. (European Travel Monitor, 2006)

**Graph 1: Duration of city breaks**



source: Translated from European Travel Monitor, 2004

## 2.2.1.6 Consumer Profile

**Table 5: City breaks' consumer profile**

European consumers Profile	
Socio-demographic profile	<p><b>Who are they?</b></p> <ul style="list-style-type: none"> <li>• More than 25 years old</li> <li>• Good wealth</li> <li>• Good education level</li> </ul>
	<p><b>How do they get information?</b></p>
Information habits	<ul style="list-style-type: none"> <li>• Travel agencies</li> <li>• Specialized press</li> <li>• Touristic Operators</li> <li>• Friends' recommendations</li> <li>• Internet</li> </ul>
	<p><b>What do they buy?</b></p> <ul style="list-style-type: none"> <li>• Packages of flight + accommodation</li> <li>• Or apart: <ul style="list-style-type: none"> <li>○ Flight</li> <li>○ Accommodation</li> </ul> </li> </ul>
	<p><b>Where do they buy?</b></p> <ul style="list-style-type: none"> <li>• Travel agencies</li> <li>• Internet</li> </ul>
Buying patterns	<p><b>When do they buy?</b></p> <ul style="list-style-type: none"> <li>• Low cost travel: last minute bookings</li> <li>• High cost travel: 3-6 months before</li> </ul>
	<p><b>Where do they stay?</b></p> <ul style="list-style-type: none"> <li>• 3-5 stars hotels</li> </ul>
	<p><b>How do they travel?</b></p> <ul style="list-style-type: none"> <li>• By plane to the destiny and then metro or touristic bus</li> <li>• Taxi or bus to get to the hotel</li> </ul>
	<p><b>How long do they stay?</b></p> <ul style="list-style-type: none"> <li>• 2-6 days</li> </ul>
Behavior patterns	<p><b>What activities do they do?</b></p> <ul style="list-style-type: none"> <li>• Enjoy the gastronomy and the city environment</li> <li>• Visit museums and do some shopping</li> <li>• Visit historic or cultural points of interest</li> </ul>

source: Translated from Asesores en Turismo Hotelaría y Recreación, S.A., 2006

## 2.2.1.7 Targeting Segmentation

**Table 6: City breaks' target segmentation**

Segments	Profile	Consumer Habits
<b>Interactive travellers</b>	<ul style="list-style-type: none"> <li>• From 2 age groups: 25-34 (no children) and 50-64</li> <li>• High social economic level</li> </ul>	<ul style="list-style-type: none"> <li>• Used to travel to popular destinies and want to find new different ones</li> <li>• Usually travel to destinies recommended by friends or specialized press</li> <li>• Value both, the quality of accommodations and staff professionalism</li> <li>• Used to new technologies</li> </ul>
<b>People with more than 55 years</b>	<ul style="list-style-type: none"> <li>• Recently retired couples</li> <li>• High social economic level</li> <li>• Medium/high cultural level</li> </ul>	<ul style="list-style-type: none"> <li>• Usually go on guided tours to cultural points of interest</li> <li>• Interested in cultural attractions</li> <li>• Value history, local environment, authenticity and diversified products</li> <li>• Travel all seasons of the year</li> <li>• Get information from family and friends</li> </ul>
<b>University students</b>	<ul style="list-style-type: none"> <li>• From 20 to 25 years old</li> <li>• Medium/high income level</li> <li>• High cultural level</li> </ul>	<ul style="list-style-type: none"> <li>• Pick destinies through criteria such as: international reputation, attractiveness, accessibility (cost and time), uniqueness of the experiences, events</li> <li>• Used to new technologies</li> <li>• Value active experiences and diversified activities</li> </ul>

source: Translated from Asesores en Turismo Hotelería y Recreación, S.A., 2006

### 2.2.1.8 Destiny

Regarding the destination among countries, United Kingdom and France with London (78.900.000 international overnights) and Paris (20.396.097 international overnights) respectively are the most common city breaks destinations, representing 52,6% of the total market.

Portugal, with Lisbon, comes in 11<sup>th</sup> place (4.326.432 international overnights) representing 2,3% of the total market.

**Table 7: Number of international overnights in the principal destinies**

City	International Overnights	% total
London	78 900 000	41,8%
Paris	20 396 097	10,8%
Dublin	16 924 000	9,0%
Rome	9 686 373	5,1%
Plague	7 547 539	4,0%
Barcelona	6 917 589	3,7%
Amsterdam	6 634 000	3,5%
Vienna	6 541 951	3,5%
Madrid	5 387 216	2,9%
Florence	4 617 428	2,4%
<b>Lisbon</b>	<b>4 326 432</b>	<b>2,3%</b>
Milan	4 093 025	2,2%
Berlin	3 356 891	1,8%
Munich	3 056 891	1,6%
...		

source: European Cities Tourism, 2006

### 2.2.1.9 Key Factors

Both, growth of internet use and the emergence of low cost airlines have been contributing a lot in matters of booking and organizing travels, most notably city breaks, which usually are from short to middle distance. In a matter of minutes, costumers are able to book flight, accommodation and rent a car matching their needs. (Asesores en Turismo Hotelería y Receación S.A., 2006)

### **2.2.1.10 Opportunities**

Market growth:

- Growing trends of shorter travels and more frequently during the year – City breaks are travels where costumers optimize better their time since the attractions are more centralized.
- Coming into de market second level cities from east European countries – which increase the offer.
- A more frequent utilization of the Internet as a privileged channel of information, booking and buying, as well as the contribution of low cost airlines – this makes all the process (preparation, booking and buying) easier.

(Asesores en Turismo Hotelería y Receación S.A., 2006)

### **2.2.2 Short Break**

The short break market has the exact same characteristics of the city break, same patterns in terms of volume of the market, costumers' origins, duration of stays, costumers' profiles, key factors of development and opportunities and trends in future perspectives.

The only thing where it varies is in the accommodation part. Short breaks' costumers are those who go on a city break but instead of staying in hotels/hostels, decide to have a cozier stay in an apartment which will give them the same autonomy and sense of home, that they would feel in their own homes. (Unstructured interview with a player of the market and input of some costumers, 2014)

## **2.3 Marketing Channels**

“In more recent years, the context of globalization in which marketing channel structures and strategies are developing bringing to a more complex concept of marketing channels, with disintermediation or reintermediation, multichanneling and new roles/specializations that are emerging new issues.” (Musso, 2010)

The evolution of technology has been proving to be a major trigger to achieve, with a high speed, “more efficient organizational solutions” for these channels.

(Musso, 2010)

### **2.3.1 Definition**

“Marketing channels provide the means through which the vast array of products and services from all over the globe are made available to hundreds of millions of costumers seeking to buy those products and services in every country, city and town in the world.” (Rosenbloom, 2013)

### **2.3.2 Overview**

It is important to start with the fact that there are still major players, especially in the retail business that still focus on the traditional marketing channel “bricks and mortar”. (Rosenbloom, 2013)

Investigating further into Twenty-First century, becomes clear that some attempts are being tried to improve and innovate the marketing channels, whether if it is on the side of innovation in retailing or innovation in the supply chain. (Castaldo, 2007), (Dawson, 2001)

The reason is that globalization was a huge influence in transforming not only the marketing channels but also costumers’ expectations.

New technologies also drive the process of changing channels as nowadays there are possibilities such as mobile commerce “on the move” where costumers are able to purchase products and services through their mobile phone, iPads, laptops, etc. (Rosenbloom, 2013)

To add to the fact that there is a growing worldwide trend regarding social network and that there are also increasing the number of social networking sites that enable the visitor to shop through the site, managers, have to be aware if they are reaching their target costumers properly. (Rosenbloom, 2013)

To sum up, costumers are expecting more and marketing channels have to deliver quality.

To achieve that goal, managers “must now not only understand the limitations and capabilities of conventional marketing channels” and combine them with the advantage that technological evolution (since there is a wider range of possibilities) brought (the challenge to create an optimal channel is greater). (Rosenbloom, 2013)

### **2.3.3 Internet Channels**

McCammon, 1970, had defined marketing channels as Vertical Marketing Systems. It is realized that traditionally there is a structure linking the manufacturer to the retailer “through a series of intermediaries”.

For current times, this approach gives no longer an appropriate conceptualization for the structure of distribution channels. (Musso, 2010)

To be able to stay on the hedge of innovation, channels have to be defined in a more complex way, whether if it is through the combination of multichannels, the addiction of new intermediaries or the removal of intermediaries. (Rosenbloom, 2013)

As mentioned above, companies are currently searching for possibilities to increase their efficiency leading them to explore channels that already include all the supply chain, logistics and purchasing. (Gundlach, Bolumole, Eltantawy, & Frankel, 2006)

Adding to this fact there is the issue that reducing intermediaries allows companies to eliminate some double marginalization, as retailers usually are the ones to keep the highest margins. (Kumar & Ruan, 2006)

Several important companies such as *Adidas* and *Nike*, followed the strategy of creating their own distribution channel to complement the existing and traditional one as they realized it could increase their margins. (Coughlan, Anderson, Stern, & El-Ansary, 2006)

Internet plays a crucial role in the development of distribution channels and in the communication between players of the market and costumers (sellers and buyers). (Webb & Hogan, 2002)

A sales channel generated through Internet, basically allows those with access to computers (new technological devices, smartphones, iPads, etc.) to “shop and complete the transaction for purchase via electronic means” the products and services available. (Rosenbloom, 2013)

The market coverage that it allows is huge at a very low operational cost, which generates a great opportunity to communicate more information about the company and about products and services to the target costumers. (Kumar & Ruan, 2006)

Besides these advantages there are others such as reduction of distribution costs (Santarelli & D'Altri, 2003), customize products and promotions (Dewan, Jing, & Seidmann, 2000) and improve relations with costumers and potential costumers. (Lohrke, Franklin, & Frownfelter-Lohrke, 2006)

### 3. Case Study: *Take a Break*

#### 3.1 Executive Summary

The Travel & Tourism sector has been facing a trend towards more, and shorter holidays throughout the year, which was triggered by the expansion of low cost airlines offering flights at very low prices.

Aligned with this trend, internet and internet based business environments opened new ways of information sharing (from prices to videos), disintermediation (short circuiting the travel agencies) and peer endorsement (first person quality reviews) which opened the way for new, unbranded, accommodation propositions and business formats. Such is the case of Hostels or shared apartments.

Hostels are mainly focused on young tourists, many times travelling alone and are increasingly popular in many locations worldwide. (Bertschi & Douglass, 2014)

Apartments offer a more diverse choice of lodging alternatives, and cater for both ends of consumer profiles, from high quality, high service to low cost solutions. Apartments tend to be cheaper than hotels (on a cost per person basis) but its appeal goes beyond price, namely, allowing for a more “genuine” experience, less standardized offerings and the chance to really know and feel the “local flavor”<sup>1</sup>.

The Short-Break’s market, as the name suggests, is a different experience than the usual holiday. It blends the opportunity of frequent traveling, made possible by low cost flights, with the increased number of alternative lodging solutions in apartments especially in the main European cities. Clients look after autonomy, comfort, location and local flavored experiences<sup>2</sup>.

*Take a Break* is created exactly to bring all those requirements to the client enabling him to enjoy his stay in very interesting areas such as Campo Pequeno, Rossio and Rua Augusta.

*Take a Break* is a startup, which will build its business model on the back of an opportunity. Renting to a Chinese investor, three recently recovered buildings, with a total of 193 apartments.

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<sup>1</sup> Data collected from a player in the market and from some of its clients

<sup>2</sup> Data collected from a player in the market and from some of its clients

These apartments will be marketed to tourists looking for short stays in Lisbon – the short-break market – taking advantage of Lisbon’s high destination profile and the availability of several successful Internet based distribution channels.

*Take a Break* is created around a strong founders group and will be fully staffed in order to allow it to generate a strong brand from the start.

Provisional Profit and Losses estimates point to a whopping 55,7% Return on Sales, a very respectful figure anywhere.

Lisbon’s short-break market offers wide chances of success on the back of what seems to be a medium to long term trend in what is a key sector for the weakened Portuguese economy – Tourism as a whole and in this case, city breaks.

## **3.2 The business**

### **3.2.1 What will the company do?**

*Take a Break* will be a lodging services company specialized in medium to high quality apartments for rent.

The company will manage properties owned by third party investors and will start by renting those properties on a fixed rent basis to those investors.

It will then market the apartments and provide all services required to its customers on a par or above market practices benchmarks.

### **3.2.2 What is the opportunity?**

#### **3.2.2.1 Market – tourism**

Tourism has long been an important sector of the Portuguese economy and gained momentum in the last years. Travel & Tourism total contribution to GDP represented 15,6% of Portuguese GDP in 2013 (25,6bn€) and is expected to reach 16,2% of Portuguese GDP in 2024 (29,8bn€). (World Travel & Tourism Council, 2014) Although the country is better known for its sun & beach destinations, recent

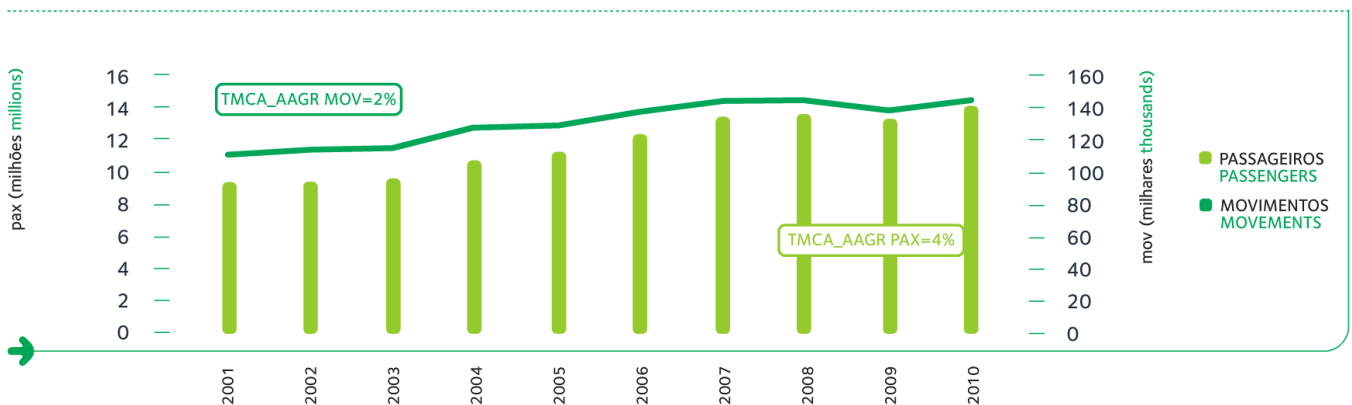
trends in tourist behavior raised the profile of city destinations such as Lisboa and Porto.

Low cost carriers were paramount for this shift. It is now some 20 years since low cost carriers *Easyjet* and *Ryanair* were launched in Europe, and the concept has since been constantly gaining market share all around the continent (in Portugal *Ryanair* and *Easyjet*, together, have already 27,9% Market Share, which represents an increase of 23,1% regarding *vis-a-vis* 2013, specially through *Ryanair*'s contribution (Annex 1)).

Tourism patterns were influenced by this new travel option. First, more people gained access to travel abroad by plane. Secondly, as transport cost was reduced, more different experiences/voyages, albeit for shorter periods, became a possibility. Finally, with less spent on plane travel, more became available to spend on the local “experiences” being it lodging, food&drink or shopping.

Cities with low cost flights destinations are benefiting from this increase of arrivals and Lisbon (as is Porto) is seeing more tourists looking for diverse experiences, less focused on sun&beach, more targeted on culture, food&drink and local experiences. (year-on-year, in Lisbon, the number of passengers in 2014, has increased 14,7% to 16.976.027 and in Porto increased 8,2% to 5.921.241 (Annex 2)).

**Figure 4: Evolution of the number of passengers in ANA airports**



source: Aeroportos ANA annual report, 2010

The growing awareness and attractiveness of Lisbon has been recognized through many distinctions awarded in the past years (2014 Europe’s Leading Cruise Destination; 2014 Europe’s Leading Cruise Port; 2013 Europe’s Leading City Break Destination; 2010 Europe’s Leading City Break Destination; 2009 Europe’s Leading

City Break Destination; 2009 Europe's Leading Cruise Destination; 2009 Europe's Leading Destination; among all the other nominations from the World Travel Awards)<sup>3</sup> and can be summarized in:

“Lisbon city is characterized by its diversity offering a wide variety of choices for tourists, rich in architecture, art and culture combined with one of the mildest climates in Europe and a tradition as a friendly, safe and tolerant city. With an excellent range of quality hotels this coastal city is placed in a privileged position as a leisure/business destination alongside other major European cities.”<sup>4</sup>

On the other hand, the internet provided the means for disintermediation (on travel arrangements), plenty information on lodging options and equally important, peer quality reviews, which people tend to see as trustworthy sources of information when choosing where to go and where to stay, something that somewhat erodes the power of hospitality brands.

Demand for alternative lodging solutions (26% of the total Lisbon's offer has now a short break format) (Antunes, 2014) has been growing and the market has responded with a wide variety of choices.

### **3.2.2.2 Real Estate**

The property market also welcomed this trend since it offers a new way to generate revenues many times in what otherwise would be assets difficult to monetize.

Notably, many old buildings in older parts of the city, in serious need of repair, would face difficult refurbishment options and may now be put to use for this market.

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<sup>3</sup> <http://www.worldtravelawards.com/profile-8079-lisbon-portugal>

<sup>4</sup> <http://www.euromonitor.com/city-travel-briefing-lisbon/report>

The opportunity was embraced by the government which issued legislation (decreto-lei 53/2014 from April 8<sup>th</sup>) aimed at speeding administrative procedures on refurbishment projects.

Sources from *Colliers International* reported a near 50% increase in per square meter prices in old buildings in Baixa in the last 12-18 months due mainly to these factors. Together with Chiado, this is the area with most appeal for tourists while at the same time presented more administrative hurdles for refurbishment, thus benefiting the most with the new legislation.

### 3.2.2.3 Investors

Property investors are traditionally driven towards offices, industrial and retail properties. They also tend to avoid development associated risks and assets requiring intense management involvement.

Traditional markets are however populated and competitive, vacancies are constantly pressing returns and yield compression, the main source of capital gains, is not expected to reach past behaviors (at least in Portugal).

Alternative capital allocation, though low to materialize, is always a possibility and, when an alternative proves, many will follow the trend.

The ARI program (Despacho n° 11820-A/2012) (popularly known as the “golden visa” law) together with the new tax disposals (art 81° of the IRS code) for nonresident foreigners, brought to the market both new end users and new investors. These “new” investors (Chinese, French and Russians) are less framed by fund management constraints and rules and thus more open for different capital allocation alternatives<sup>5</sup>.

Our investor, Chinese, looks for quality locations, “normal” returns and the possibility, in time, to profit from the upside of tourism exploration of the properties.

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<sup>5</sup> Data collected from *Colliers International*

## **3.3 The Short-Break's Market**

### **3.3.1 Concept**

Provide lodging with a set of amenities and services for people typically staying less than a week using the Internet as the main distribution channel. (It derivate from the City Break, with the brief definition of a short package of holidays to an urban destination (Travel Dictionary), as the only difference is that instead staying at hotels, costumers stay at apartments). This is called among the players of the market Short-Break)<sup>6</sup>.

In Portugal is now regulated by law (Decreto-lei nº 128/2014 de 29 de Agosto).

### **3.3.2 Where it stands?**

Within the hospitality market, serviced apartments are in a niche of their own. With limited services they differ significantly from hotels, while when properly designed and located, they may offer more than hostels, in terms of privacy, comfort and local experience.

Hotels, from 3 stars above, have increasing requirements of service (thus staff), amenities, size (of rooms and common areas) and functional areas (restaurants, bars, back of kitchen, laundry, etc.) which drive both investments and operational costs up<sup>7</sup>.

Hostels, on the other hand, are clearly positioned as low serviced alternatives on top of which average areas per bed are typically a fraction of a 3 star hotel, let alone a 5 star hotel. Some argue that the hostel market though, is experiencing some changes and will soon raise their profile in the service matrix. (Bertschi & Douglass, 2014)

Serviced apartments, as per short break positioning, offer limited or on demand services, plenty of per bed areas, home like environments and more varied locations, among local people in their daily routines.

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<sup>6</sup> Data collected from a player of the market

<sup>7</sup> Data collected from *Colliers International*

### 3.3.3 Supply

Although there are no accurate sources of information, contacts made in the market allow the company to say that apartments on offer for this market were quite few 5 years ago and are now above a quarter of all supply scattered by Lisbon up to Cascais. (Antunes, 2014)

Most of the supply offers relevant features such as Wi-Fi, Television and fully equipped kitchen. To increase competitiveness, there are those who also offer air conditioner, modern, tasteful and trendy decoration and even services (when previously ordered) such as breakfast, extra bed, shuttle services and babysitting<sup>8</sup>.

Attributes such as view and accessibility (subway, train or bus) are key for client choices<sup>9</sup>.

Among all the typologies of apartments that can be seen, the most common are T1 (32%), T0/studios (20%) and single rooms (18%). (*Annex 3*)

Regarding the most common locations, in first place comes Baixa-Chiado (15,6%), in second Bairro Alto (13,6%) and in third Castelo de São Jorge (13,4%). (*Annex 4*)

### 3.3.4 Demand

The “Short Break Market” is here understood to include tourists with typical stays up to 4/5 nights and using this stay mainly for leisure. They are normally informed people, familiar with technologies, traveling frequently and valuing new experiences, meeting people and experience the “real” local life.

The bulk of demand comes from Europe, is aged from 20 up to late 60’s, travel in groups of 2 up to 4, some of them with children and they are divided in three major segments (interactive travellers, people with more than 55 years and university students).

If city hotels suffer considerably less from seasonality when compared with sun&beach destinations, short break apartments seem to have even a more stable demand all year round. Lack of information means that the company can only rely on

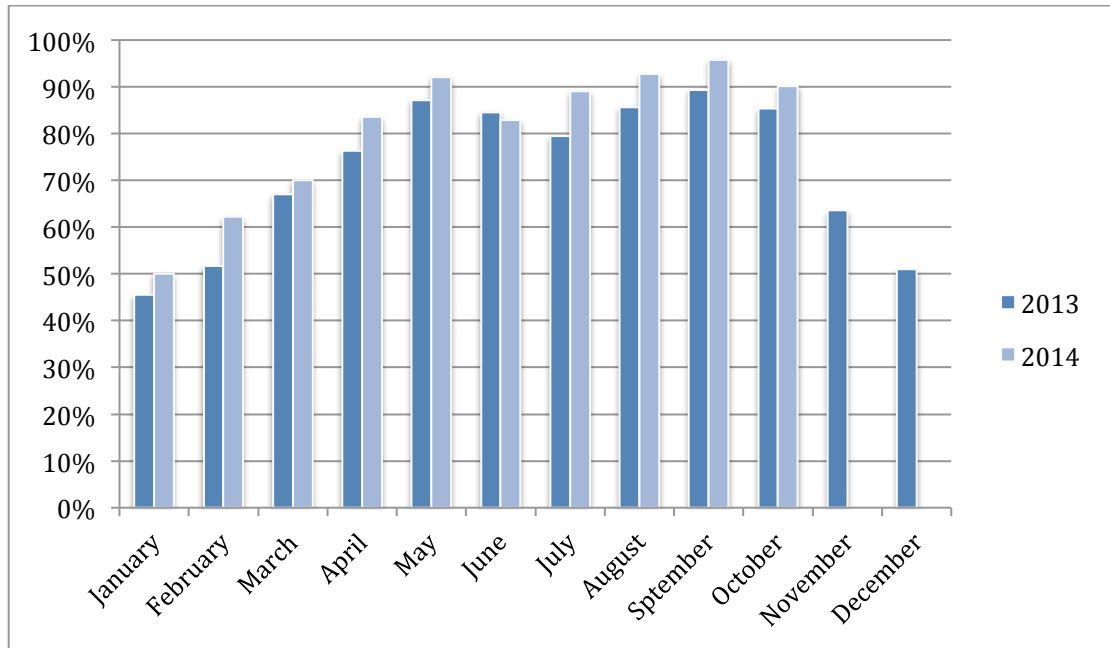
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<sup>8</sup> [www.booking.com](http://www.booking.com); [www.airbnb.com](http://www.airbnb.com); [www.flipkey.com](http://www.flipkey.com)

<sup>9</sup> Data collected from a player in the market and from some of its clients

some interviews but so far this has been the case. However, *Take a Break* will assume that in time, seasonality patterns will follow city hotels’.

**Graph 2: Average occupation rate between 3 & 4 stars hotels**



source: Analysis conducted for this study based on data provided by Associação de Hotéis de Portugal report, November 2014

### 3.3.5 Prices and Occupancy

Perhaps the most important feature each apartment has to offer is its location. It is possible to see a pattern if done a search around the most important websites (distribution channels) that as closer to the river and to the old part of the city (Rossio, Terreiro do Paço, Baixa-Chiado, Bairro Alto, Alfama) the apartment is, more expensive it is.

*Take a Break's* price analyzes (although it lacks more quantitative information) support that view. From cheapest to most expensive, there is Campo Pequeno with an average price of 93€ for T2 typology, Braz e Braz (Rossio) with an average price of 78€ and 111€ for T0 and T1 typologies respectively and finally Rua Augusta (Terreiro do Paço) with an average price of 84€ and 116€ for T0 and T1 typologies respectively. (*Annex 5, 6 and 7 respectively*)

Regarding the occupation rate, the only source *Take a Break* has that gave it reliable information, is the network of the members of the company, which have

similar or know firsthand what is happening in similar businesses. What the company was told was that by what they have had experienced, like what happened with the prices charged, the occupation rates tend to be higher as closer to the river and to the old part of the city the apartment is. From our network, there are buildings in Baixa-Chiado that have close to 100% occupancy.

*Take a Break* is assuming that is focused on well presented and structured offers. It is becoming mandatory that, apart from equipment, apartments must have good, tasteful decoration with a touch of “local feel” with a limited on demand set of services available<sup>10</sup>.

### **3.4 *Take a Break***

#### **3.4.1 Management Structure**

*Take a Break* has a diversified, committed and motivated team aiming to make the best of the company.

“Joaquim Reis” born in 1962 in Lisbon, took an MBA in 1991 and has long years of experience in consulting business, more specifically in the real state sector and is currently at the board of the company. His main focus will be the strategic decisions.

“Bernardo Silva” born in 1960 in Lisbon, graduated at Faculdade de Direito de Lisboa, practiced law during several years and has regularly been involved in football, both in a first rate club and in associations. His know how related to public relations and all his contacts are going to be essential in promoting and passing the right message of the business.

“Manuel Domingos” born in 1965 in Lisbon, graduated at Faculdade de Direito de Lisboa, currently manages his own law office leading some 20 lawyers. He will provide all legal advice to the company.

“Filipa Reis” born in 1966 in Lisbon, graduated at Instituto Superior de Agronomia, but sooner realized that her interests were related to design and

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<sup>10</sup> Data collected from a player in the market and from some of its clients

decoration, so opened her own company. She will be in charge of apartment decoration and customer care being the friendly company interface to the clients.

“Francisco Reis” born in 1991 in Lisbon, graduated in business administration at Universidade Católica Portuguesa, has special interest in image and a vast experience in video making/editing. His ability to elevate the image of the company to another level will be a key factor in promoting the business. He will be in charge of all day-to-day work.

The company will outsource many of its services and therefore, hired staff will comprise three receptionists (one permanently in Braz e Braz and one in Rua Augusta, the third to back up vacations and leave days) responsible for check-in and check-out and to solve other issues or doubts, one junior office and one senior office assistant, focused on the main paper work and primary office organization and one (at least in the beginning) marketing executive, monitoring third sites’ positioning of the offers, own site enrichment, social media management and mail contact with clients.

Outsourced, *Take a Break* will have facility management and cleaning, accounting and human resources administrative procedures.

Partnerships will be made with other service providers like city tours, gastronomy, tourist routes, babysitting, etc.

### **3.4.2 Business Structure**

*Take a Break* structured its business on the back of an opportunity.

Mr. Chang, a Chinese investor, is used to do business with *WestHarbor*, a consulting firm where some *Take a Break* partners work, and is a fan of Portugal, its weather, tourism opportunities, architecture and people. He decided to invest around 30.000.000€ in real estate in Portugal, and *WestHarbor* advised him to enter the short break market, on the back of some nice opportunities (properties) that were identified.

Five initial opportunities for the investor were identified: a building in Campo Pequeno, in Rossio, in Rua Augusta, in Rua Visconde Valmor and in Rua da Conceição, all in Lisbon. Campo Pequeno due to the location of the building (right in front of the square), Rossio and Rua Augusta, not only because of the special location

but also due to the fact that they didn't need to be demolished in order to be refurbished, were the chosen opportunities by Mr. Chang.

Mr. Chang will invest in the buildings and its complete refurbishing and will rent them to *Take a Break* for an initial gross yield of 5%, on a 15 year lease agreement.

### 3.4.3 Target Buildings

*Take a Break* will operate three buildings with the following characteristics:

**Table 8: Target building characteristics**

<u>Campo Pequeno:</u>	<u>Braz e Braz:</u>	<u>Rua Augusta:</u>
Campo Pequeno, nº 40	Rua D. Antão de Almada e Travessa Nova de S. Domingos	Rua Augusta corner with Rua S. Julião
The building has 1.200 square meters	The building will be refurbished to provide:	The building was the former HQ of former BNC and still houses Banco Popular offices and branch. Gross Built area is 4.700 square meters.
10 T2+1 apartments with 100 square meters each	27 T0 apartments with areas between 34 and 58 sqm	The building will be refurbished to provide:
	71 T1 apartments with areas between 44 and 77 sqm	23 T0 apartments
	Shops in ground floor	62 T1 apartments Shops in the ground floor

### 3.4.4 Market Strategy

Short-Break's strategy will be focused on the key indicators of any hospitality business, that is Occupancy Rates, Average Apartment Rate and service/image build up to create loyalty, generate positive reviews and thus push occupancy<sup>11</sup>.

<sup>11</sup> Data collected from *Colliers International*

Regarding **Product**, the apartments on offer are well or even very well located within the city. They will be properly decorated, blending modernity with different touches of Portuguese traditional items, with themes from different regions.

Location, accessibility and local, traditional “flavor” will be central to the conveyed message.

**Pricing** will follow the market and competition on a permanent basis, adjusting regularly and prepared for occasional promotions on price or added services.

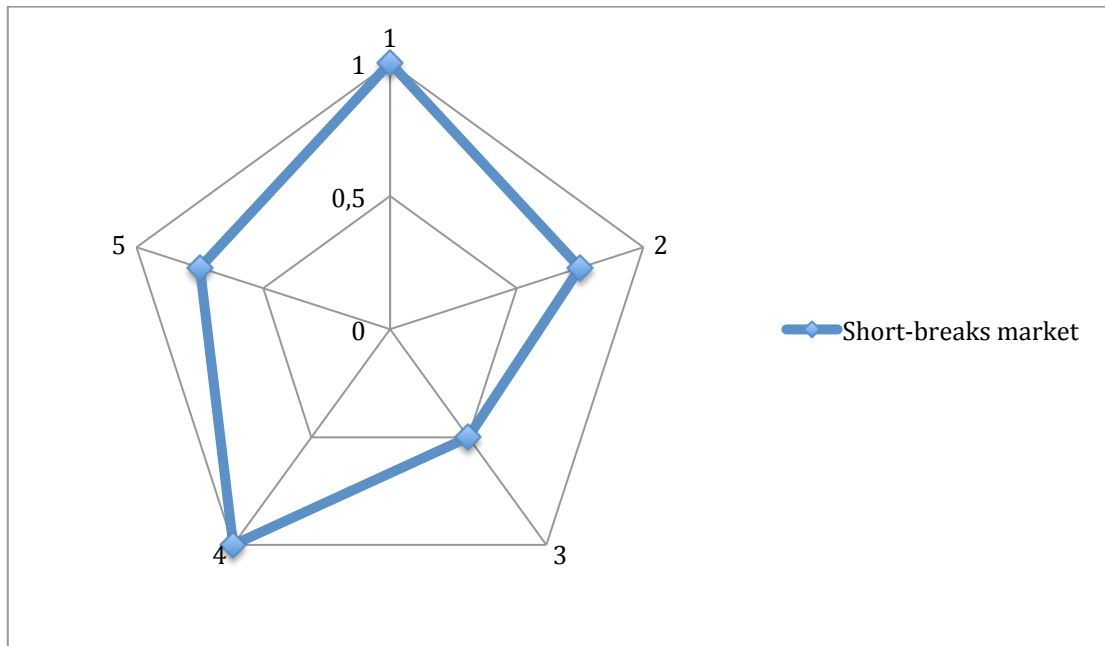
**Distribution** and **Promotion** will work hand in hand since the main distribution channels in this market are also key promotion vehicles in this sector. Although *Take a Break* will brand its own apartments/buildings (and thrive to provide a “*Take a Break experience*” for its hosts) and have an own site, distribution through the likes of *Booking.com*, *Trip Advisor* or *airbnb.com* will be central.

Finally, social media will be cared with a *Facebook* address, *Twitter* or *Flickr*.

## 3.5 Competitive Analysis

### 3.5.1 Porter's Five Forces analysis

Graph 3: Porter's Five Forces for the Short-Break's market



scale: 0,5(low) – 1(high); legend: 1 – bargaining power of suppliers, 2 – bargaining power of buyers, 3 – threat of new entrants, 4 – threat of substitutes, 5 – competitive rivalry

**Rivalry** in the industry. As supply increases so will pressure on price & service increase. The company believes the operative concept should embrace other hospitality formats – hotels and hostels – since all cater for a similar customer need. However, since product enhancement through increased service requires additional costs and since hotels carry important fixed costs, serviced apartments will mostly compete with each other and prices will be naturally affected by increased supply. Risks though won't be too high since supply elasticity is constrained both by land availability (which is limited) and land & construction costs which tend to benefit early entrants specially in what concerns land prices.

**Competitors.** The serviced apartments landscape is mainly one of scattered ownership with no dominant player, the large majority with less than 10 units to rent. It is unlikely to see concentration moves since owners tend not to be financial investors.

**Customers.** The nature of short break tourism implies a consumer market (the corporate market is negligible) and customers are price takers by nature.

**Suppliers.** Suppliers are, with one exception, responsible for non-specialized activities – cleaning, maintenance – and the market is quite competitive. The exception are the distribution channels which, although competing with each other, are increasingly gaining insights about this (and other) markets and their market clout can lead to unilateral price increases.

This too, makes the case for brand building, for the creation of own branded site, its promotion over the Internet, and investment in social media, in order to mitigate the dependence on those channels.

**Substitutes.** There is no expected substitute for the basic need serviced apartments (or hotels) are addressing; at least a foreseeable one. Within the industry, one competes sometimes with different hospitality formats.

### 3.5.2 SWOT review of our business proposition

**Table 9: SWOT analysis of *Take a Break*'s service**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Good Location of the Buildings</li> <li>• Competitive price</li> <li>• The decoration is to be made be an expert</li> <li>• Offer all the required features</li> <li>• If ordered, there's possibility of serving breakfast</li> <li>• There are extra beds available</li> <li>• It is to be promoted among the best sites and online magazines</li> </ul>	<ul style="list-style-type: none"> <li>• Campo Pequeno building doesn't have elevator</li> <li>• Right now restricted to the Lisbon market</li> <li>• Few and big buildings instead of more and smaller</li> <li>• Lack of experience</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Expanding to other buildings</li> <li>• Acquire small companies/competitors</li> <li>• Contracts with companies in order to supply business trips</li> <li>• Alliances with travel agencies</li> <li>• Create packages including sight seeing rides and dinners at specific restaurants</li> </ul>	<ul style="list-style-type: none"> <li>• Bad comments in traveling reviews</li> <li>• High commission paid to the investor</li> <li>• Increase of the n° of competitors</li> </ul>

**Strengths.** *Take a Break* will be an important player with 193 apartments on the market in very good locations. Since location is the driving force on Average Room Rate, *Take a Break* will be able to position itself in the upper apartment market.

Size and the chance to dilute fixed costs (on one hand) and take advantage of a higher number of guests per any given period, will open the opportunity to build a brand, faster, than the majority of competitors.

**Opportunities.** A team with experience in hosting a large variety of guests in this market may be well placed to explore expanding opportunities – new buildings or apartments.

**Weaknesses.** *Take a Brea's* lack of experience is its major weakness and something it will have to address intensely in the first year, as it will be key in how the following years will evolve. The number of apartments it will work with, are mainly concentrated in two buildings. This decreases the possibilities of diversity and if not addressed, may under position the apartments by way of being too “hotel like”.

**Threats.** The major threat would come from unforeseen events that affect tourism in Lisbon/Portugal; supply concentration, as is this case, must imply increased care against damaging incidents – fires and the like;

### **3.6 Set up & Operation**

The different properties are scheduled to be ready to operate along year one, on the following dates:

Braz e Braz – March 2015

Campo Pequeno – April 2015

Rua Augusta – November 2015

***Take a Break*** will be actively involved on the final stages with special attention to decoration and basic services contracts – telecom and utilities.

The company offices will be at Braz e Braz, occupying some 100 square meters in a back room of ground floor.

#### **3.6.1 Marketing**

As previously stated, marketing is a key activity for the company. In this business, successful marketing is the trigger for occupancy and ultimately, for price.

One of the main challenges of the business is to reach the highest number of possible costumers, which leads to a high visibility and to generate a positive mouth-to-mouth effect.

***Take a Break*** is focused on the promotion of its apartments and therefore invests in this activity, believing it to be one of the crucial factors for the sustainability of the business.

Marketing will be centered around web based tools for awareness, image build up, distribution and sales point and selected merchandising to raise the customer experience profile, enhance the hospitality experience and encourage positive reviews.

### **3.6.2 Web Related Tools**

Giveitabreak.com; social media; distribution channels and search engine management.

A giveitabreak.com website will be made. It will have a strong image content centered in and around the company properties, available offers and special promotions. An online booking option will also be imbedded.

The website will be biased towards emphasizing positive customer reviews and customer experiences as well as updates/news which raise Lisbon's touristic profile.

*Take a Break* will also create a Facebook page and a YouTube Channel.

The Facebook page will display fantastic pictures and small videos of the existing offer, and is an excellent tool for community building and first hand contact with customers or prospects. It will convey the idea that "we care for you" and look for experiences you would like or need to have.

YouTube would serve as another promotional tool, this time focused on the "experiences" that the customer can live, taking advantage of the video format.

Distribution Channels will be the most researched sites like *Booking.com*, *Trip Advisor (FlipKey)* and *Airbnb.com*.

Search based management is to pursue the strategy followed by Turismo de Portugal in what they call "Google Secret". (Costa, 2014) It is a known tool – fight for first spots in search queries – and is something in need of permanent evaluation.

In what relates to merchandising, *Take a Break* will brand a set of souvenirs to give to its customers upon arrival and/or upon leaving, namely wine bottles (a deal with a couple of producers in Lisbon wine region will be done), traditional handcraft or olive oil, products that can provide some kind of useful, enjoying or lasting experience.

Marketing will have a dedicated manager (hired professional) and will be managed by Francisco Reis. They will be in charge of all non-merchandising aspects of marketing. Filipa Reis will be in charge of the merchandising side of this area.

The budget for this activity will be around 10.500€ month (6.500€ in salaries for Francisco Reis and the hired professional, 2.000€ for the website and Google words, 600€ for Facebook's promotion and 1.000€ in online magazines/websites that promote this type of business and tourism so that articles with reviews and description of the company will be disposed, leaving 400€ for occasional issues).

### **3.6.3 Operation**

There are several areas of operations being considered, the main ones are:

- Marketing
  - Internet tools;
  - Merchandising;
- Operations
  - Managing rotation hours
  - Cleaning, laundry and quick repairs
  - Sub contractors
- Finance Department

Operating the marketing department will be one hired (two in the near future) professional, determined in promoting the company products as best as possible, with the best pictures, best videos, trying to get the best recommendations possible, managing *Take a Break's* information in all the distribution channels and searching for new alternatives and so on. Francisco Reis will be the coordinator of this area and will be especially focused on the competition – what's new, prices, promotions, etc.

Regarding operations, expected rotation rates are going to be quite high, specially in Braz e Braz and Rua Augusta buildings (expected 65% and 85% respectively), and between the check out and the check in there are on average only four hours (from 11h00 to 15h00). This generates great pressure on this activity hence the operations manager, Filipa Reis will make sure that cleaning staff (outsourced) is

right on track and on time (souvenirs are on the right place, everything is cleaned and presented as it should be and finished on time).

To back up Filipa Reis in this function, there will be a receptionist in Braz e Braz and in Rua Augusta buildings, to receive the costumers checking in and out and receive and return the (normal) guarantee money, respectively (after checking if everything in the apartment is ok).

The laundry department is another area that has to be working properly while not being in the operations critical path. Filipa Reis will also be in charge of this department.

“Operations” will also comprise a “fix-all” man. A contracted employee able to fix all light faults and technical problems, such as changing bulbs, fixing furniture, pipes, short circuits, etc.

Finally, the financial department (office at Braz e Braz) is going to have an office assistant to deal with and organize all the paperwork so that then it can be delivered to the outsourced accounting company and a senior office assistant to take care of all the payments and respective paperwork also.

### **3.7 Financials**

*Take a Break* projected its possible returns in three scenarios: one optimistic, other expected and the last one, pessimistic.

For each scenario, the overall results are positive and very interesting despite the fact that in the expected and pessimistic one, the operation in Campo Pequeno loses around 580€ and 4.170€ per month, respectively (individual results are in the Annex).

For the optimistic scenario, *Take a Break* is expected to profit (gross) around 302.755€ per month, for the expected scenario, around 238.150€ and for the pessimistic scenario, around 173.906€.

All the calculations made are presented in the excel file. (Annex 9)

In order to do this analysis, there were some assumptions made (information acquired in the unstructured interview with a player in this market) such as the

occupation rates (even though they were compared with the ones from the hotels considered competitors) marketing costs and operative costs.

All the decoration costs and machinery were agreed to be bought by the investor.

To allocate the common (to each building) variable costs, in each scenario to each building, the number taken into consideration was the number of bookings in that building, divided by the total number of bookings in all the buildings.

To allocate the common (to each building) fixed costs, the number taken into consideration was the number of apartments in that building, divided by the total number of apartments.

The VAT (Value Added Tax) balance in each scenario, subtracts to the VAT received (6% of the price paid by the customer) the VAT paid/deductible (23% of the price of the outsourced cleaning ladies, soaps and merchandising, laundry electricity, electricity and water contracts, TV and Wi-Fi and Marketing costs), taking in consideration those that vary from scenario to scenario.

**Table 10: Overall financial analysis of the business (monthly)**

<b>Overall: (monthly)</b>	
<b>General costs:</b>	
Operating costs	25 650 €
Wi-Fi cost	5 790 €
Marketing costs	10 500 €
Rent (Investor's return)	144 382 €
<b>Optimistic Scenario:</b>	
Short Breaks' revenue	545 550 €
Commissions cost	29 853 €
Cleaning & Laundry costs	18 483 €
VAT balance	11 137 €
Profit	299 755 €
<b>Expected Scenario:</b>	
Short Breaks' revenue	473 100 €
Commissions cost	25 506 €
Cleaning & Laundry costs	15 182 €
VAT balance	10 941 €
Profit	235 150 €

#### Pessimistic Scenario:

Short Breaks' revenue	400 650 €
Commissions cost	21 159 €
Cleaning & Laundry costs	12 681 €
VAT balance	9 583 €
Profit	170 906 €

After all the analysis done, it becomes clear that the opportunity exists and that it is huge. Yet there is uncertainty regarding this business model (there is no player with a volume like this, 193 concentrated apartments) and it is expected that events won't happen exactly as predicted.

Another issue or risk is that, once the investor realizes the margin levels of operation he will want to increase his size of the "pie" and will press for a higher rent, a scenario that is likely to happen given his extended relationship with some of the founders.

Anyhow, the model yields some 11,8% (pessimistic scenario) to 16,5% (optimistic scenario) Return on Assets. Those are reasonable, though high, figures for property investment.

## 4. Methodology

In order to better address the issues that led to the elaboration of this dissertation and to support the conclusions, it was essential to collect qualitative and quantitative data.

The data for this study was based on primary data, collected and organized by the Thesis author, and on secondary data, also structured by the dissertation's author.

There were several sources that were searched in order to obtain both the primary and secondary data; among them, there were unstructured interviews with a director of *Colliers International*, with a significant player in the short break's market and with some of his clients, data collected from reports, articles, books, papers, studies, newspapers (online and traditional ones), magazines, etc.

For the financial analysis there were data collected from suppliers, more precisely in terms of decoration prices (*Ikea, Worten, Continente*, etc.), other collected from online distributors (*Booking, Airbnb, Flipkey, LisbonApartment*, etc.) and there were made assumptions, given by either the investor or the player referred above (whether if it was the operations projections or the percentage of booking through online distributors, etc.).

Along with this dissertation, there is an excel file, where all the calculations were made, which has in the first sheet, an explanation of what is in each other sheet and how it was calculated.

The names in this dissertation's Case Study were omitted or aren't the real ones, due to privacy concerns.

To sum up, all the information that was collected, was fundamental, not only in the development of the dissertation, but also on the teaching notes chapter, as it generated awareness to possible future challenges for *Take a Break* to deal with.

## **5. Teaching Notes**

### **5.1 Introduction**

The case study presented about *Take a Break*, a company focused on providing lodging to short-break costumers, allows to link applicable theory with the case.

It can be used in classes like management, strategy, strategic marketing, innovation management, finance, entrepreneurship, accountability, etc. for discussion. Combined with the suggested questions, may be generated solutions for problems and challenges that the company may face in the future.

### **5.2 Case Synopsis**

*Take a Break* is a start-up that is going to be founded at the beginning of 2015 (expected in January 2015). It will rent three buildings to a Chinese investor, with a total of 193 apartments. These apartments will then be marketed to tourists looking for short stays in Lisbon.

In order to achieve not only the highest returns possible taking into consideration the local architecture, but also to be able to pay back the rent to the investor, the company plans to take advantage of Lisbon's high destination profile and of several successful Internet based channels.

### **5.3 Teaching Objectives**

As students, during their Master's Degree, learn several important and relevant subjects and topics, the case study about *Take a Break* is an opportunity for them to apply their leanings to the development of such a business, and the resolution of challenges that the company may face in the future.

## 5.4 Assignment Questions

These are the proposed questions:

1 – What could be another alternative strategy for Take a Break's business along with renting the apartments just for the short breaks market?

2 – What should the attractions of Lisbon city be, to promote in the distribution channels used by *Take a Break*?

3 – What type of promotion should the company align to each segment of possible costumers?

4 – In the same line with all the publicity and merchandising suggested in the business case, what other actions, could *Take a Break* take to capture possible costumers' attention?

5 – *Asesores en Turismo Hotelería y Recreación, S.A. (THR)* state that there is a system of value delivered in this business that relates 2 main variables: Value and Effort. Basically that more should be offered for less effort.

How can *Take a Break* apply this?

## 5.5 Proposed Solutions

### Teaching Question #1

**What could be another alternative strategy for Take a Break's business despite renting the apartments just for the short breaks market?**

The statistics regarding this type of business are already too insufficient for to insufficient, as mentioned in the Case Study, to be sure of what is going to happen or really what to expect. The ones regarding this type of business, with this particular dimension (193 apartments in three building), are inexistent. As referred before, more precisely, in the analyzes of the porter's five forces, despite existing a large number of competitors, their size is not significant (compared with *Take a Break*'s one), in fact

there are those who only display one room for renting. The largest competitors that *Take a Break* has knowledge of, have single small buildings, like the one in Campo Pequeno (cozy and only with 10 apartments).

In order to be prepared for the worst and the occupation rates really turned to be the pessimistic scenario or actually go below that value in each or in some building, *Take a Break* could develop another solution to apply in the rest of the apartments (turning the short break model just for some of the apartments, more precisely, to some area of the buildings) renting them to students for a period maximum of 10 months to exchange students.

As it is known the Erasmus program implement by the European Union in 1987, has been a huge success among students, and the numbers talk by themselves. “Last year, there were 268.153 students that went to another European country to study or train, which represented a year-on-year 6% increase”. (European Commission, 2014)

Adding to this number, all the other students that are not European and therefore don’t benefit from this program but do exchange semesters anyway have to be counted.

Overall, statistics show that the “rise of internationally student mobility reflects growing university enrolment around the world. In 2012 at least 4 million students went abroad to study, up from 2 million in 2000, representing 1.8% of all tertiary enrolments or 2 in 100 students globally.” (UNESCO, 2014)

In Portugal specifically, there are about 18.525 exchange students (numbers of 2012), which would go mostly to Lisbon<sup>12</sup>. The majority of those come from Brazil, 5.182, and second most common nationality is Spanish with 2.470.

Therefore, since *Take a Break* wants to prevent the worst scenario, there could be expected that at least 50% of these students would come to Lisbon, for a maximum of 10 months, which would lead to a potential market of around 9.252 students.

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<sup>12</sup> <http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx>

Although there would be many challenges, regarding the combination of a short break system with the rent of the apartments for exchange students' purpose, there are some advantages that *Take a Break* as a company would have, due to the fact that the apartments are already equipped, therefore, *Take a Break* might have found a solution for it.

The main challenge that *Take a Break* would face would be the fact that costumers from the short break market, mainly, wouldn't feel any joy of having the comfort, of their short holidays, ruined by the excitement (which is usually translated in noise) of these young students enjoying months of freedom away from their families.

Thus *Take a Break* would divide the building, either in floors or in sectors/areas, selecting the most attractive apartments to continue being rented on a daily basis and the other part allocated to these students. This strategy would allow both types of costumers to have their own mentality and to follow their purpose without being disturbed by each other.

Another great challenge would be the need to invest more in distribution channels, due to the fact that *Take a Break* would be trying to reach a totally different type of customer and would have to take also a different approach strategy.

Instead of advertising in those platforms for the short break market, there are those proper ones such as *UniPlaces.com*, *OnDaCity.com*, *Lisbon4u.com*, etc., that would charge the same commission of 10%.

Regarding the approach, as that this target are young people that come to Lisbon, not only to study, but also to have fun and to meet new people, increasing their network. Therefore, when promoting the apartments, there would have to be a great focus on the night activities, nearby and around Lisbon.

Regarding the clear advantages of *Take a Break* to pursue with this plan B, there are three main facts. The first one is that there are lots of apartments to be rented, 193, which would allow for instance to generate a community of students in the buildings (specially in Braz e Braz and Rua Augusta). The second one is the fact the not only the apartments are already equipped, but they have also suffered from the commitment of a designer with a proven track record to create them, so basically, there would be no investment to be done. The last one is, the excellent location of

each one of the buildings Campo Pequeno, Rossio and Terreiro do Paço, which are places with a significant night activity and also the accessibility of each one of them, since there are metro stations, bus stations and taxi stations, really close to each building.

To sum up, *Take a Break* is aware of this possibility and therefore would have this solution as an alternative plan, if the short break market won't perceive *Take a Break's* offer, as it is expected to.

### **Teaching Question #2**

**What should the attractions of Lisbon city be, to promote in the distribution channels used by *Take a Break*?**

**Table 11: Lisbon main attractions**

Lisbon main attractions	
<ul style="list-style-type: none"> <li>• São Jorge Castle</li> <li>• Monastery of Jerónimos -&gt;</li> <li>• Belém Tower -&gt;</li> <li>• Caloust Gulbenkian foundation</li> <li>• Cultural Center of Belém (CCB)</li> <li>• National museums of cars, old art and tile</li> <li>• Electricity museum</li> <li>• National Palace of Ajuda</li> <li>• Oceanary</li> <li>• Vasco da Gama Aquarium</li> <li>• Santa Justa Elevator</li> <li>• Viewpoint of Graça</li> <li>• Terreiro do Paço</li> <li>• Lisbon Zoo</li> <li>• Cristo Rei</li> <li>• Historical neighborhoods: Alfama and Castelo, Baixa, Chiado and Bairro Alto</li> <li>• Portuguese gastronomy</li> <li>• Nightclubs / nightlife</li> <li>• etc.</li> </ul>	<p>(Classified by UNESCO as heritage of humanity)</p>

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source: *Tripadvisor*, 2014

As it can be realized, there are lots of attractions in Lisbon, but the promotion should be focused and clear. Too much information sometimes may be worst than too little.

Therefore among all the possibilities, *Take a Break* should focus on the top 10 (these top 10 attractions can change from time to time and from segment to segment). Despite this fact, there should be some that will always be promoted, such as Monastery of Jerónimos, Belém tower (classified by UNESCO as heritage of humanity Santa Justa elevator and the historical neighborhoods.

### **Teaching Question #3**

**According to costumers' segments suggested for this type of business, what type of promotion should the company align to each segment?**

**Table 12: Main attractive activities in each segment**

Segment	Principal attractive activities
<b>Interactive travellers</b>	<ul style="list-style-type: none"> <li>• Experience the local gastronomy</li> <li>• Visit museums</li> <li>• Visit expositions</li> <li>• Go to the theatre</li> </ul>
<b>People with more than 55 years</b>	<ul style="list-style-type: none"> <li>• Experience the local gastronomy</li> <li>• Enjoy the city environment</li> <li>• Visit museums</li> <li>• Shopping</li> <li>• Visit friends and family</li> <li>• Go to the theatre</li> </ul>
<b>Young university students</b>	<ul style="list-style-type: none"> <li>• Visit expositions</li> <li>• Visit amusement parks</li> <li>• Enjoy local nightlife</li> <li>• Assist to sports events</li> <li>• Assist to festivals</li> <li>• Enjoy the city environment</li> </ul>

source: Turismo de Portugal, 2006

The Interactive travellers segment is very interesting due to the volume of it (25-34 and 50-64 years old), is the segment with the widest range. Besides that, since they have a high social economic level, their potential level of spending is also very attractive.

Therefore, having a clear focus on what to promote to this segment is essential. Local gastronomy, museums, expositions and theatre are usual attractions for them.

People with more than 55 years are characterized principally by the fact that they have more than 55 years old, but also by their medium/high cultural level. In this level the seasonality isn't a reality since lack of time isn't a problem for them.

Friends and family, local gastronomy, city environment, museums, shopping and theatre are usual attractions for this segment.

Young university students are really dynamic and their attractions usually match this characteristic. Exhibitions, amusement parks, festivals, sports events and local nightlife should be the main focus to catch their attention.

They can also be described as trend followers so being sure that promotion for interactive travellers is being run as best as possible is the best promotion the company can do for this segment.

#### **Teaching Question #4**

**In the same line with all the publicity and merchandising suggested in the business case, what other actions, could *Take a Break* take to capture possible costumers' attention?**

In order to get a position in the mindset of target costumers, there are some actions that could be taken, more precisely, actions that would let the costumer thinking about the opportunity *Take a Break* has to offer for some time.

To add to this information is the fact that *Take a Break* is expected to generate a good cash flow, meaning that it has money available to invest in this type of activities.

Those actions can be:

- Off and online publicity – Campaigns in the origin markets (United kingdom, Spain, Germany and France which are the countries where most costumers come from), aiming to pursue a higher knowledge level that these costumers have of, not only company's service/product, but also of what Portugal has to offer.

- Direct Marketing – With the help of some travel agencies and former costumers, try to reach potential clients by mail and email with brochures where *Take a Break*' services and Portugal would be promoted and where there would be a coupon for those potential costumers to send back their data so that they would start receiving news and special offers that *Take a Break* might have.
- Make alliances with travel agencies/distribution channels – Make innovative deals with distribution channels (mainly in the countries of most interest), in order to encourage them to send *Take a Break* services and Portugal.
- Develop an informative brochure – A brochure with attractive information/pictures of what *Take a Break* has to offer should be developed and then distribute in those distribution channels dealing with the company.
- Increase *Take a Break* network – Start business relationships with local companies (restaurants, sight seeing, guided tours, thematic and gastronomic tours, festivals, events, nightclubs, some interesting brands, etc.), so that the offer becomes more attractive and that *Take a Break* starts getting free promotion from those partners (since it is going to be a good deal for both parts).
- Special offers – Currently generate special packs where clients would be allowed to buy for a cheaper price, a combination of services (including the ones from *Take a Break*'s partners).

### **Teaching Question #5**

*Asesores en Turismo Hotelería y Recreación, S.A. (THR)* states that there is a system of value delivered in this business that relates 2 main variables: Value and Effort. Basically that more should be offered for less effort.

**How can *Take a Break* interpret and take most advantage of it?**

As it comes in the Literature Review, the formula indicates that the Value is the sum of variables such as Experience, Emotions and Services and Effort the sum of Inconveniences, Insecurity and Price.

One possible analysis is:

Value:

Experience – the value in this variable is in the singularity, quality and sophistication of the proposals offered to the consumer.

Emotions – there is some satisfaction that costumers take of the experience, which has to do with the fulfillment of emotional needs.

Services - here is were companies have the most impact, since it is through their regular operations that they can improve the efficiency, quality and productivity of the services offered to the costumer.

Effort:

Inconveniences – are the consequences of any gap related with the service. Bad cleaning service, noise, wrong schedules, bad environment, etc.

Insecurity – whether the costumer feels unsafe either physically or psychologically.

Price - the ration price/quality, has to be adequate.

*Take a Break's* purpose is to be as competitive as possible. The company should be able take advantage of this knowledge and adapt its promotion in a way that costumers feel that they are getting the most value for the less effort they could. To achieve that, it should clearly state all the value that the costumers are going to get by choosing its services, as well as specifying services' characteristics and the surrounding environment, to avoid costumers' dissatisfaction.

## 6. Conclusion

After a deep analysis of this business, there are some aspects that have become clear; the attractiveness of the short-break's market and the positive outlook for the Global and the Portuguese Travel & Tourism Sector for the next ten years.

The financial analysis on the business model yields a very positive outlook. The valuation made through a consistent analysis of the business structure and all the operations and costs implied, makes it also very interesting, and puts the case forward for investment.

Although in the Campo Pequeno building *Take a Break* loses money, either in the expected and in the pessimistic scenarios, the managers have decided it as a necessary loss to generate brand awareness as it is a very interesting building that not only allows costumers to have a different experience from the other two buildings (as it is in a totally different area) but will also serve as an attractive experience for those costumers traveling with a larger family.

Therefore, the enthusiasm of both the managers and the investor is understood.

Adding to this, the buildings are already being recovered and the different properties are scheduled to be ready to operate soon:

- Braz e Braz – in March 2015
- Campo Pequeno – in April 2015
- Rua Augusta – in November 2015

Although this dissertation also raises awareness of the possible challenges that *Take a Break* may face and also the possible misleads made in this evaluation due to the lack of information, specially in a business of this volume, with 193 apartment to rent, this study helped to support the decision for the company to move forward; it is expected to be founded in 2015.

## **7. Limitations and Future Research**

### **7.1 Limitation of the Study**

Due to its recent appearance, the short-break's market suffers from lack of academic published papers.

Most of the data is presented in reports written by consulting organizations or institutions.

This issue will have a huge influence on the non-complete reliability on the results obtained and also on the quality of the qualitative analysis of the market in matters of future trends and characterization.

Moreover, the business model developed in this dissertation, with three buildings totalizing 193 apartments, is very unusual one; this was stated by players in the market and then proved with additional research (most of the players have small buildings or even single apartments), the real results may suffer an even greater deviation from the ones expected in this study.

### **7.2 Future Research**

As it has been realized, worldwide, by a variety of different entrepreneurs (mostly, hostel's and hotel's owners), players in the accommodation services' sector, the short-break's market is not as regulated as other type of accommodations, enabling the owners of short-break's businesses, to practice disloyal competition and also, move large quantities of money in parallel economy<sup>13</sup>.

It will also be important to understand the social (community) and environmental impact of such a project, and to ensure that it preserves and is aligned with the city's architecture. One possible future study would be to try and understand how this can fit a sustainable development plan.

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<sup>13</sup> <http://www.bbc.com/news/world-europe-30580295>

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# Appendices

## Annex 1: Aeroportos ANA, monthly report, October 2014



Reporting Mensal - de 01 a 31 Outubro 2014 vs de 01 a 31 Outubro 2013

### Aeroportos ANA

#### OFERTA

	2014	2013	Var.# 14/13	Var.% 14/13	QM 14	Var. QM 14/13
<b>Movimentos Totais</b>	28,182	26,816	1,366	▲ 5.1%		
<b>Comerciais</b>	27,020	25,701	1,319	▲ 5.1%	95.9%	0.03 pp
Regulares	25,510	24,262	1,248	▲ 5.1%	90.5%	0.04 pp
Tradicionais	17,424	17,026	398	▲ 2.3%	61.8%	-1.67 pp
Low Cost	8,086	7,236	850	▲ 11.7%	28.7%	1.71 pp
Não Regulares (Charters)	1,510	1,439	71	▲ 4.9%	5.4%	-0.01 pp
<b>Não Comerciais</b>	1,162	1,115	47	▲ 4.2%	4.1%	-0.03 pp
<b>Lugares Oferecidos</b>	4,024,140	3,753,419	270,721	▲ 7.2%		
<b>Comerciais</b>	3,985,290	3,725,038	260,252	▲ 7.0%	99.0%	-0.21 pp
Regulares	3,833,557	3,568,644	264,913	▲ 7.4%	95.3%	0.19 pp
Tradicionais	2,391,722	2,286,926	104,796	▲ 4.6%	59.4%	-1.49 pp
Low Cost	1,441,835	1,281,718	160,117	▲ 12.5%	35.8%	1.68 pp
Não Regulares (Charters)	151,733	156,394	-4,661	▼ -3.0%	3.8%	-0.40 pp
<b>Não Comerciais</b>	38,850	28,381	10,469	▲ 36.9%	1.0%	0.21 pp

#### MERCADOS - PASSAGEIROS

	2014	2013	Var.# 14/13	Var.% 14/13	QM 14	Var. QM 14/13
<b>Mercado</b>						
United Kingdom	620,412	561,819	58,593	▲ 10.4%	19.2%	0.16 pp
Portugal	452,126	435,298	16,828	▲ 3.9%	14.0%	-0.76 pp
France	405,741	346,298	59,443	▲ 17.2%	12.5%	0.82 pp
Germany	347,031	329,553	17,478	▲ 5.3%	10.7%	-0.43 pp
Spain and Canary Islands	259,902	243,836	16,066	▲ 6.6%	8.0%	-0.22 pp
Switzerland	159,247	148,744	10,503	▲ 7.1%	4.9%	-0.11 pp
Netherlands	152,566	147,822	4,744	▲ 3.2%	4.7%	-0.29 pp
Brazil	144,769	144,536	233	▲ 0.2%	4.5%	-0.42 pp
Italy	120,785	112,106	8,679	▲ 7.7%	3.7%	-0.06 pp
Belgium	114,757	76,222	38,535	▲ 50.6%	3.5%	0.97 pp
Outros	461,015	410,324	50,691	▲ 12.4%	14.2%	0.48 pp
<b>Total Comercial</b>	3,238,351	2,956,558	281,793	▲ 9.5%		

#### PROCURA

	2014	2013	Var.# 14/13	Var.% 14/13	QM 14	Var. QM 14/13
<b>Passageiros Totais</b>	3,240,663	2,858,867	281,796	▲ 9.5%		
<b>Comerciais</b>	3,238,351	2,956,558	281,793	▲ 9.5%	99.9%	0.01 pp
Regulares	3,118,118	2,835,503	282,615	▲ 10.0%	96.2%	0.39 pp
Tradicionais	1,852,883	1,733,414	119,469	▲ 6.9%	57.2%	-1.41 pp
Low Cost	1,265,235	1,102,089	163,146	▲ 14.8%	39.0%	1.80 pp
Não Regulares (Charters)	120,233	121,055	-822	▼ -0.7%	3.7%	-0.38 pp
<b>Não Comerciais</b>	2,312	2,309	3	▲ 0.1%	0.1%	-0.01 pp
<b>Load Factor</b>	81.1%	79.3%	▲ 1.8 pp			
<b>Comerciais</b>	81.8%	79.9%	▲ 2.0 pp			
Regulares	81.6%	79.7%	▲ 1.9 pp			
Tradicionais	77.8%	76.1%	▲ 1.7 pp			
Low Cost	88.1%	86.1%	▲ 1.9 pp			
Não Regulares (Charters)	86.7%	83.5%	▲ 3.2 pp			
<b>Não Comerciais</b>	6.3%	8.8%	▼ -2.5 pp			

#### COMPANHIAS AÉREAS - PASSAGEIROS

	2014	2013	Var.# 14/13	Var.% 14/13	QM 14	Var. QM 14/13
<b>Companhia</b>						
TAP Portugal	1,182,055	1,099,361	82,694	▲ 7.5%	36.5%	-0.68 pp
Ryanair	535,316	434,391	100,925	▲ 23.2%	16.5%	1.84 pp
easyJet	370,461	370,783	-322	▼ -0.1%	11.4%	-1.10 pp
transavia.com	147,976	111,719	36,257	▲ 32.5%	4.6%	0.79 pp
Lufthansa	94,089	96,361	-2,272	▼ -2.4%	2.9%	-0.35 pp
SATA Internacional	91,950	97,060	-5,110	▼ -5.3%	2.8%	-0.44 pp
Monarch	76,583	78,497	-1,914	▼ -2.4%	2.4%	-0.29 pp
vuelling	58,233	34,710	23,523	▲ 67.8%	1.8%	0.62 pp
Jet2.com	51,351	45,295	6,056	▲ 13.4%	1.6%	0.05 pp
British Airways	43,207	32,162	11,045	▲ 34.3%	1.3%	0.25 pp
Outras	587,130	556,219	30,911	▲ 5.6%	19.0%	-0.23 pp
<b>Total Comercial</b>	3,238,351	2,956,558	281,793	▲ 9.5%		

Annex 2: Aeroportos ANA monthly and accumulated statistics, October 2014

October	2014	Var. % 14/13	QM %
<b>Company:</b>			
<i>TAP Portugal</i>	938 254	10,3%	56,2%
<i>easyJet</i>	157 575	-6,0%	9,4%
<i>Ryanair</i>	106 514		6,4%
<i>Lufthansa</i>	49 614	-7,2%	3,0%
...			
	Acum. YTD	Var. %14/13 YTD	QM % YTD
Traditional	12 900 136	8,1%	77,4%
Low Cost*	4 075 891	47,7%	21,7%
...			
<b>Total**</b>	<b>16 976 027</b>	<b>14,7%</b>	<b>99,9%</b>

\**easyJet; Germanwings; Norwegian; Ryanair; transvia.com and Vueling*

\*\*Commercial Passengers only which also includes air taxis, medical services and others

source: Aeroportos Ana, October 2014

Annex 3: Typologies offered in the Short-Break's market

Type	N° of observations	% from total
<b>R</b>	<b>31</b>	<b>18%</b>
<b>T0</b>	<b>34</b>	<b>20%</b>
<b>T1</b>	<b>55</b>	<b>32%</b>
T2	28	16%
T3	14	8%
T4	7	4%
T5	1	1%

R=Room

source: *Booking.com, Airbnb.com, Flipkey.com*, 2014

#### Annex 4: Short-Break's Locations

Locations	N° of observations	% from total
Alfama	40	2,4%
<b>Bairro Alto</b>	<b>223</b>	<b>13,6%</b>
<b>Baixa-Chiado</b>	<b>259</b>	<b>15,8%</b>
Belém	4	0,2%
<b>Castelo de São Jorge</b>	<b>219</b>	<b>13,4%</b>
Estrela-Lapa	6	0,4%
Expo	12	0,7%
Graça	16	1,0%
Mouraria	6	0,4%
Pena-Baixa	15	0,9%
Príncipe Real	187	11,4%
Rossio	82	5,0%
Santos	107	6,5%
Santa Catarina	6	0,4%
Other locations	457	27,9%

source: *Booking.com, Airbnb.com, Flipkey.com*, 2014

#### Annex 5: Campo Pequeno's price analysis

Type	Sample size	Average price	Average classification
T2	14	93 €	7,5

source: *Booking.com, Airbnb.com, Flipkey.com*, 2014

#### Annex 6: Braz e Braz's price analysis

Type	Sample size	Average price	Average classification
T0	15	78 €	8,6
T1	30	111 €	8,7

source: *Booking.com, Airbnb.com, Flipkey.com*, 2014

#### Annex 7: Rua Augusta's price analysis

Type	Sample size	Average price	Average classification
T0	19	84 €	8,3
T1	28	116 €	8,8

source: *Booking.com, Airbnb.com, Flipkey.com*, 2014

Annex 9: Excel file with all the calculations made (Attached to the CD of this dissertation)