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Integrative Work Project in Strategy
Small and Medium Enterprise Competitiveness:

INTERNATIONALIZATION STRATEGY

DOM PEDRO HOTEL GROUP - SÃO PAULO

JOÃO RICARDO ALVES SALVADOR

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Sónia Dahab

And Filipe Castro Soeiro

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Abstract:

This paper has the purpose of study the possible entry of Dom Pedro Hotels in São Paulo. Resources and capabilities of the company were scrupulously assessed and the research revealed that Dom Pedro needs to review its strategic approach and professionalize its internal processes to succeed in its internationalization plans. The internal scanning of Dom Pedro together with an environmental and hotel industry analysis helps the company to find out the best opportunity on the market. A detailed analysis determined the most suitable mode of entry and an implementation plan was recommended. Opening a hotel in São Paulo can be a good investment opportunity, but it should be the first step for a bigger expansion plan in Brazil.

Key Words: *Dom Pedro Hotels, Internationalization Strategy, São Paulo, Implementation Plan, Investment Opportunity*

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Executive Summary

This work project is aimed to analyze the internationalization of Dom Pedro Hotels to São Paulo. Through a detailed analysis of internal resources and capabilities of Dom Pedro it became clear that there is a need to professionalize processes and practices and create a structured vision and mission to embrace a sustained plan of expansion.

The emerging of Brazil as an economical potency and the international events that will take place in a near future makes the tourism sector in Brazil very attractive for new investments, but is the emerging of a new middleclass population that puts more pressure over an relative amateur sector. São Paulo is the main economic hub and has the most sophisticated and professionalized hotel industry in South America, yet the research made clear that there are opportunities on the market to be explored.

It become patent that the economic segment represents the biggest opportunity for Dom Pedro in São Paulo's City and a management contract the mode of entry that best matches Dom Pedro's interests. An implementation plan was elaborated in order to make sure that nothing is left behind and some recommendations were made for the present and future, because a new Dom Pedro Hotel in São Paulo should be the first step for a bigger expansion plan.

1. Hotel Dom Pedro Group¹

Dom Pedro Hotel Group is a Portuguese hotel chain which started to be "idealized" in 1968 by *Mr. Pietro Saviotti*, an Italian businessman who forty years ago went to the *island of Madeira*, four decades later the Group already counts with 8 hotels in its portfolio, ranging from 5, 4 and 3-star hotels, all addressing to both business and leisure segments, being equipped with classy facilities and offering varied sports and activities. Hotels images and profiles can be founded in *Appendix 1*.

The development of the Group was always done pursuing opportunities. In 1973, *Mr. Stefano Saviotti*, *Mr. Pietro's* son and actual owner, perceived that *Algarve* was the future of resorts. *Dom Pedro Golf* was the first Portuguese hotel undoubtedly projected for golf's practice.

From this moment the Group started to build its image and reputation around elite sports. Dom Pedro Hotels continued its expansion in Portugal and only in December 2010, its international journey officially began with *Dom Pedro Laguna*, in Ceará. Inserted in *Aquiraz Riviera*, one of the biggest Latin-American touristic project, *Dom Pedro Laguna* in *Fortaleza* is considered a “paradise between golf and beach” and “the best luxury ecological Resort of Brazil”.

The management team composed by the owner, the CEO, the Marketing & Sales Director and the COO is completely responsible for all strategic decisions, each hotel or region has its own manager, but their power is limited to day-to-day operations (*Appendix 2*).

Dom Pedro has no structured vision and mission shared by all the hotels of the group and simply defines **strategic objectives**² for a short-term horizon (approximately two years) that are communicated to all the staff by the human resources department. For 2013/14, the objectives are mostly focused on Dom Pedro’s plans of expansion to Brazil.

- ✦ Reaching a GOPⁱ of 10% at Dom Pedro Laguna in Brazil;
- ✦ Closing management contracts with investors of two further hotel properties close to the Aquiraz Riviera resort in Ceará;
- ✦ Increasing the public awareness of Dom Pedro in all touristic regions in Brazil;
- ✦ Assessing further market opportunities in the Northeast, Southeast and South regions of Brazil as a preparation for further expansion.

Dom Pedro’s approach is on purpose different from the strategy followed by large corporations³. Dom Pedro’s strategy is driven by market opportunities, mostly arising from personal business contacts. In my opinion this approach is no more suitable for Dom Pedro Hotels, given firm’s experience, dimension and future plans of expansion.

2. Portuguese Hotel Industry and Dom Pedro’s Performance

According to an annual study conducted by Deloitte (*Atlas da Hotelaria, 2012*), the Portuguese Hotel Industry is quite fragmented: 63.3% of the accommodation units integrate

ⁱ GOP – Gross Operating Profit

hotel chains (mainly Portuguese hotel chains) and the remaining 36.7% belong to independent business men. The significant percentage of independent hotels, the small size of the chains and the lack of international experience, negatively affect Portuguese hotels' performance and efficiency (Barros et. al. 2011). The Portuguese hotel industry is quite mature and competitive (for complete analysis consults *Appendix 3*), but the world crisis is affecting the most important outbound markets (*Appendix 4*), and consequently affecting tourism and hotels' performance. This problem together with the Portuguese economic recession, government instability and lack of liquidity of the financial market, make the Portuguese market unattractive for new investments. Moreover, "The rivalry intensity, the increase pressure over prices and the reduction of profit margins will force hotels to improve its efficiency over the next years. Furthermore, is expected that industry will become more concentrated, through acquisitions or management/rental contracts" (Jorge Marrão, Deloitte's partner). Currently, Dom Pedro Hotels ranks on the 7th place of the accommodation units ranking in Portugal with a market share of 1.1%, where the ten largest hotel chains just represent 21.1% of total Portuguese accommodation capacity (Deloitte Portugal, 2012), for complete information consults *Appendix 5*. Related to efficiency topic (Barros et. al. 2011) Dom Pedro Hotels were between 1998 and 2005 among the most efficient hotels in Portugal. Considering only pure technically efficiency (VRS)ⁱⁱ Dom Pedro was 99.7% as efficient as the most efficient hotels, but in terms of overall efficiency (CRS)ⁱⁱⁱ and scale efficiency^{iv} Dom Pedro ranks below the mean of the fifteen most efficient hotel chains operating in Portugal. Among the factors that can justify this discrepancy are: the size of the chain (smaller than other chains in number of hotels) and the non international experience at the time of the study (2005). For complete information see *Appendix 6*.

Dom Pedro is quite efficient, but is this reflected into customers' satisfaction (*Appendix 7*)?

ⁱⁱ VRS (Variable Returns to Scale) - Pure Technically Efficiency, attributed to managerial skills

ⁱⁱⁱ CRS (Constant Returns to Scale) – Overall Efficiency, a nonadditive combination of pure technical and scale efficiencies

^{iv} Scale efficiency - Is the ratio of the overall efficiency scores (CRS) to pure technically efficiency scores (VRS)

The analysis of internal and external (*booking.com*) customer satisfaction surveys will give us a picture about Dom Pedro best practices and practices which must be improved. Dom Pedro ranks poorest in three specific items: *services*, *comfort* and *value for money ratio*, considering the opinions in *booking.com* for the all properties. Dom Pedro does not outstand in any specific item, but in general is viewed as very good. Considering Lisbon, Dom Pedro Palace's main competitors are: Sheraton, Corinthia, Tiara, Tivoli and Altis⁴ (for complete information about competitors of Dom Pedro Hotels in general consult *Appendix 8*). The comparison of Dom Pedro Palace with those hotels (*Appendix 9*) shows that Dom Pedro Palace scores above the average, but does not outstand significantly any of those competitors in any characteristic. Tiara and Corinthia score better in important characteristics as services or value for money ratio. Compare Dom Pedro to 5-star competitors is important, although Dom Pedro Hotels must benchmark its activities with industry's best practices, in order to improve the quality of the service delivered, by optimizing practices and processes (*Appendix 10*).

3. Dom Pedro Hotels' Competitive Advantage⁵

From its 40 years of operations, the Group was able to create and sustain an image that they like to call "light-hearted lifestyle". Dom Pedro built throughout this years a concept that is connected with the pleasures of life; the group gives the opportunity to the guests to experience a certain lifestyle when connected to the hotel. Dom Pedro organizes and sponsors tennis and golf tournaments and also organizes and participates in sailing regattas. Dom Pedro widely promotes these events in magazines of the sector, but also in "jet-set" magazines to leverage Group's brand and pass an image that **each Dom Pedro's guest make in some way part of an elite**. Associated to the last part, Dom Pedro also offers to the guests a social component associated to parties, celebrity events and fashion shows. Moreover, Dom Pedro is the official hotel of Rock in Rio, Rally de Portugal, Fashion Week and Fashion Awards. The Hotel organizes private parties where only members of Dom Pedro's Club Card and distribution channels are invited.

Network is the key word of Dom Pedro Hotels. *Mr. Pedro Ribeiro*, Marketing & Sales Director, said “Tourism is a business of people, of knowing people, of networking”. He frequently travels to build up contacts with main distribution channels from guests’ origin countries (*Appendix 11*). In the course of the several events organized by Dom Pedro Hotels, the management team was able to improve its network in an informal environment. The relationships established with all the entities are based on mutual trust and respect. From distribution channels (tour operators and travel agencies), passing through TAP, ending up in celebrities and magazines all have an important role on Dom Pedro Hotels’ success (Industry Map in *Appendix 12*). Moreover, TAP sponsors regular Fam trips^v to all of its approximately 50 offices throughout Europe to visit Dom Pedro facilities and get familiar with Dom Pedro Hotels (including Dom Pedro Laguna, in Ceará).

But to improve its network, Dom Pedro Hotels has to make sure that excellence is present in all services provided (consult *Appendix 13* for a Value Chain Analysis). As stated above the hotel is efficient, but there is room for improvement. Dom Pedro should pursue excellence and combine quality with efficiency, more specifically, **technical efficiency** (VRS), in order to reinforce its position as one of the most efficient chains operating in the Portuguese market (consult *Appendix 14* for a SWOT Analysis of Dom Pedro Hotels). The analysis has revealed that Dom Pedro lacks a long-term strategic planning and professional internal practices. Nevertheless the company was able to achieve GOPs up to 40% in the hotels of Algarve and Madeira, around 25% in Dom Pedro Palace in 2011 and have no losses in Dom Pedro Laguna.⁶ These results are encouraging for the future, but before new expansions Dom Pedro must solve the problems described above, because there is a risk that the (potential) increase of Group’s scale will affect negatively the efficiency (VRS) of the Group as a whole, instead of boost its scale efficiency (Barros et. al. 2011). *Table 1* presents a VRIO analysis of Dom

^v Fam (Familiarization) trips are free or low-cost trips or tours offered to travel agents by a supplier to familiarize the agents with their destination and services (Travel industry dictionary)

Pedro's resources and capabilities, in order to assess the competitive advantages to be explored in future expansions.

Table 1: VRIO Analysis

Resources	Valuable	Rare	Costly to Imitate	Organized	Competitive Implications
Efficiency in managing different hotel styles	YES	YES	YES	YES	Sustainable Advantage
Multilingual workforce and superlative service	YES	NO	NO	YES	Parity
External supplier network for better service offer	YES	NO	NO	YES	Parity
Business contacts in strategic countries	YES	YES	YES	NO	Unexploited Advantage
Key hotel locations	YES	NO	YES	NO	Parity
Reputation	YES	YES	YES	YES	Sustainable Advantage
Capacity of generating and managing partnerships	YES	YES	YES	YES	Sustainable Advantage

Source: Own research based on primary and secondary data (2012)
Internationalization Process

4. Brazil

4.1 Macro Environmental Analysis

Brazil presents today as a country of opportunities. It is recognized worldwide as a stabilized democracy and the current favorable environment is fostering the economic growth (consult *Appendix 15* to access the main economic indicators of Brazil). The external policies implemented by the last administrations and the favorable economic atmosphere encourage Foreign Direct Investment (FDI) (Brazil already ranks 5th among major destinations for FDI, according to World Investment Report 2011 of the United Nations Conference on Trade and Development). But Brazil is not only good news, there are some problems affecting country's attractiveness. Poverty, violence and drug trade are the main social problems that still affect the image of Brazil internationally. Regarding starting a business in Brazil the biggest problem is the bureaucracy and the quantity of procedures required (Brazil ranks 126th out of 181 countries in doing business, in 2012, according to World Bank). To find out a complete PESTEL analysis of Brazil, see *Appendix 16*.

4.2 *Brazilian Tourism Overview*

The economic booming has several impacts on the Brazilian economy and social structure. The most important effect is the rising of the middleclass. With more disposable income and consequently a higher purchasing power, this growing class will certainly boost the growth of the Brazilian tourism (and hotel industry) in the next years. The middleclass represented in 2010, 53% of the Brazilian population and together with the upper classes represents 74% of the total population (compared to the 49% registered in 2005)⁷. This huge increase had a direct impact on the number of domestic flights, which represents almost 90% of the all flights. In *Appendix 17*, you can observe the number of Brazilian flights in the last years. There was an increase of 36.6% of domestic flights from 2007 to 2010; this is a good indicator of hospitality services demands, and consequently hotels' demands. The number of international visitors remains quite low with small variations in the last years (*Appendix 18*), mainly due to the geographical distance to USA, Europe or Asia and due to the rising costs of travelling to Brazil, because of the strong Brazilian currency. According to the President of Brazilian Tourism Board (Embratur), Flávio Dino, despite all this, 2011 was undoubtedly the best touristic year in Brazil and international visitors reach an historic level, surpassing 5.4 million visitors (it remains a small number if compared to Portugal, a much smaller country, who receives more than 6.5 million visitors per year). Tourism Minister, Gastão Vieira, expressed his hope to turn Brazil into of the world's top 5 tourist destinations by 2022 this means that Brazil has to increase its international tourism arrivals more than 8 times.⁸

Embratur and *Ministério do Turismo* the major entities in the Brazilian tourism sector are making huge efforts to promote nationally and internationally the wide variety of options that travelers can find throughout Brazil. The 7,490 miles coastline, the warm climate, the vast reserves of freshwater, the bio-diverse rainforests and the several world heritage sites are just few attractions. Currently tourism is an important (and growing) contributor to country's GDP (The total contribution of Travel & Tourism to GDP was R\$ 356.5bn in 2011 - 8.6% of GDP

- and the total contribution of the industry to employment was 7,654,500 jobs).⁹

The World Cup of 2014 and the Olympic Games of 2016 (WC&OG) will certainly reinforce tourism importance on the Brazilian economy. These big events demand infrastructures that Brazil still lacks (In *Appendix 19*, you can check the number of additional beds required for the host cities of World Cup). The government creates infrastructural programs to give answer to these demands, since 2004 started build and expand several airports, in 2010 a high speed rail line between Rio de Janeiro and São Paulo started to be build (an investment of R\$ 36.4 billion) and new road construction plans have been implemented in the main cities. The Government sponsored the Growth Acceleration Program specially designed to tourism. The program focused mainly on infrastructural improvements, credit and financing to companies, incentivize environmental practices, tax relief and long term fiscal reforms.¹⁰

4.3 Brazilian Hotel Industry

The hotel business in Brazil has become increasingly attractive to investors due to increased tourism and promising business growth rates. Indexes such as the RevPAR (revenue per available room), have increased year over year since 2005 in all Brazilian regions. The South, South-Eastern and Mid-West regions had outstanding performance with more than 10% growth rates in the same period.¹¹ However, Brazil still lacks a more consolidated hotel industry, and there are highly attractive markets for entrepreneurial projects in underdeveloped regions, particularly in the Northeast. The more developed markets in the South provide good opportunities for niche concepts or more products that require more mature markets. Current investments in this industry in Brazil are primarily done through hotels, condo hotels (condominium based) and mixed-use properties, where the hotels or condo-hotels are developed together with residential, corporate towers and/or shopping malls. According to a report prepared by Jones Lang LaSalle (Lodging Industry in Numbers – Brazil, 2012), the Brazilian Hotel Industry is characterized by a huge number of independent hotels (92.15%) and just a few percentage of hotels making part of national or international

chains (7.85%). The sample used by Jones Lang LaSalle to elaborate the report is representative of the hotel industry in Brazil (*Appendix 20*) and points out several characteristics and indicators of Brazilian hotel industry. For instance, the percentage of international guests in 2011 just represents 15.6% of total guests. The largest concentration of foreigners was verified in the higher stars hotels (average rates above R\$ 330), where the percentage reached 39.7%. By other side the largest concentration of Brazilians (90.8%) were verified in the lower stars hotels (average rates below R\$ 190).

The main segments of hotel demand in Brazil are corporate travelers (which represents on average more than 50% of the total occupancy), tourists and groups. The percentage of these segments varies according to hotel category and region of the country.

The Brazilian hotel industry has presented some growth patterns, regarding (city) hotels' performance. Room occupancy increased from 52% in 2003 to 69.5% in 2011, average daily rates (ADR) increased from R\$ 138 in 2003 to R\$ 211 in 2011 and the revenue per available room (RevPAR) more than doubled from 2003 (R\$ 72) to 2011 (R\$ 147). If analyzed by category the hotels with an average rate above R\$ 330, presented (in mean) in 2011, an average rate of R\$ 492, an occupancy level of 64.9%, a RevPAR of R\$ 319 and a gross operating profit of R\$ 58,520 (36.5% of gross revenue). Regarding the hotels with an average rate between R\$ 190 - R\$ 330, presented (in mean) in 2011, an average rate of R\$ 238, an occupancy level of 67.8%, a RevPAR of R\$ 161 and a gross operating profit of R\$ 28,168 (35% of gross revenue). Finally the hotels with an average rate below R\$ 190, presented (in mean) in 2011, an average rate of R\$ 138, an occupancy level of 73.4%, a RevPAR of R\$ 101 and a gross operating profit of R\$ 17,510 (38.1% of gross revenue). It is possible to conclude that demand growth is happening in all segments of the hotel industry.

These numbers represents a huge incentive for potential investors, by one side, and a big pressure over the actual players, by other side. This happens because while the number of

hotels does not increase substantially, the actual hotels will need to accommodate the increasing demand, which put pressure over hotels' services and capacity. For the most efficient hotels this can represent a huge opportunity, but for less efficient hotels can represent a challenge that they are not prepared to face. The economic category is the one suffering more pressures, mainly for two reasons: the increasing demand on the economic and budget segments (related with the middleclass increase) and because the economical category is in its majority represented by independent hotels.

The government (BNDES and Ministério do Turismo) sponsors several initiatives to stimulate investment in the hotel industry to meet the expected increase demand. *ProCopa Turismo* is an R\$ 1 billion program to finance the reform and construction of new hotels for the World Cup. Bureaucracy is unquestionably the main problem that new investors have to face when constructing new hotels. But there is other rising problem: the massive rising of construction costs.¹² The cost of building materials and labor costs has increased along with the land costs (due to speculation), consequently future hoteliers will need to incorporate these rising costs and other inflationary pressure in their costs projections.

5. São Paulo Hotel Industry

São Paulo with a population of approximately 20 million (metropolitan area) is the South America's largest city and responsible for 15% of Brazilian's GDP. The two city airports, *Guarulhos e Congonhas*, registered together more than 46.5 million passengers in 2011, making São Paulo the main economic hub in South America.¹³ São Paulo is also the most important city of South America in what concerns trade shows and is among the top 15 destinations for international events in the world (12th place), representing 75% of the total Brazilian market of trade shows.¹⁴

To meet this demand, São Paulo has the largest hotel capacity in the country, featuring a wide variety of products, from cheap hotels with limited service to large 5-star luxury hotels to convey all the tourists (consult *Appendix 21*: São Paulo tourist profile – 1st Semester 2010).

São Paulo State accounts for 1,323 lodging establishments, from which 722 are hotels. *Table 2* indicates the category and the size of the hotels spread through the metropolitan area, in 2011:

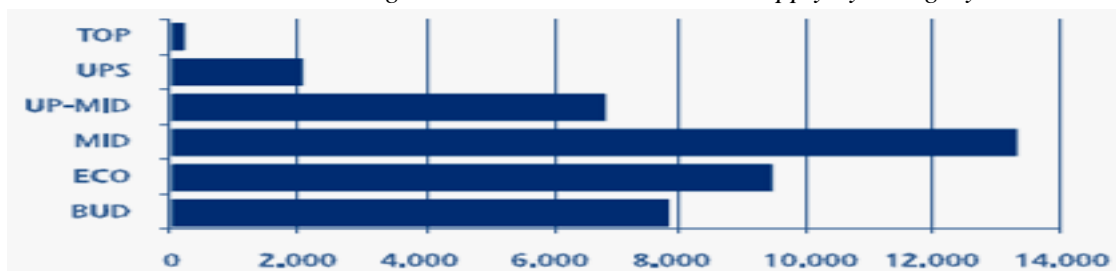
Table 2: Hotels in São Paulo Metropolitan Area

Area	# of Rooms	Total	5-9	10-19	20-29	30-49	50-99	+100
São Paulo City		574	6	97	119	158	97	97
São Paulo Metropolitan Area (excluding city)		148	2	30	39	33	25	19
Total		722	8	127	158	191	122	116

Source: IBGE (2012)

According to *Hospitality Valuation Services (HVS) Brazil* report for São Paulo, one third of the hotel supply is located in the region of *Paulista/Jardins* and there are four other representative regions: *Centro, Berrini/Chácara Sto. Antônio, Vila Olímpia/Itaim and Moema/Aeroporto*. The data is from 2008, but is still updated, since there were no major entries in the market in the past years.¹⁵ Because of its economic importance in the national and international scene, about 80% of tourists (the more recent numbers, according to HVS) traveling and staying in hotels in São Paulo are exclusively focused on business and events, and prefer to stay in the city and on average stay one to two nights. Due to this circumstance, the hotel offer of São Paulo is quite diverse in terms of standard of quality and sophistication. The offer is distributed among various categories and represented in *Figure 1*.

Figure 1: Accommodation Units Supply by Category in São Paulo



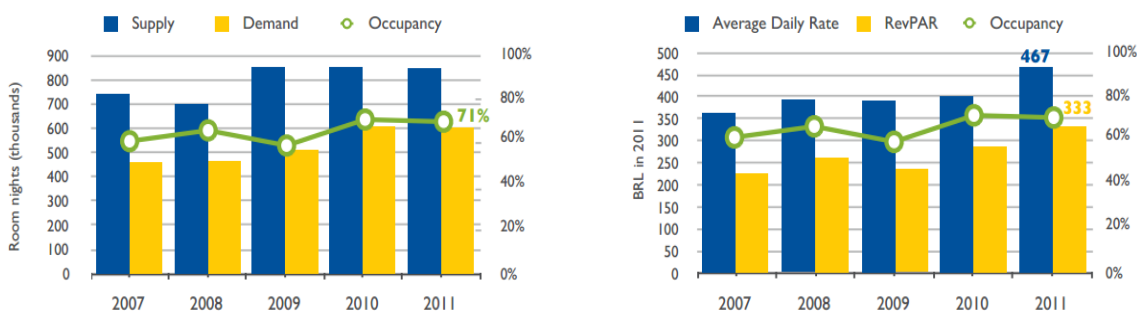
Source: HVS (2009)

The hotels were classified according to their physical structures, services offered and the estimated average annual daily. It ranges from Budget (BUD) Hotels (average rates up to R\$ 95), passing through Economical (ECO), Midscale (MID), Upper scale (UPS) and finalizing in TOP (also known as Charming or Boutique Hotels) Hotels (with average rates above R\$

600). There is one particularity in the São Paulo’s market, when compared to all other Brazilian cities, the existence of an Upper-Midscale (UP-MID) segment. This is a result of a highly competitive and professionalized hotel market (due to the presence of several national and international chains, *Appendix 22*).

Charming hotels represent only 1% of São Paulo’s total supply, with three small and medium-sized hotels: Fasano, Emiliano and Unique. These hotels offer more personalized services, facilities and equipment (more sophisticated than UPS), and so achieve significantly higher daily averages. The range on offer UPS represents 5% of total city offer, with six hotels managed by large international chains. Three of these hotels are owned by their own administrators: Hilton, Hyatt and Inter Continental. Among the hotels with management contract or leasing contract are the Sofitel, the Renaissance and Tivoli São Paulo - Mofarrej Hotel. Average rates in the luxury segment have significantly risen in 2011, taking into account that demand is currently higher than the supply available in the segment, where the newest hotel is 10 years old. This is an untapped business opportunity for lack of funding sources (HVS, 2011), but it is not surprising that one big project can appear in São Paulo in next few years. *Figure 2* illustrates performance evolution of the hotels in this segment.

Figure 2: Upscale Segment Performance Evolution

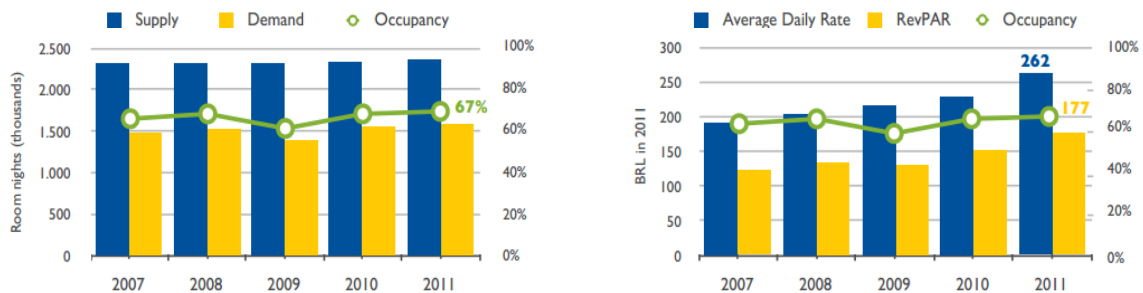


Source: *HotelInvest* (2012)

The segments UP-MID and MID hold together 51% of São Paulo market. Both categories are formed mainly by hotel chains, both national and international. *Louvre Hotels (Tulip Inn), Blue Tree Towers, Best Western, Tryp, Accor (Mercure), Choice (Quality and Comfort), National Inn* and *Transamerica* are just few examples that illustrate how competitive is these

two segments. The categories MID and UP-MID is formed by hotels with rates between R\$ 130-180 and R\$ 170-300, respectively. These hotels' categories are targeting senior managers and offer complete packages. **Figure 3** illustrates performance evolution of these Midscale segments.

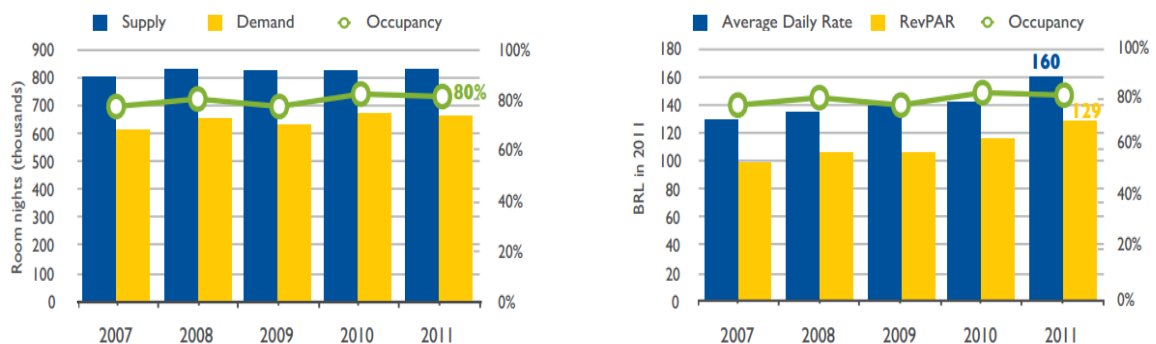
Figure 3: Midscale Segment Performance Evolution



Source: *HotelInvest (2012)*

The segments Economic and Budget represent 24% and 20%, respectively. They are formed by some national and international hotel brands networks, *Accor Group* is undoubtedly the chain with more presence in these segments (11 hotels on total), but are mainly formed by independent old hotels. The hotels in these segments target middle class businessmen that come to São Paulo and look for cheaper offers. The economic segment presented an evolution rather significant, less intense than the other segments, but the prospects for the future are significantly encouraging. **Figure 4** illustrates performance evolution of the Economic segment:

Figure 4: Economic Segment Performance Evolution



Source: *HotelInvest (2012)*

To have a more precise notion about hotels and rooms distribution throughout São Paulo's City and respective occupancy level in 2010, consult **Appendix 23**. In **Appendix 24**, it is

possible to consult the most recent numbers by area and segment in São Paulo's City.

5.1 Prospects and Opportunities

According to *Diogo Canteras*, managing director of HVS in Brazil, founder of *HotelInvest* and professor of Hotel and Real Estate Projects at *Fundação Getúlio Vargas (FGV)* in São Paulo, predicted demand and supply correlation in the next few years for São Paulo (*Appendix 25*). Canteras, (2009) stressed out that since 2006 excellent returns would be made via the purchase of existing hotels. Midscale and Upper Midscale segments were the segments more attractive, because these segments suffered more from the oversupply^{vi} in the beginning of the century and have greatest potential to recover. However are the Economic and Budget segments that call the attention of potential investors, largely because these segments tend to become economically viable faster than the upper segments, competition is much smaller and the actual hotels' supply does not assure expected future demands. The renovation of hotels and the construction of new hotels look likely to become viable options nowadays and within the next few years as the average room rate reach a level in line to the oversupply. Canteras, (2009) stressed the importance of international events for São Paulo's hotel industry, but advise the hoteliers for the need to ensure sustainability of their businesses after 2016. He concludes by pointing two potential hotel industry investment options:

- The acquisition of hospitality assets in cities (as São Paulo) that have been affected by over-supply^{vii} (hotels, condo-hotels and hotel companies);
- Experienced hoteliers should only consider construction of new hotels, after extensive due diligence and accurate competitive analysis.

According to "5ª Edição – Placar da Hotelaria – 2015"^{viii}, the occupancy level in São Paulo in 2015 is expected to reach an annual mean of 78% (to find out projections for the different segments, consults *Appendix 26*), this means that hotels will be full for long periods, so it is

^{vi} Oversupply of flats that became famous in the beginning of 2000s and affect negatively the performance of hospitality in São Paulo

^{vii} Same as IV

^{viii} Elaborated by Fórum de Operadores Hoteleiros do Brasil (FOHB) and HVS

expected an increase on prices charged as a way to select demand.

The great dependence on businesses and events, is one of the main characteristics of São Paulo's hotel industry¹⁶, consequently São Paulo's market suffers greatly with seasonality and weekends (*Appendix 27*).

As companies focus their trips and events especially during the week, and São Paulo has not succeeded in attracting significant amount of leisure tourists on weekends, the hotels always achieve a high level of occupancy between Monday and Thursday. The same happens in the months of January and December, when the movement of companies is low and consequently the movement in the hotels is reduced.

5.2 Conclusion

Taking into account the analysis made about São Paulo's hotel industry (consults *Appendix 28*, for a SWOT Analysis of São Paulo Hotel Industry) and the report prepared by BSH Travel Research, division of BSH International (Brasil – Service & Holding Ltda.) a company specialized in hospitality asset management, about future investments in Hotels and Resorts in Brazil (2011), I concluded that the segment with more opportunities is the economic segment. The report shows that the next years will bring a massive growing of new economic hotels throughout Brazil, with four chains having special relevance: Accor Hospitality, Allia Hotels (merger of three Brazilian chains: Bristol, Solare and Plaza Inn), Brazil Hospitality Group and Atlantica Hotels. The Accor Group will reinforce its presence all over Brazil, including São Paulo State, until 2014 is expected that the Group will open more than 70 hotels¹⁷ and the majority of the hotels belong to the economic category, however none of the openings will be in São Paulo's City. Brazil Hospitality Group is planning through its alliance with Louvre Hotels to start expanding its presence in the economic and budget categories in Brazil. Regarding Atlantica Hotels, the group is planning open several hotels in different categories, but giving special attention to the midscale and economic segments, but none of the new openings will be in São Paulo's City. The same report does not present any additional projects

on this segment for the city of São Paulo, the reason are the huge costs of building in São Paulo, which make new real estate investments focused on the economic segment, less attractive. Despite this, there are already some hotels in the economic segment from several groups in São Paulo's City (*Table 3*):

Table 3: Economic Segments – Hotel Chains' presence in São Paulo

Group	Hotel Designation	Total	Category
Accor Hospitality	Ibis	11	Economic (6), Budget (5)
Brazil Hospitality Group	Tulip Inn	2	Economic
Atlantica Hotels	Go Inn	1	Budget
Buenas Hóteis	Several	6	Economic

Source: *Own Research (2012)*

Table 3 together with *Appendix 23*, confirm the evidence that the majority of the economic hotels are old hotels, belonging to independent owners and located mainly in the center of São Paulo. These hotels were forced to be reclassified as cheaper offers, because they have not followed the evolution of physical structures and the standard of service of the new hotels.

6. Alternative Modes of Entry

After identifying São Paulo's main characteristics, city's hotel performance and the main competitors, Dom Pedro Hotels have to determine what organizational structure and management strategy best help them maintain their competitive advantage and maximize their value creation (Schlentrich and Aliouche, 2011).

Unlike other companies, hotels are location-bound, and have only a certain possible market entry modes Johnson, (2002), each of them implying different degrees of ownership and control. There are three possibilities: FDI (green-field or acquisition); equity collaborative arrangements (joint-venture) and non-equity collaborative arrangements (licensing, franchising and management contracts). In the hospitality industry collaborative arrangements are equally or even more important than full ownership modes of entry. It is important to differentiate capital-intensive assets (as real estate) from knowledge-based or managerial expertise-related hospitality skills, because different aspects can require different tactics. It is

very important to analyze the pros and cons associate to each mode of entry.

Starting by Foreign Direct Investment (FDI), the **Greenfield investment** is the establishment of a new wholly owned subsidiary. As consequence, the process is potentially costly and complex. This process is preferable when physical capital plants are planned or when there are no competitors to acquire and to transfer the competitive advantages of the company. The major risks associated to all the process include the time (and costs), the lack of knowledge about the destiny (about distribution channels, competitors, marketing strategies, among others). In the case of São Paulo, this becomes even more evident. The difficulty in finding places to build a new hotel, the consequent high costs of the land and all the bureaucracy involved in starting a new business (that Dom Pedro Hotels also experienced in Dom Pedro Laguna), make this mode of entry not suitable for Dom Pedro Hotels. Regarding **acquisition**, this mode of entry is appreciated for its quick access to the market. This process can be costly, but tend to be less costly than Greenfield investment, because estimations can be more easily and accurately derived. In this case, Dom Pedro would be buying a potential future competitor and it can also gain with other hotel's capabilities and resources. However, this process has some problems or disadvantages. First, acquire a hotel in São Paulo will be potentially costly, because hotels have great perspectives for the near future (international big events and positive environment). In case Dom Pedro decides to acquire a hotel, it must count with a big increase in its debt levels since an acquisition requires a huge amount of capital to buy the property and it is very likely that the hotel requires a complete reshuffle. This mode of entry also presents the same problem as in the case of Greenfield investment, it requires the implementation of the entire supply chain.

Dom Pedro Hotels can opt to enter through an equity collaborative arrangement, as a **joint venture** with a strategic partner. This mode of entry has as objective share the risk, gain synergies and conform government regulations. Joint ventures can be successful when

partners' objectives converge, when partners' size, market power and resources are small compared to competitors and when together partners can create a sustainable competitive advantage. This is the example of the Aquiraz Riviera Project, which three different (Portuguese) parties that despite its different areas of doing business have converging objectives. The major problems associated to such a strategy deals with the agreement itself, the alignment of objectives and the coordination of processes. Despite the success achieved in the Aquiraz Riviera project as a whole, the Hotel Dom Pedro Laguna is operating under a zero profit base, taking this into account and the fact that the circumstances are completely different and the target segments are completely different, a cooperative arrangement of this kind is difficult to achieve. Identifying a suitable partner who adds value, reduces risk and do not compromises the award seems to be difficult, but this does not mean that Dom Pedro Hotels should not be aware of any possible project where objectives could be aligned.

Licensing, is not so common in the hospitality industry, but is commonly used in situations where companies have no international experience and licensor's resources are valuable. In this case, Dom Pedro Hotels has no distinctive or legally protect asset that can be a key differentiating element and this makes this mode of entry not appropriate. **Franchising**, is a common practice in the hospitality industry, where the franchiser sells a broad package of rights and resources which usually includes: equipments, managerial systems, operation manual, initial trainings, site approval and all the support necessary for the franchisee to run its business in the same way it is done by the franchisor. By its side, the franchisee has to pay fees and royalties to be identified with its trademark, operating in a local that knows better than franchisor reducing significantly the risk. The problem in this case is that Dom Pedro Hotels has not its services and processes standardized, the hotel's reputation is confined to Portugal and in this initial phase the company do not have the necessary conditions to manage such complex system. According to the Sales & Marketing Director of Dom Pedro Hotels

“the costs of creating such system, would be never compensated by the potential profits”.

A **management contract** is one different possibility where Dom Pedro Hotels can provide managerial assistance, technical advice or any specialized service for a period of time in exchange of a payment of a fee. This is not typically used in the European market, but is becoming a common practice in the Brazilian market. Basically investment funds build the hotels and sell the properties (it is a pure real estate business), the new owners want to capitalize their investments and ask to the investment funds to look for potential managers (hotels). Sometimes are the hotel chains that look for these opportunities in the market and approach the owners. One of the advantages of this mode of entry is that Dom Pedro does not have to pass through all the bureaucracy that building a new hotel implies; the main disadvantage is the reduction of the profit margin, because the agreement requires a payment to the owner of the property.

In my opinion, a management contract is the mode of entry that best suites Dom Pedro interests, because it involves less initial investment, less risk and considering the competitive advantages of Dom Pedro, the Hotel can guarantee enough competitiveness in the market to assure a profitable margin that makes the future project feasible.

As alternative, Dom Pedro Hotels should be aware of acquisition opportunities of independent old hotels, because some interesting opportunities can emerge on the economic segment.

7. Marketing Strategy

Product - Regarding the Hotel itself it should be a medium hotel with more than 100 rooms¹⁸ and offering a limited service (a 2 or 3 star hotel). Despite the category level, the service should not be disregard and internet access is crucial for guests; in this specific segment quality is often disregard, but it should be a source of differentiation and make the difference (Merlo and João, 2010). The hotel should focus on benchmark cases as Ibis from Group Accor (*Appendix 29*) and consider what guesses value more (*Appendix 30*), but giving a

“personal touch” and marketing the Portuguese heritage of the group on design and quality. It is crucial to have at least one big meeting facility, because most part of the travelers comes in business.

Price - The price should be set little above the limit of the economic segment at the time of the opening and remain relatively constant, in order to create and sustain an image of top mind choice in the economic segment of São Paulo. Special discounts for groups and weekends should be created, the last one because of the (week) seasonality verified in São Paulo. The hotel should incentivize reservations in advance (with discounts clearly established), in order to easily prepare the operations (*Appendix 30*, illustrates an example followed by the main hotel chains present in São Paulo). It is also important to assure that payment terms and conditions are determined and accessible to the guests.

Placement - The hotel location is conditioned to the opportunities in the market. The exact area of the hotel will be determined by several characteristics: price of the hotel, relative location, hotel’s condition (necessity of refurbishment or not) and profitability expectations. Considering the *Appendix 23*, it is likely that in case of acquisition, the hotel is located in the center; because it is where the most part of old hotels in the economic segment are located. In the case of a Management Contract there is one area where Dom Pedro Hotels should be quite attentive to new investments, the North of São Paulo, because it is an area with relative low number of hotels (16 from 371) and with two big exhibition pavilions: *Anhembi Parque* and *Expo Center Norte*.

Promotion - This is one crucial topic for Dom Pedro Hotels. It is important to promote the Hotel close to corporations, because an important percentage of the customers will be Brazilians travel on business in São Paulo. Dom Pedro Hotels are already well known among the main distribution channels in Brazil, however is important to create awareness on the final consumer. Currently, Dom Pedro has two full employees working on promotion close to

distribution channels and corporations in São Paulo, however is important to increase its presence on the main fairs and events of São Paulo (consults *Appendix 31* to find out the most important events related to travel, tourism, hotel industry and real estate in 2013).

As the opening data gets closer, Dom Pedro needs to strengthen their brand awareness close to the final consumer and be present in social networks as Orkut, the most important social network in Brazil. To prepare the grand opening Dom Pedro should make a presentation party and distribute several flyers and invite the main entities and corporations close to the Hotel. Dom Pedro should continue to use the same distribution channels used for the Hotel Dom Pedro Laguna, especially CVC (acronym of Carlos Vicente Cerchiarri) the biggest tour operator of Brazil that has its main focus on the midscale segment of the population.

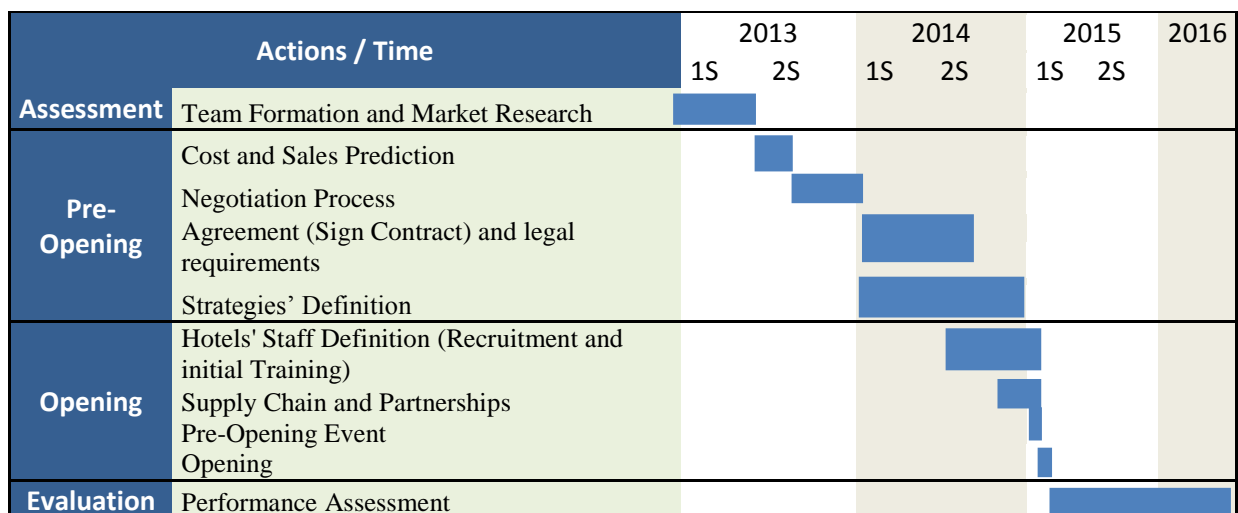
8. Implementation Plan

Determine the mode of entry and exact location of the hotel will depend more on the opportunities find in the market, than Dom Pedro's best wishes. Make a good evaluation of competitors, be aware of new investment plans (management contract) in São Paulo and evaluate hotels' conditions (acquisition opportunities) is extremely important in a very initial phase. After this phase Dom Pedro Hotels should define some targets and start negotiate with property owners and based on the conditions presented decide which mode of entry best suites Dom Pedro's interests. A 4M's framework should assist Dom Pedro during all process and it should contemplate the following: a detailed schedule of the implementation plan (minute), staffs' requirements (men), budget (money) and performance measurement instruments (memo).

Minute: The process will be divided in four phases: *assessment of opportunities, pre-opening, opening and evaluation*. The first phase is possibly the most difficult and significant for Dom Pedro. As explained above, this phase includes the assessment of opportunities in the beginning, which includes the evaluation of hotels' physical conditions or new investment perspectives. The exact time that this phase will last is impossible to predict, but this process

should be exhaustive and it would be perfect if it last no more than half a year, because the next phase is expected to last more time. The pre-opening phase includes the negotiation process and all bureaucratic issues that need to be solved after reaching an agreement, as stated previously, start doing business in Brazil is a lengthy process. Even during this period, Dom Pedro needs to start refurbish the hotel or simply design the interior, define the main strategies, procedures and objectives, make a more accurate estimative of future costs and revenues, recruit and train the future staff and start communicating the hotel in fairs, events and social networks. Concerning the opening phase, it is important that aspects like staff composition and objectives definition are solved at least one month before the inauguration of the hotel. Dom Pedro Hotels’ image and policy make important to have an event before the grand opening and everything should be thought in detail. It is important to have guests selected from the main distribution channels, corporations and entities in São Paulo and show the difference between Dom Pedro and other economic hotels in the city. The last phase is very important to evaluate Hotel’s performance, to assess the processes and practices of the Hotel and prepare a next step: **the creation of a brand in the economic segment in Brazil**. The implementation plan schedule is briefly presented in *Figure 5* and a more detailed schedule is presented in *Appendix 32*:

Figure 5: Implementation Plan Schedule



Source: Own depiction based on primary and secondary research

Men: Staff Planning has to be considered as top priority by Dom Pedro right from the very beginning. In the assessment phase a team of 4/5 elements (the actual 2 full time employees plus 2/3 elements) need to be created to make a deep analysis of the competitive environment and evaluate the market opportunities. This team should have elements from Portugal and São Paulo and be assisted by the management team in the negotiation process. The future hotel's manager does not necessarily have to come from this team, but it should be indicated as soon as the negotiation process ends, because all the next steps should be coordinated by the hotel's manager. The hotel's manager is responsible for supervise the hotel refurbishment (if necessary) and subsequent interior design and is also responsible for the team that will recruit and later on train the future staff. The team should be composed by 6 elements: *hotel's manager, housekeepers' responsible, receptionist (responsible for this area), sales manager and group's director.*¹⁹ The team should be composed by expatriates that prove their quality working for Dom Pedro (following the best practices of Four Seasons – **Appendix 10**, Human Resources Management) and must coordinate the recruiting and training processes and be responsible for day-to-day operations during the first 6 months.

Dom Pedro must give special attention to the recruitment process and identifies the profiles for each position and the requirements on potential candidates. Customer surveys' results showed that Dom Pedro must pay attention to the quality offered. Dom Pedro must therefore recruit school-qualified employees and referenced employees and use one-to-one interviews to make sure that they are selecting the right people.

Finding skilled workforce is not easy to find in Brazil, but São Paulo is somehow an exception. The Faculty of Tourism and Hospitality SENAC and the study center of Tourism and Hospitality SENAC-SP were the first two institutions certified with ISO 9002 in Brazil being recognized as credible institutions.²⁰ The competitive environment also put pressure on the hotels of São Paulo to professionalize its services, consequently is not expected difficulty

in finding qualified employees. Still Dom Pedro must give special attention to language skills and professionalism of the applicants during the recruitment process, because it can become a differentiator factor. The exact number of employees is impossible to predict because it will depend on the size of the Hotel, but Dom Pedro should count with 0.3 employees per available room²¹, i.e., if the hotel has 200 rooms, the hotel should have around 60 employees (including all areas).

Money^{ix}: It is quite difficult to make an accurate prediction about costs and revenues, but Dom Pedro must include the costs of the 1st team on the field and negotiation costs. The clauses of the agreement (management contract) or the price paid to acquire the hotel and respective refurbishment (acquisition) should be considered in the costs projections. Dom Pedro Hotels must count with costs related to start a business and cost associated to staff recruitment and training. The operational costs (including salaries) are the main costs for Dom Pedro after Hotel's opening, but the Hotel should also consider administrative costs, marketing & sales, property maintenance and taxes.

Memo: Define objectives and measure performance achievements is critical to control internal processes and make the necessary adjustments to the activities performed and prepare further expansion plans (*Appendix 34*).

9. Conclusion and Recommendations

Concluding, it is almost impossible to define accurately the time for all the process, the costs, the staffs' requirements and the objectives to achieve in an exact deadline. As long as the process evolves Dom Pedro Hotels must review the plans and make more concrete assumptions. It would be fantastic if the Hotel would be ready to open in the beginning of 2015, but Dom Pedro should not precipitate the course of the actions just to open the hotel sooner. In a broad perspective, the main risk for Dom Pedro is ending up paying more than it was supposed in any of the two cases presented. In order to mitigate this risk, the hotel should

^{ix} At this stage is impossible to predict costs and future revenues

ask for a consulting firm to evaluate the risks and before engaging in an acquisition or management contract. The Brazilian market environment before and fundamentally after WC&OG is unpredictable, but it will definitely influence all the phases of the implementation process, while some hoteliers tend to be very optimistic, others tend to be more conscious, but in any case is expected that these events and also the increase demand will foster the competitiveness of the market in the economic segment. São Paulo is the most develop city in Brazil (including the hotel industry), but there is always some risk associated to staffs' performance. In my opinion, human resources should the main source of advantage of Dom Pedro Hotels in São Paulo's City, and I advise the company to spend several hours on recruiting and training processes. However this risk can be mitigate by using Portuguese elements that already work for the group and by recruiting on credited institutions.

Last, but not least, this Hotel should be the beginning of new strategy in the Brazilian market, the creation of a new brand (economic segment) that should be known by its elegance, efficiency, professionalism and friendly service. Dom Pedro Hotels should use its image, reputation, capacity to manage different style of hotels and supply chain to create a brand that will be known not by its similarities among all the hotels (as Ibis in Brazil), but by its quality and difference in every single hotel (like Ibis Styles) – *Appendix 29*.

For big international and national chains, it is easier to standardize the interior and exterior designs as well as the service of the hotels, than offer different experiences in each hotel. Dom Pedro Hotels can take advantage from its relative small size and proven efficiency in the Portuguese market to introduce a new concept in Brazil: **a non-standardized economy and design brand**. This still requires an internal standardization of processes and a creation of a mission and vision shared by the all Group, because to embrace such “big project” is required a mix of standardization and flexibility.

Table of Abbreviations

ADR	Average daily rate
BDO	Binder Dijker Otte & Co
BNDES	Banco Nacional do Desenvolvimento
BSH	Brasil - Service & Holding Ltda.
BUD	Budget (Segment)
CEO	Chief Executive Office
COO	Chief Operating Officer
CRS	Constant Returns on Scale
CVC	Carlos Vicente Cerchiarri
ECO	Economical (Segment)
FDI	Foreign Direct Investment
FOHB	Fórum de Operadores Hoteleiros do Brasil
FGV	Fundação Getúlio Vargas
GDP	Gross Domestic Product
GOP	Gross Operating Profit
HVS	Hospitality Valuation Services
IBGE	Instituto Brasileiro de Geografia e Estatística
PESTEL	Political, Economical, Social, Technological, Environmental and Legal
MID	Midscale (Segment)
RevPAR	Revenue per available room
SENAC-SP	Serviço Nacional de Aprendizagem Comercial – São Paulo
SWOT	Strengths, Weaknesses, Opportunities and Threats
UPS	Upscale (Segment)
UP-MID	Upper-Midscale (Segment)
VRIO	Value, Rarity, Imitability and Organization
VRS	Variable Returns on Scale
WC&OG	World Cup and Olympic Games

Appendixes

Appendix 1: Dom Pedro Hotels in Images and Profile

Hotel Dom Pedro Palace 5*



Dom Pedro Golf Resort 4*

Dom Pedro Marina 4*



Dom Pedro Porto Belo 4*

Dom Pedro Meia Praia Beach Club 3*

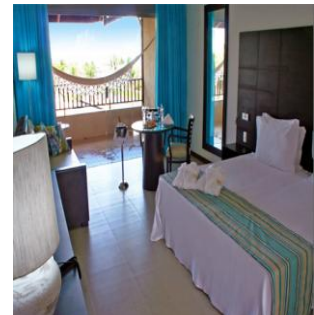


Dom Pedro Garajau 3*

Dom Pedro Baía Club 4*



Dom Pedro Laguna 5* (Ceará)



Source: Dom Pedro Hotels (2012)

Hotels' Profile

Hotel	Category	Location	Profile
Dom Pedro Palace	5*	Lisbon	<ul style="list-style-type: none"> • 263 rooms and suites, 420qm Penthouse Suite • SPA • Top business facilities • Known as celebrity hotel • Next to huge Amoreiras Shopping Center
Dom Pedro Golf Resort (Vilamoura Resort)	5*	Vilamoura, Algarve	<ul style="list-style-type: none"> • 266 rooms • Varied family holiday offer • 1.750 qm meeting facilities • Offer of Europe's best golf courses
Dom Pedro Marina (Vilamoura Resort)	4*	Vilamoura, Algarve	<ul style="list-style-type: none"> • 100 rooms, 55 suites (incl. 4 presidential suites) • Beach hotel • Great pool landscape
Dom Pedro Portobelo (Vilamoura Resort)	4*	Vilamoura, Algarve	<ul style="list-style-type: none"> • Apartments with hotel services • Varied family holiday offer
Dom Pedro Meia Praia Beach Club	3*	Lagos, Algarve	<ul style="list-style-type: none"> • 77 Apartments • Located at Algarve's major beach • Special golf course discounts
Dom Pedro Baia Club	4*	Madeira	<ul style="list-style-type: none"> • Quiet location on the beach • Large outdoor seawater swimming pool • Tennis and sports courts, in-house diving center • Reduced entrance fees for Golf Championships for Dom Pedro guests
Dom Pedro Garajau	3*	Madeira	<ul style="list-style-type: none"> • 272 rooms and suites • Includes a natural reserve • Snorkeling and scuba diving offer • For action-packed holidays
Dom Pedro Laguna (Aquiraz Riviera Resort)	5*	Ceará, Brazil	<ul style="list-style-type: none"> • 102 deluxe rooms and water villas spread across 15.000 m² lagoon • Integrated in paradise beach landscape • Quietness and total privacy • High-class golf offer

Source: Dom Pedro Hotels (2012)

Appendix 2: Dom Pedro Hotels' Organizational Structure



Source: Ambitur Portugal (2009)²²

Appendix 3: Porter's Five Forces Analysis of the Portuguese Hotel Industry

The Portuguese hotel industry is mainly driven by three forces. First, the *competition between existing firms* is very intense which is strongly reinforced by the globalization. Firms in Portugal compete on the base of location, price and star category while the quality of three- and four-star hotels is regarded as being specifically strong. Hotels compete therefore also with neighboring categories. Second, hotels are highly dependent on their *suppliers*, meaning tour operators and travel agencies bringing customers to their properties as depicted in the industry map. However, this power depends largely on the hotel size and decreases the more the bigger a hotel chain is. Further suppliers as design companies, furniture and room equipment vendors or food services and technology suppliers however are numerous and the power is here rather with the hotels. Third, profitability is influenced by the bargaining power of *customers*. Customer power has dramatically increased through the internet as an almost transparent tool of information access and comparing or evaluating offers. Being a service industry, hotels are extremely dependent on attracting clients by providing a better offer than the competition and ensure their satisfaction, in order to maintain them as future customers and avoid bad press. The last two forces are comparably weak: The threat of substitute products for hotels is rather weak but represents a very dynamic force and might increase in importance in the future. The innovation of potential substitutes addressing target groups especially for the younger clientele might affect the future strength of this force and it will become important not to lose ground in the fight for customers. The Dom Pedro management e.g. already regards high-class hostels as a rising force in the struggle for the younger. Thus, the importance to go with trends and to innovate has to be considered in order not to have a future disadvantage. The threat of new entrants is a middle strong force. Entering a new market requires distinct market knowledge and long-term planning. Depending on the market entry mode it is more or less capital intensive: Constructing a hotel from scratch is very capital intensive, while availability of appropriate real estate for acquisition or contracting is limited and hence represents an entry barrier. However, especially in fast growing markets where demand exceeds supply incumbents face a high threat of new entrants. As learned in the interview with Dom Pedro Hotels, around 20 new hotels will be opened alone in the city of Lisbon in 2013.

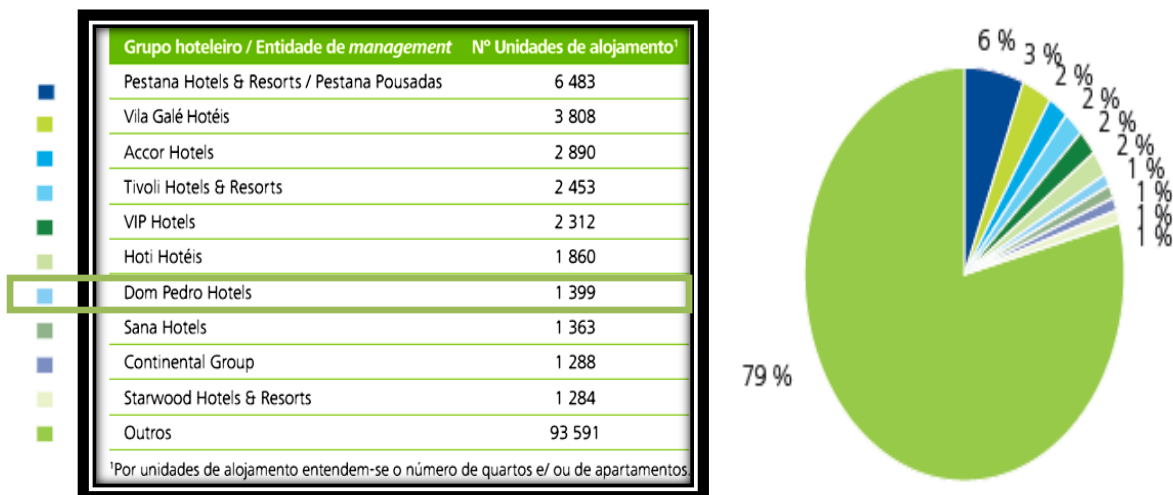
Main Source: *Interview to the Sales Manager of Dom Pedro Hotels (2012)*

Appendix 4: Portuguese Tourism - Outbound Markets



Source: Banco de Portugal, UNWTO, Roland Berger analysis (2010)

Appendix 5: Top 10 Hotel Chains in Portugal Regarding Capacity (2011)



Source: Atlas da Hotelaria, 7ª Edição (Deloitte, 2012)

Appendix 6: DEA efficiency scores for Portuguese hotels, 1998 to 2005

Hotels designation	Technical efficiency CRS	Technical efficiency VRS	Scale efficiency
Solverde-Investimentos Túrísticos da Costa Verde	1.000	1.000	1.000
Vila Galé-Sociedade de Empreendimentos Turísticos	1.000	1.000	1.000
Enatur	1.000	1.000	1.000
M&J Pestana-Soc. Turística da Madeira	0.984	1.000	0.984
Estoril Sol	0.956	1.000	0.956
Solverde-Investimentos Túrísticos	0.897	1.000	0.897
Dom Pedro-Investimentos Túrísticos	0.864	0.997	0.867
Hotéis Tivoli	0.724	0.944	0.778
ITI-Invest. Turísticos da Ilha da Madeira	0.726	0.990	0.733
Hotel Ritz	0.969	0.984	0.985
Lusotur-Empreend. Imobiliários e Turísticos	0.879	0.954	0.921
Empreendimentos Turísticos Savoy	0.799	0.951	0.840
Portis-Hotéis Portugueses	0.905	0.937	0.966
Sociedade Figueira Praia	0.919	0.921	0.997
Hotéis Sheraton de Portugal	0.830	0.912	0.910
Mean	0.910	0.972	0.935
Median	0.919	0.990	0.966
SD	0.080	0.032	0.076

Source: Barros et. al. (2011)

Appendix 7: Customer Satisfaction Surveys' Analysis

Section	Excellent (%)	Good (%)	Fine (%)	Bad (%)	N.A. (%)	Total (%)	Yes (%)	No (%)
Reception								
Friendly Service	350 (67,83)	138 (26,74)	19 (3,68)	0 (0)	9 (1,74)	516 (100)		
Efficient Service	338 (65,5)	128 (24,81)	12 (2,33)	5 (0,97)	33 (6,4)	516 (100)		
Explanation of Hotel and Room Facilities	289 (56,01)	134 (25,97)	42 (8,14)	12 (2,33)	39 (7,56)	516 (100)		
Rooms								
Cleaning and Appearance	412 (79,84)	88 (17,05)	6 (1,16)	3 (0,58)	7 (1,36)	516 (100)		
Staff Efficient and Friendly	254 (49,22)	162 (31,4)	47 (9,11)	19 (3,68)	34 (6,59)	516 (100)		
Air Conditioning	353 (68,41)	112 (27,71)	15 (2,91)	1 (0,19)	35 (6,78)	516 (100)		
Equipment Working Condition	302 (58,53)	145 (28,1)	20 (3,88)	11 (2,13)	38 (7,36)	516 (100)		
Breakfast								
Friendly Service	250 (48,45)	137 (26,55)	27 (5,23)	7 (1,36)	95 (18,41)	516 (100)		
Efficacy and Quickness	244 (47,29)	135 (26,16)	29 (5,62)	6 (1,16)	102 (19,77)	516 (100)		
Breakfast Quality	271 (52,52)	114 (22,09)	16 (3,1)	5 (0,97)	110 (21,32)	516 (100)		
Buffet Quality and Variety	258 (50)	111 (21,51)	19 (3,68)	3 (0,58)	125 (24,22)	516 (100)		
Room Service / Restaurants (Food Quality)								
Bistro "Le Café"	104 (20,16)	51 (9,88)	12 (2,33)	4 (0,78)	345 (66,86)	516 (100)		
Bar "Le Café"	100 (19,38)	41 (7,95)	6 (1,16)	3 (0,58)	366 (70,93)	516 (100)		
Ristorante "Il Gattopardo"	48 (9,30)	22 (4,26)	5 (0,97)	0 (0)	441 (85,47)	516 (100)		
Bar "Il Gattopardo"	31 (6,01)	9 (1,74)	4 (0,78)	1 (0,19)	471 (91,28)	516 (100)		
Room Service	62 (12,02)	21 (4,07)	2 (0,39)	2 (0,39)	429 (83,14)	516 (100)		
Room Service / Restaurants (Service)								
Bistro "Le Café"	92 (17,83)	34 (6,59)	8 (1,55)	5 (0,97)	377 (73,06)	516 (100)		
Bar "Le Café"	88 (17,05)	30 (5,81)	4 (0,78)	6 (1,16)	388 (75,19)	516 (100)		
Ristorante "Il Gattopardo"	48 (9,3)	11 (2,13)	4 (0,78)	1 (0,19)	452 (87,6)	516 (100)		
Bar "Il Gattopardo"	29 (5,62)	6 (1,16)	2 (0,39)	1 (0,19)	478 (92,64)	516 (100)		
Room Service	54 (10,47)	13 (2,52)	3 (0,58)	1 (0,19)	445 (86,24)	516 (100)		
S.P.A. Aquae								
Equipment Working Condition	57 (11,05)	35 (6,78)	11 (2,13)	3 (0,58)	410 (79,46)	516 (100)		
Cleaning and Appearance	67 (12,98)	31 (6,01)	8 (1,55)	3 (0,58)	407 (78,88)	516 (100)		
Friendly Service	69 (13,37)	24 (4,65)	10 (1,94)	4 (0,78)	409 (79,26)	516 (100)		
Other Services								
Meeting Rooms	46 (8,91)	30 (5,81)	6 (1,16)	3 (0,58)	431 (83,53)	516 (100)		
Banqueting	45 (8,72)	15 (2,91)	7 (1,36)	2 (0,39)	447 (86,63)	516 (100)		
Friendly Service	42 (8,14)	9 (1,74)	6 (1,16)	2 (0,39)	457 (88,57)	516 (100)		
General								
How would rate the hotel in general?	226 (43,8)	112 (21,71)	11 (2,13)	2 (0,39)	165 (31,98)	516 (100)		
Would you recommend the hotel to a friend?					44 (8,53)	516 (100)	459 (88,95)	13 (2,52)
TOTAL	4529 (30,27)	1898 (12,68)	361 (2,41)	115 (0,77)	7589 (50,72)	14964 (100)	459 (88,95)	13 (2,52)

Source: Dom Pedro Hotels (2011)

Internal Customer Satisfaction Questionnaire

Dom Pedro requests feedback of each customer by distributing questionnaires in the hotel rooms. In the case of Dom Pedro Palace in Lisbon, those questions concern the satisfaction with different aspects of the reception, rooms, breakfast, room service and restaurants, spa facilities and other services.

The results are only valid for the hotel Dom Pedro Palace in Lisbon but still they can be seen as an indicator for the firm's activity performance. While all survey items reach above 80% of "very good" and "good" evaluations it can be observed significant differences among them.

- ✦ *Reception* - Customers especially feel that the hotel's facilities are sufficiently explained to them which could be the spa area, restaurant, etc. Also friendliness and effectiveness is just evaluated as "very good" by 65-70% of customers.
- ✦ *Rooms* - It becomes clear that many customers are not satisfied with the effectiveness and friendliness of the room service and also in room equipment Dom Pedro loses points.
- ✦ *Catering (Breakfast/Restaurant/Bars)* - It can be derived that customers are on average satisfied, but is not a point of differentiation of Dom Pedro Palace.
- ✦ *Spa facilities* - Customers show also relatively low satisfaction with the Dom Pedro's spa facilities. Reviewing customer comments on booking.com it becomes clear that many customers of cheaper rooms did not know that they have to pay an extra fee to use the facilities which could be a source of dissatisfaction.
- ✦ *Other services* - Guests who used the conference rooms and those who took part in a banquet also show below average grade of satisfaction.

The average percentage of guests who evaluate the hotel's activities is only around 60% and only 64% classify Dom Pedro Palace as being "very good" in general. Even if most customers are satisfied or very satisfied, those numbers show clearly room for improvement regarding both service and quality of facilities.

To understand also the performance of the other Dom Pedro properties, survey results from booking.com are used. The website requests customers to evaluate hotels they stayed in on a scale from 1-10 regarding six different items. This survey is not as detailed as the internal survey of Dom Pedro but can give a very

good overview of strengths and weaknesses as well. Regarding all properties, Dom Pedro ranks poorest in services, comfort and value for money ratio. This finding is especially critical taking into account that the hotel industry is a service industry.

Customer survey results for all Dom Pedro properties (2012)

Category	Hotel / Criteria	Cleanliness	Comfort	Location	Services	Staff	Value for money	Total Score
5*	Dom Pedro Palace	9,0	8,9	8,1	8,4	8,8	8,3	8,6
	Dom Pedro Laguna	8,5	7,9	8,3	7,3	7,8	6,8	7,8
4*	Dom Pedro Golf Resort (Algarve)	7,9	7,4	8,7	7,4	8,0	7,6	7,9
	Dom Pedro Marina (Algarve)	8,3	7,8	9,5	7,7	8,5	7,8	8,3
	Dom Pedro Portobelo (Algarve)	7,5	7,3	9,1	7,0	7,4	7,9	7,7
	Dom Pedro Baia Club (Madeira)	8,4	7,8	9,0	8,0	8,2	8,4	8,3
	TOTAL 4*	8,0	7,6	9,1	7,5	8,0	7,9	8,1
3*	Dom Pedro Meia Praia Beach Club	7,2	6,4	8,7	6,6	7,4	7,5	7,3
	Dom Pedro Garajau (Madeira)	7,4	6,7	7,7	6,7	7,5	7,9	7,3
	TOTAL 3*	7,3	6,6	8,2	6,7	7,5	7,7	7,3
TOTAL all categories		8,2	7,7	8,4	7,5	8,0	7,7	7,9

Source: Own depiction referring to *booking.com* (2012)

Appendix 8: Dom Pedro Hotel's Competition

The different styles of hotels present in Dom Pedro's portfolio, explains in part the different competition that Dom Pedro faces from place to place, but ultimately competition is the corollary of the nearby hotels, with similar stars rating and price. Several competitors are among the most efficient hotels in Portugal, putting huge pressure over Dom Pedro to be different and efficient. In Lisbon, Dom Pedro Palace, the *ex libris* of the Group, a 5-star hotel, has not only 5-star hotels nearby, but also several 4-star hotels that constitute potential competitors. Among these competitors is important to emphasize international chains as *Marriott*, *Sheraton*, *Tiara*, *Four Seasons* and *Corinthia* or Portuguese chains as *Tivoli Hotels*, *Altis* and *Sana*. Regarding Algarve, *Vila Galé* and *Tivoli Hotels* are the two main competitors. In Madeira, the situation is a little bit different, the two hotels of the Group face mainly local competition. In *Ceará* (Dom Pedro Laguna), Brazil, the competition has to be seen in a different way, because Brazilians first decide to go to a resort and only after this decision, they choose the destination. Taking this into account, it is possible to say that all the resorts in Northeast-Brazil have to be considered as potential competitors. The most important ones, mainly because of their focus on luxury markets are: *Vila Galé*, *Tivoli* (Portuguese chains) and *Summerville* and *Nannai* (Brazilian Chains) in *Porto de Galinhas*.

Source: *Interview with Sales Manager of Dom Pedro Group* (2012)

Appendix 9: Customer survey results for Dom Pedro Palace and competitors (2012)

Hotel / Criteria	Cleanliness	Comfort	Location	Services	Staff	Value for money	Total Score
Dom Pedro Palace	9,0	8,9	8,1	8,4	8,8	8,3	8,6
Sheraton Lisboa	9,0	9,0	8,0	8,3	8,3	7,6	8,4
Corinthia Hotel Lisbon	9,0	8,8	7,9	8,7	8,8	8,6	8,6
Tiara Park Atlantic Lisboa	9,3	9,3	8,5	8,9	9,0	8,7	9,0
Tivoli Lisboa	8,8	8,6	9,2	8,4	8,7	7,9	8,6
Hotel Altis	8,3	8,2	8,4	7,8	8,2	7,8	8,1
TOTAL Main Competitors 5* (Lisbon)	8,9	8,8	8,4	8,4	8,6	8,1	8,5

Source: Own depiction referring to booking.com (2012)

Appendix 10: Benchmarking Dom Pedro's activities with best practices in the industry

The performance of activities is closely related to a hotel's practices behind those activities. Since Dom Pedro shows room for improvement regarding service and quality it is interesting to benchmark the firm's practices against the best of the industry. In the following, a benchmarking will be conducted in Human Resource Management, customer service quality, information technology and pricing strategy.

Human Resource Management

The design of an integrated HR system is crucial for a hotel company to create customer value and profitability for the hotel owners. In the following Dom Pedro's HR practices are benchmarked to exemplary practices of companies that were elected by peer organizations and managers for having succeeded to enhance their competitive advantage through their Human Resource Management. HR practices can be roughly categorized by (1) leadership development, (2) training and knowledge building, (3) employee empowerment, (4) employee recognition and (5) cost management (Enz and Siguaw, 2000).

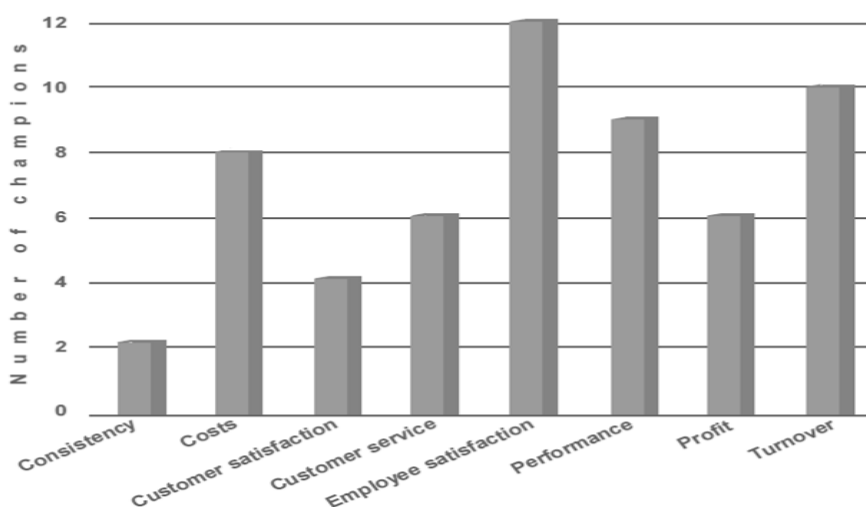
Hotel Company	HRM Practices
Dom Pedro	(1) No leadership development program (2) Hardly consistent training (3) Dom Pedro states to rely on informal work structure allowing employees to take many decisions independently while it is not clearly organized how far the empowerment goes (4) No stated reward system implemented (5) No information
Marriott	(1) System-wide leadership development to identify potential leaders and assure that those talents develop needed skills and competencies; critical positions are given to those candidates as "stretch" assignments
Motel 6	(1) Three-step program making each employee eligible for eventual consideration as a general manager: 1. Cross-training of employees, 2. Manager-on-duty responsibilities, 3. General-manager assignment including training
Four Seasons/Coastal Hotel Group	(2) Buddy system in which skilled employees train newcomers in established hotels or in newly acquired properties; corporate managers determine training needs and provide employee trainers with requisite knowledge and skills from existing hotels

Four Seasons & Regent	(2) Creation of designated-trainer positions in each hotel department to address inconsistent communication and training of service standards: Trainer follow carefully structured program of teaching and coaching with the help of an online training program with more than 100 job-specific training manuals; regional training coordinators help with implementation in each hotel and local managers and employees can customize the training to local needs
Ritz Carlton Tysons Corner	(3) Implementation of a “guidance team”: After a detailed examination of current practices in each department, the guidance team identified management tasks that could be transferred to hourly employees; development of mission statement that all employees signed; half of cost savings were allocated to employees; no one was fired but positions reassigned
Minneapolis – St.Paul Hilton	(3) Empowerment of line employees to take any decision involving more guest satisfaction without usual chain of command: Policy started with the front desk staff and was later adopted to all guest-contact areas
Accor North America	(4) General managers bonuses are tight to success on three measures: 1. Employee satisfaction (30%), 2. Customer satisfaction (30%) and 3. Profitability (40%); managers’ performance appraisals used a 270-degree review process including evaluation by peers, subordinates and superiors
Motel Properties	(4) Employee-recognition program providing rewards from the initial interview throughout the employment contract: Program is sustained by continuous evaluation and modification of the rewards and by integrating recognition with the company’s operations and culture
Inn at the Market	(5) Instead of hiring full-time a HR professional the hotel contracted with a HR consulting service for US\$1.000 per month
Sheraton Denver West	(5) The hotel installed a job-sharing arrangement for two sales managers to accommodate their need to work part-time: By that the hotel could get the energy and expertise of two managers for the price of one, while the two were in continual contact

Source: Referring to Enz and Siguaw (2000)

It is crucial for Dom Pedro Hotels to professionalize its HR practices since those can have significant positive outcomes and create competitive advantages. The graph below depicts the perceived practice outcomes by 23 firms that were elected for their superior HR Management. It is demonstrated that employees are the ones gaining most (52% of the cases), followed by turnover reduction (44%), increase in performance (39%), cost reduction (35%) and increased productivity and customer service (each 35%) (Enz and Siguaw, 2000).

Perceived practice outcomes



Source: Enz and Siguaw (2000)

Customer Service Quality

Hotels are service companies and customer satisfaction is closely linked to the service quality provided by a hotel. An outstanding customer service quality is therefore a source of revenue and competitive advantage. In the following, Dom Pedro's service practices will be benchmarked with best practices in the industry which are classified by four categories: (1) Creating a service culture, (2) Building an empowered service-delivery system, (3) Facilitating a "customer listening" orientation and (4) Developing responsive service guarantees (Enz and Siguaw, 2000).

Hotel Company	Service Quality Practices
Dom Pedro	(1) Dom Pedro has service guidelines which are the same throughout all properties and imply that employees should always provide the best service possible (2) No information (3) Simple customer satisfaction survey in rooms (4) Nothing implemented
Boulders	(1) The hotel follows the vision "Seek opportunities to create memories": To fulfill the vision and deliver excellent customer service, ten cornerstones were created which apply to both customers and employees; "cornerstone coaches" are elected and "cornerstone training" deployed
Ritz Carlton	(1) The hotel follows the credo "Ladies and Gentlemen serving Ladies and Gentlemen": Based on this philosophy the right people are selected who share the firm's values, determined by empirically scored structured interviews and face-to-face communications with managers
Ritz Carlton	(2) The hotel empowers employees to spend up to US\$2.000 to solve a guest problem if need be
Windsor Court Hotel	(2) The hotel combines guest recognition with employee empowerment: All repeat guests are greeted at arrival and departure by either the managing director or a guest-relations manager and are given small gifts depending on their visiting frequency; moreover recommendations for improvement are requested from each guest before check-out. Employees are empowered to respond directly to any guest complaint and complaints are recorded for monthly evaluation
Waldorf Astoria	(3) The hotel administers a 30 second "quality quiz" to guests at every service contact point: A coding scheme tracks the results and indicates any actions needed to improve operations; monthly summaries are provided to employees using a clear red (below expected performance), yellow (progress, but still work to do) and green (good) zone system
Doubletree Club Hotel	(3) Establishment of CARE committees (both guest relations and employee relations) to involve employees at all levels of hotel operation in ensuring excellent guest service; each department has a representative in the committee
Promus Hotels	(4) At any Promus Hotel the guest's stay is free if the guest is not completely satisfied for any reason: The hotel does not question the validity of any guest complaint and employees are trained and empowered to immediately correct any problem the guest is experiencing
Carlson Hospitality	(4) Employees are empowered to take all necessary steps to satisfy a guest (including refunds) if the guest perceives the problem as serious and fault of the hotel and the hotel is unable to solve the problem as well as cannot satisfy the customer in any other way; moreover just employees who attended a special training program teaching how to find appropriate solutions can decide about the policy

Source: Referring to Enz and Siguaw (2000)

Information Technology

An elaborate IT system can significantly accelerate and facilitate a hotel's internal and external operation as well as enhance customer service and increase customer experience. Hereinafter best industry practices are presented in

terms of two categories: (1) Improving operations efficiency and (2) Improving guest service (Enz and Siguawand, 2000).

Hotel Company	Information Technology Practices
Dom Pedro	(1) Centralized reservation system (2) Customer feedback surveys in rooms which are inserted into a software and analyzed monthly (2) Hotel Dom Pedro Palace is present on Second Life and guests can make a reservation or visit the Hotel through its Avatar
Barbizon Hotel/Empire Hotel New York	(1) Development of customer request and complaint software “HotelExpert” that allows employees to activate calls from anywhere in the hotel while system automatically assigns tasks to responsible employees; software moreover tracks those events and provides on-screen reports and graphs
Cendant Corporation	(1) Development of computerized system to integrate all hotel MIS (Management Information System) functions into one system, so that all hotels can use the information in the database: Activities of property management, inventory management, central reservations, workforce assignment, room-maintenance management, online communications and direct marketing are integrated into one system
Kimpton Group Hotels	(1) Establishment of private-label reservation system with cross-selling capability to increase occupancy and rates: The system provides different quotes for specific dates and provides online incentives for reservation agents to encourage up selling the customer
Balsams Grand Resort Hotel	(2) Development of elaborate CRM system. Collection of data on every guest and on every individual that has made an inquiry: dates of visits, room type and number (and any special requests for room layout), paid rate, the guest’s housekeeper and server team, the guest’s preferences regarding dining rooms, food and beverage selections, special activities etc.; the system is fully integrated into the hotel’s operations
IMPAC Hotel Group	(2) Development of fast-response customer feedback system instead of in-room guest survey cards with long response times: kiosk containing a touch-screen monitor in the lobby of each hotel property

Source: Referring to Enz and Siguaw (2000)

RevPAR increase through pricing premiums

The occupancy rate of rooms and the related ADR are Dom Pedro’s main source of revenue, measured by the RevPAR. Achieving price premiums over competitor rates can therefore lead to a significant increase in profit. Following, Dom Pedro’s practices are benchmarked with best practices of the industry.

Hotel Company	Pricing Practices
Dom Pedro	Dom Pedro sets its prices daily according to a dynamic price scheme dependent on the occupancy of its hotels and rates of competitors
Embassy Suites	The chain’s objective is to deliver a 20-point yield premium through highly satisfied guests and an intelligent pricing strategy. The pricing structure of the hotel is simple to understand and execute: Rooms are offered at one of five rates and those prices are consistent across distribution channels. To assist salespeople and managers the company has developed proprietary software to support pricing decisions. The software models the competitive environment to take a 90-day forward look, assessing demand and the hotel’s projected business mix to determine the hotel’s optimal pricing strategy. The software can also provide a rate-occupancy rate trade-off analysis so that a manager can see the effect on rooms revenue and profit from any change in rate or occupancy strategies (e.g. closing a rate category)

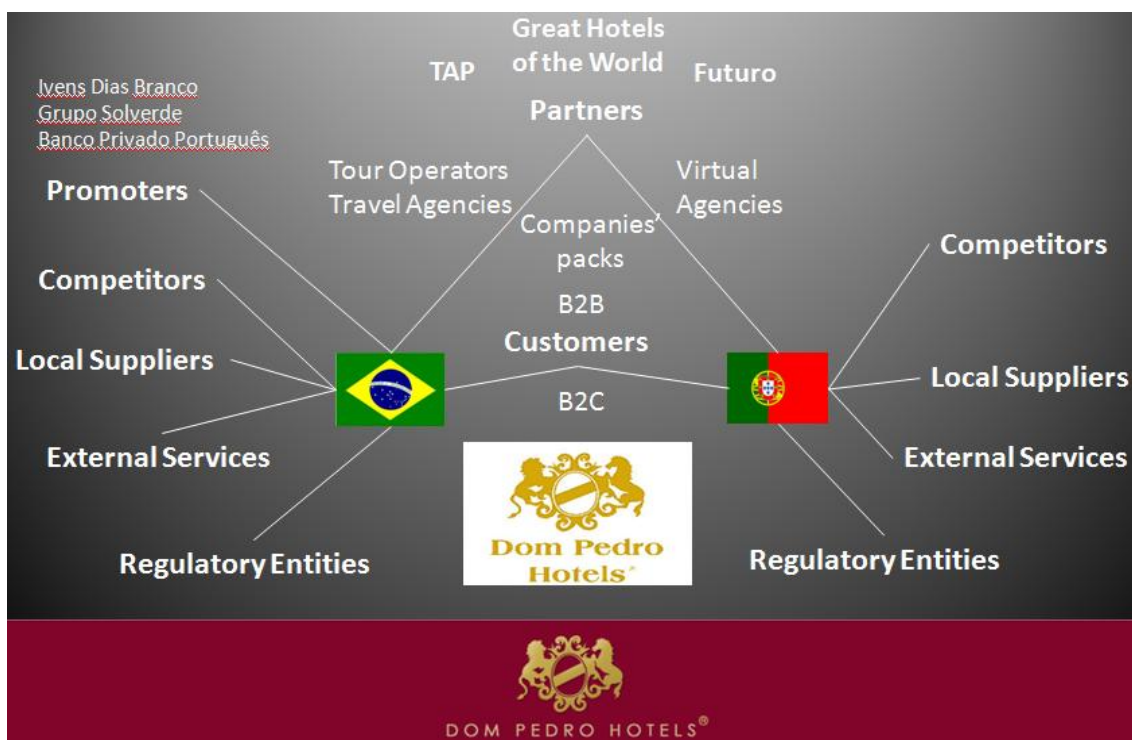
Source: Referring to Enz and Siguaw (2000)

Appendix 11: Top Ten nationalities of customers in Dom Pedro Palace (2011)

TOP TEN NATIONALITIES		
COUNTRY (MARKET)	YEAR TO DATE (R.N.)	%
BRASIL	14.409	20,52%
ESPANHA	9.445	13,45%
PORTUGAL	8.646	12,31%
FRANCA	5.004	7,12%
REINO UNIDO	4.142	5,90%
E.U.AMERICA	3.136	4,47%
ITALIA	3.058	4,35%
RUSSIA	2.971	4,23%
ALEMANHA	2.700	3,84%
JAPAO	1.531	2,18%
OUTROS	15.191	21,63%
TOTAL	70.233	100%

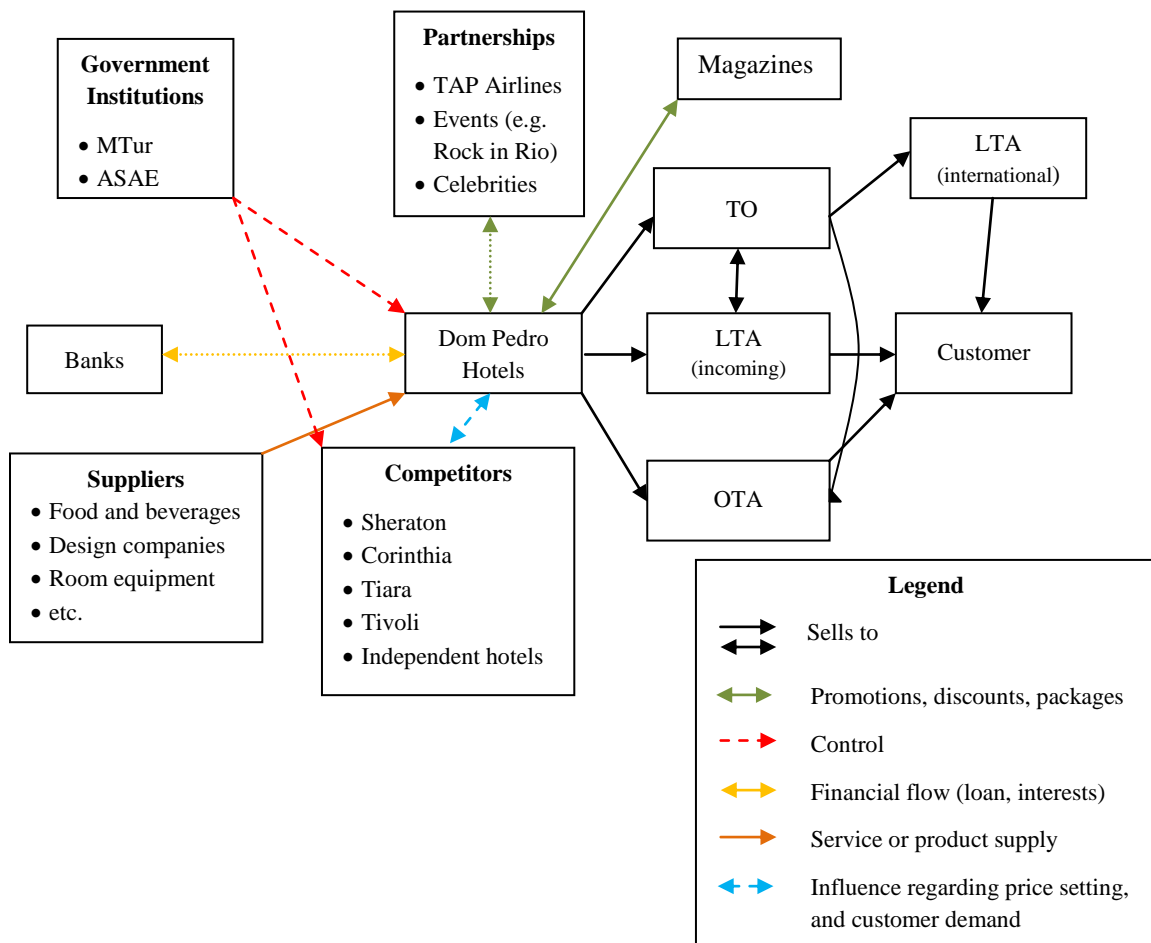
Source: Dom Pedro (2011)

Appendix 12: Industry Map of Dom Pedro Hotels



Source: Interview to the Sales Manager of Dom Pedro Hotels (2012)

Detailed Relationships



Source: Referring to interviews with Dom Pedro Hotels (2012)

Explanations The industry map above depicts Dom Pedro’s distribution channel comprising three types of businesses, namely tour operators (TO), local travel agencies (LTA) and online travel agencies (OTA). Especially OTA have been challenging the traditional distribution model and made the business much more diversified. Today they make up for 25.9% of Dom Pedro’s business as seen in the table *Room Nights (2011)*.

Room Nights (2011)	
Segment	RN
Allotments	8.825
Agencias Individuais	300
Agencias Grupo	10.879
Corporate Individuais	3.151
Corporate Grupo	4.130
Talonários	149
Directos	3.442
E-Commerce	11.258
Tripulações	1.366
Total	43.500

Source: Dom Pedro Hotels (2011)

Definitions Intermediate distribution channel members comprise three types of businesses:

- **Tour operators** purchase and bundle services of diverse tourism companies and sell them as packages to be distributed through local or online travel agencies
- **Local travel agencies** purchase packages or single services from tour operators and resell them to customers
- **Online travel agencies** challenge the traditional distribution channel and allow customers to customize their package with travel components from diverse suppliers

The traditional channel design for hotel companies was the following:



Today, also due to the emergence of OTAs, more distribution channel designs are possible as seen in three examples below.



Source: Referring to interviews with Dom Pedro Hotels (2012)

Dom Pedro's network implies moreover commercial partnerships, e.g. with TAP Airlines and several event companies and magazines. Moreover, the firm's business is supervised by tourism associations of the Portuguese government. Dom Pedro is furthermore related to its suppliers, e.g. for the sake of room equipment, and to banks in terms of loan and interest payment flows. The company also has to be regarded as being in interrelationship with its competitors. Competitive actions regarding price and promotions always have to be observed carefully due to their influence on Dom Pedro's business.

Appendix 13: Value Chain Analysis

Hospitality Value Chain



Source: Retrieved from *Marketing of Hospitality and Tourism Services*, by Kumar Prasanna (2010)

It was only provide to us the margins that each Dom Pedro Hotel had in the year 2011. From the interviews is possible to determine that the main source of profits came from rooms’ selling and all the other activities are just support activities needed in any hotel (bars, restaurants, sports, spa, among others) that do not contribute too much for Dom Pedro revenues.

The activities that most contribute for Dom Pedro’s success are: service provision, the sales and marketing activities and strategic alliances developed, respectively. Dom Pedro must improve some suport activities as: systems/technology development and human resources management in order to increase its profit margin. To finalize the GOP of Dom Pedro Hotels varied from region to region, and in Algarve and Madeira the hotels achieved GOPs around 35-40%, in Lisbon achieved below 25% and in Ceará, Dom Pedro Laguna had no gross operating profit.

Appendix 14: SWOT Analysis of Dom Pedro Hotels

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Strong distribution channel and commercial partner network • High flexibility due to centralized decision making • High brand awareness due to strong marketing strategy (own events, sponsorships, advertising, celebrities etc.) 	<ul style="list-style-type: none"> • Lack of strategy (mission, vision, long-run objectives) • Low professionalism in practices • Quality of services (reception, rooms, catering, additional services) and comfort of hotels • Not always friendly and effective staff • Many customers do not perceive prices as justified
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Establishment of professional management practices (HRM, service quality, IT, pricing etc.) by benchmarking with best practice companies • Further expansion to fast growing Brazilian market • Boost efficiency with further expansions 	<ul style="list-style-type: none"> • Loss of competitiveness, if practices are not professionalized • Unprofitable decision making due to poor strategic planning • Decrease of profit margins in Portugal due to stagnating hotel industry • Loss of efficiency when growing

Source: *Own research based on primary and secondary data (2012)*

Appendix 15: PESTEL Analysis – Brazil

Brazil presents today as a country of opportunities, it is one of the leading emerging economies, making part of the BRIC countries. This land of opportunities can be considered a stabilized democracy, mainly because of the great work developed by the former president *Lula da Silva* and actual president *Dilma Rousseff*, which foster economical growth, reduce inequalities and make possible the fast recover from the world economic recession. Brazil is not only big in terms of geographic size²³ and population²⁴ (5th largest country), but also “big” in what concerns environment issues. Brazil is becoming a global reference in environmental, social and economical matters. RIO+20 is the UN Conference for Sustainable Development, where is discussed the compromises of the

governments regarding sustainable development. Brazil makes part of several world organizations as G8+5, G20, IBSA, SACN and the Cairns Group, which has an impact in the development and dynamism of the Brazilian economy and signals external investors about the openness and receptivity of Brazil to FDI. The external policies implemented by the last administrations and the favorable economic atmosphere encourage FDI (Brazil ranks 5th among major destinations for FDI, according to World Investment Report 2011 of the United Nations Conference on Trade and Development). Concerning economical matters, the government has made some efforts in order to stabilize the inflation rate around 5%²⁵. The government policies made possible to reduce and to stabilize the unemployment level, which is now around 6%²⁶. The purchasing power increased and consequently the families' consumption. The economic growth has strengthened the Brazilian currency in the last years, however the exchange rate nowadays is nearly USD1 = BRL 2, well below USD1 = BRL1.70²⁷, verified in the beginning of the year.

But Brazil is not only good news, there are some problems affecting country's attractiveness. Poverty, violence and drug trade are the three main social problems that still affect the image of Brazil internationally. Despite the huge efforts and programs established by Brazilian governments, IBGE reveals that 16.2 million people (8.5%), live with less than R\$70 per month – the equivalent of around US\$1.30 per person per day – the limit set by President Rousseff as the extreme poverty line - and according to *Instituto da Prevenção do Crime e Violência* there is one murder every ten minutes and main cities continue to be known by its *favelas*. Regarding starting a business in Brazil the biggest problem is the bureaucracy and the quantity of procedures required. The huge corporate tax rate (hotels tax burden reaches 36% of total turnover)²⁸ and the lack of clear legislation about how to do business (Brazil ranks 126th out of 181 in doing business, in 2012, according to World Bank) also pull back potential investors. Another big problem related to this topic is corruption: a 2010 study by German NGO 'Transparency International' pointed to Brazil leading ahead of its BRIC counterparts in terms of the amount of unethical government practices occurring.

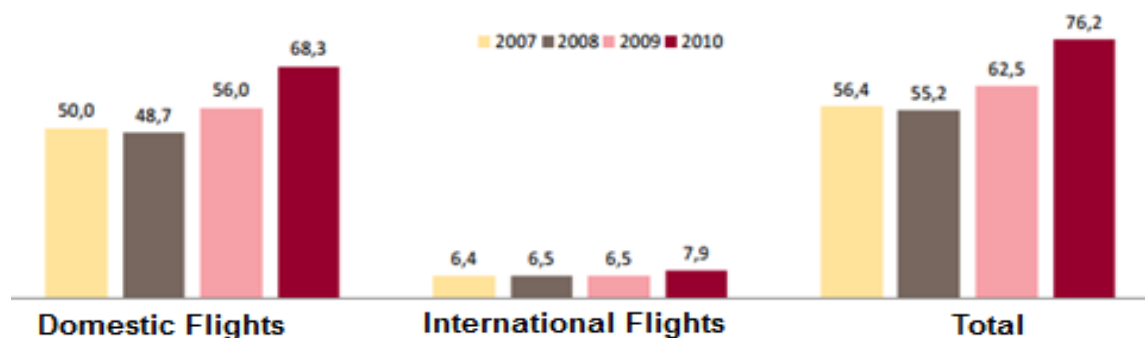
Main Source: *Brazil Hotel Industry Investment Guide (Brazil Real Estate Partners, 2010)*

Appendix 16: Brazilian Main Economic Indicators

Indicator / Year	2008	2009	2010	2011	2012	2013	2014	2015	Estimates After
GDP Constant Prices (% Changes)	5.17	(0.33)	7.53	2.73	3.03	4.15	4	4.12	2011
GDP Current Prices (US\$ billions)	1,650.39	1,622.31	2,142.93	2,492.93	2,449.76	2,520.62	2,690.75	2,871.85	2011
GDP (US\$ per capita)	8,704	8,472	11,089	12,789	12,465	12,728	13,488	14,279	2010
Inflation, End of Period									
Consumer Prices (% Change)	5.90	4.31	5.91	6.50	4.96	5.02	4.50	4.50	2011
Unemployment Rate (% of total labor force)	7.90	8.08	6.74	5.97	6.00	6.50	7.00	7.00	2011
Population (millions)	189.61	191.48	193.25	194.93	196.53	198.04	199.49	201.12	2010
General Government Gross Debt (% of GDP)	63.54	66.92	65.15	66.18	65.10	63.12	61.45	59.88	2011
Current Account Balance (% of GDP)	-1.71	-1.50	-2.21	-2.11	-3.22	-3.16	-3.28	-3.38	2011
Exchange Rate * (National Currency / US\$)	1.84	1.99	1.76	1.67	n/a	n/a	n/a	n/a	2011

*Central Bank of Brazil. Annual Average Exchange Rate until 2011

Source: *International Monetary Fund, World Economic Outlook Database, April 2012*

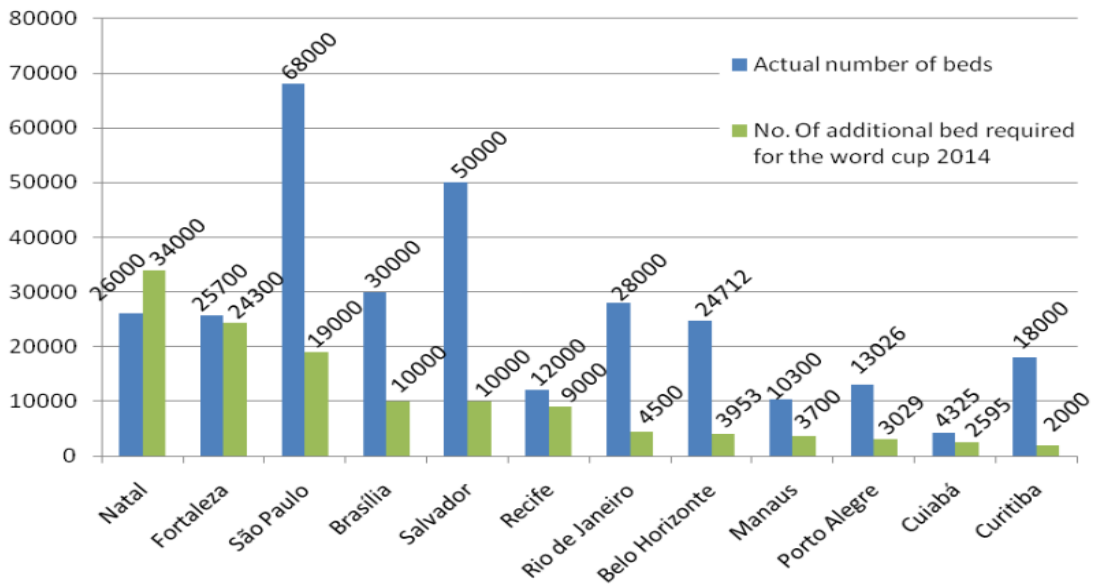
Appendix 17: Brazilian Flights (millions of passengers)


Source: *Infraero (2011)*

Appendix 18: International Tourist Arrivals to Brazil, 2004 - 2011


Source: *Embratur (2012)*

Appendix 19: Hotel Beds, forecasts for the World Cup



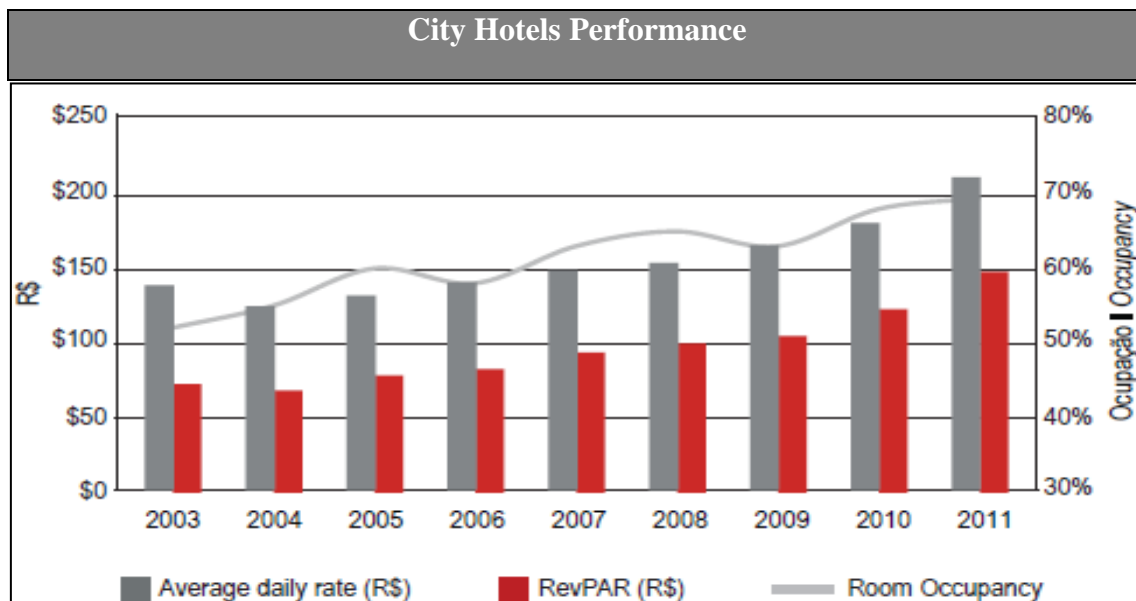
Source: Valor Especial, June 2010

Appendix 20: Brazilian Hotel Industry in Numbers

Total number of hotels and condo hotels in Brazil ¹				
Property Type	Hotels	%	Rooms	%
Hotel and condo hotel national chains	361	3.8%	52,640	11.6%
Hotel and condo hotel international chains	392	4.1%	70,229	15.5%
Independent hotels up to 20 rooms	3,489	36.4%	38,545	8.5%
Independent hotels with more than 20 rooms	5,350	55.8%	291,433	64.4%
Total	9,592	100%	452,847	100%

¹Includes existing hotels and condo hotels as of July 2012

Source: Jones Lang LaSalle Hotels (2012)



Source: Jones Lang LaSalle Hotels (2012)

Ranking of Hotel Brands¹

2012	Brands	Number of Rooms	Number of Hotels
1	Accor	25,081	152
2	Choice	9,179	60
3	Louvre Hotels	7,162	39
4	Blue Tree	4,492	24
5	Transamérica	4,447	22
6	National Inn	4,068	35
7	Windsor	2,876	11
8	Bourbon	2,771	12
9	IHG	2,707	12
10	Wyndham	2,636	14
11	Slaviero	2,543	19
12	Othon	2,446	16
13	Posadas	2,111	11
14	Carlson	2,060	9
15	Vila Galé	2,040	6
16	Intercity	1,712	13
17	Estanplaza	1,650	12
18	Starwood	1,639	6
19	Best Western	1,615	17
20	Bristol Hotelaria	1,582	14
21	Sauipe	1,564	6
22	Pestana	1,520	9
23	Rede Bristol	1,515	15
24	Travel Inn	1,337	19
25	Marriott	1,245	5
26	Promenade	1,230	14
27	Nobile	1,192	11
28	Deville	1,168	8
29	Iberostar	1,168	2
30	Master Hotéis	1,161	10
31	Solare	1,131	4
32	Rio Quente Resorts	1,076	7
33	Sol Express	1,027	5
34	Plaza Inn	1,011	12
35	Rede Plaza	982	6
36	Club Med	908	3
37	Tropical	864	3
38	Hotelaria Brazil	863	6
39	Meliá	856	3
40	Hilton	848	2
41	Tauá	841	3
42	Arco Hotel	801	9
43	Harbor	797	10
44	Golden Dolphin	746	2
45	Mabu	688	4
46	Royal Palm	662	4
47	Bittar	656	6
48	Fiesta Hoteles	654	1
49	Pontes Hotéis	650	3
50	Serhs	547	3

¹ Includes existing hotels and condo hotels as of July 2012

Source: *Jones Lang LaSalle Hotels (2012)*

Origin of guests 2011

	City Hotels (hotels & condo hotels)			Total city hotels
	Average rate above R\$ 330	Average rate between R\$ 190 – R\$ 330	Average rate below R\$ 190	
	Brazilians	60.3%	81.8%	
Foreigners	39.7%	18.2%	9.2%	15.6%
Total	100%	100%	100%	100%

Source: Jones Lang LaSalle Hotels (2012)

Operating Profit Analysis in 2011

Department	Hotels						Hotels Average	
	Average rate above R\$ 330		Average rate between R\$ 190 – R\$ 330		Average rate below R\$ 190		R\$	%
Average Rate (R\$)	R\$ 492		R\$ 238		R\$ 138		R\$ 198	
Occupancy Rate	64.9%		67.8%		73.4%		70.5%	
RevPAR (R\$)	R\$ 319		R\$ 161		R\$ 101		R\$ 139	
REVENUES	R\$	%	R\$	%	R\$	%	R\$	%
Total Rooms Revenue	109,698	68.5	56,911	70.6	34,988	76.2	46,209	72.8
Food	27,247	17.0	13,258	16.5	6,900	15.0	10,089	15.9
Beverage	6,292	3.9	2,881	3.6	1,485	3.2	2,202	3.5
Other F&B revenues	9,947	6.2	4,059	5.0	1,079	2.3	2,541	4.0
Total F&B revenues	43,486	27.1	20,198	25.1	9,465	20.6	14,833	23.4
Telecommunications	1,514	0.9	294	0.4	265	0.6	337	0.5
Minor Operating Depart.s	3,946	2.5	1,728	2.1	794	1.7	1,271	2.0
Rents and other income (net)	1,549	1.0	1,460	1.8	420	0.9	833	1.3
Gross Revenue	160,194	100	80,591	100	45,932	100	63,483	100
(-) Taxes	14,012	8.7	6,553	8.1	3,855	8.4	5,283	8.3
Net Revenue	146,182	91.3	74,038	91.9	42,077	91.6	58,200	91.7
Departmental Expenses	R\$	%	R\$	%	R\$	%	R\$	%
Rooms	23,385	21.3	11,921	20.9	6,817	19.5	9,389	20.3
Food and Beverages	25,345	58.3	12,062	59.7	6,115	64.6	9,108	61.4
Telecommunications	497	32.8	262	89.0	293	110.4	292	86.7
Minor Operating Depart.s	2,022	1.3	1,609	2.0	730	1.6	1,096	1.7
Total Expenses	51,247	32.0	25,854	32.1	13,954	30.4	19,885	31.3
Total Depart. Profit	94,935	59.3	48,184	59.8	28,122	61.2	38,315	60.4
Undistributed Operating Expenses	R\$	%	R\$	%	R\$	%	R\$	%
Administrative & General	15,018	9.4	8,520	10.6	4,644	10.1	6,488	10.2
Sales & Marketing	8,145	5.1	3,563	4.4	1,386	3.0	2,468	3.9
Utilities	7,707	4.8	4,602	5.7	2,801	6.1	3,662	5.8
Property Maintenance	5,546	3.5	3,331	4.1	1,781	3.9	2,500	3.9
Total	36,415	22.7	20,016	24.8	10,613	23.1	15,119	23.8
Gross Operating Profit	58,520	36.5	28,168	35.0	17,510	38.1	23,196	36.5

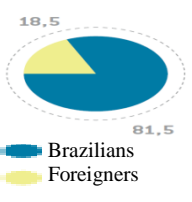
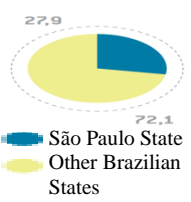
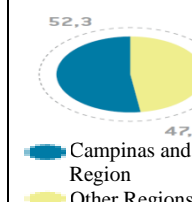
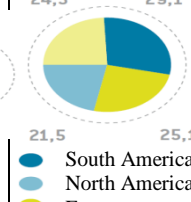
Source: Jones Lang LaSalle Hotels (2012)

Market Mix in 2011

Segment	Hotels (hotels & condo hotels)			Total city hotels
	Average rate above R\$ 330	Average rate between R\$ 190 – R\$ 330	Average rate below R\$ 190	
Corporate Rates	46.5%	52.3%	54.9%	53.1%
Transient business/leisure	22.7%	22.1%	20.3%	21.3%
Tour Operators	15.3%	8.2%	11.0%	9.8%
Groups	9.2%	9.7%	7.8%	8.9%
Crew	4.8%	2.0%	3.0%	2.6%
Other	1.6%	5.7%	3.0%	4.3%
Total	100%	100%	100%	100%

Source: Jones Lang LaSalle Hotels (2012)

Appendix 21: São Paulo tourist profile – 1st Semester 2010

Tourists' Origin	General Profile	Brazilians	São Paulo State	Foreigners
Tourists' Origin (%)				
Visit Motive (%)				
Business	51.0	52.7	54.6	47.9
Events	25.3	23.9	20.8	40.6
Leisure	13.5	13.1	11.6	7.3
Study	4.4	3.7	5.2	2.1
Visit Parents and Friends	3.3	4.3	5.1	0.9
Health	2.5	2.3	2.7	1.2
Expenses (%)				
Accommodation	33.2	31.7	32.6	37.8
Food	17.1	16.8	14.5	16.6
Shopping	7.3	8.1	9.0	6.5
Leisure	6.6	6.0	7.1	7.3
Transports/Taxi	8.1	9.0	9.3	4.5
Others	27.7	28.4	27.5	27.3
Category (%)				
Super Luxury	8.1	6.1	2.3	16.6
Luxury	16.7	14.5	12.1	37.9
Midscale	58.9	57.1	58.1	37.7
Economic	16.3	22.3	27.5	7.8

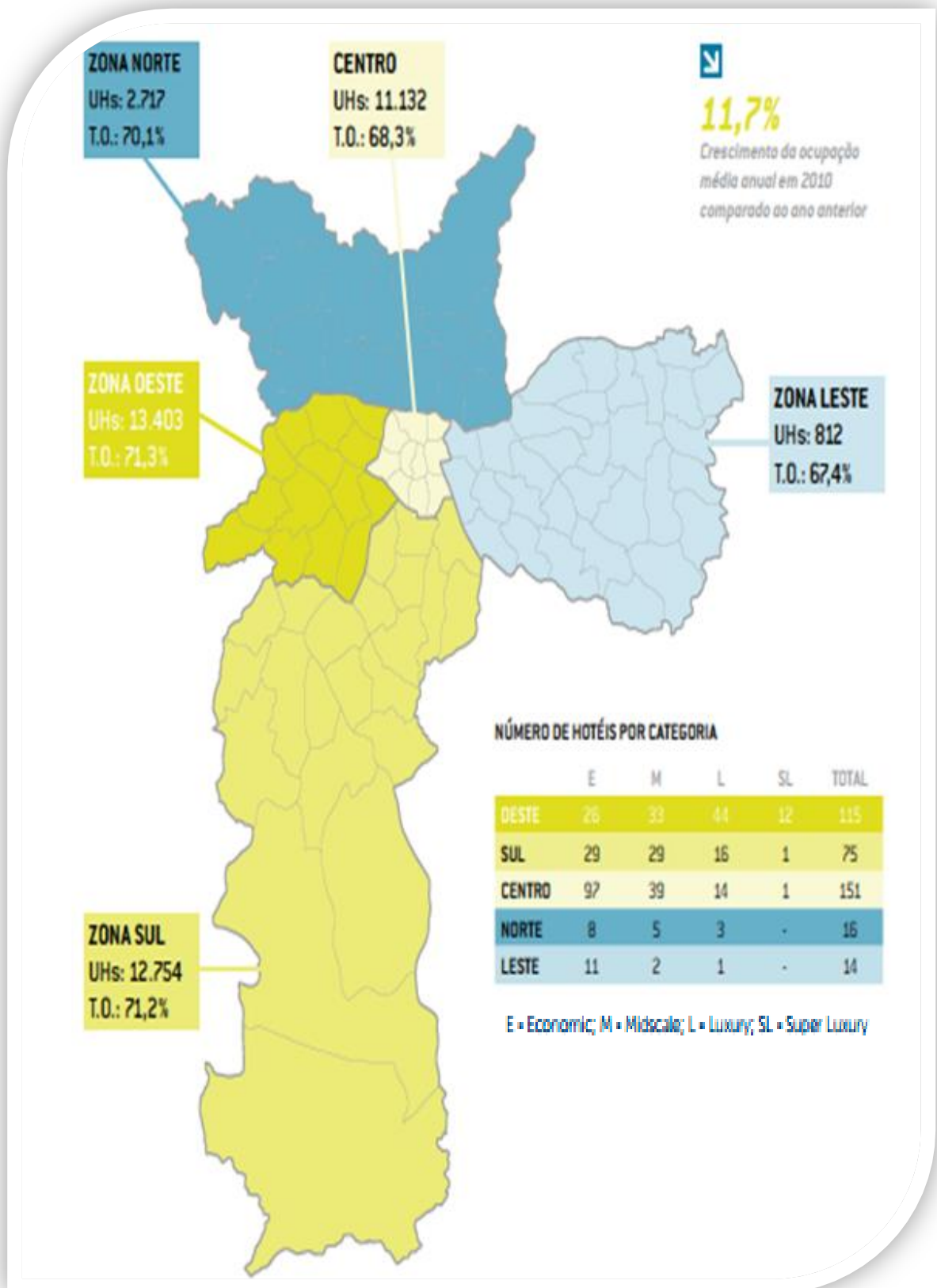
Source: Observatório do Turismo da Cidade de São Paulo (2010)

Appendix 22: Main Hotels in São Paulo's City

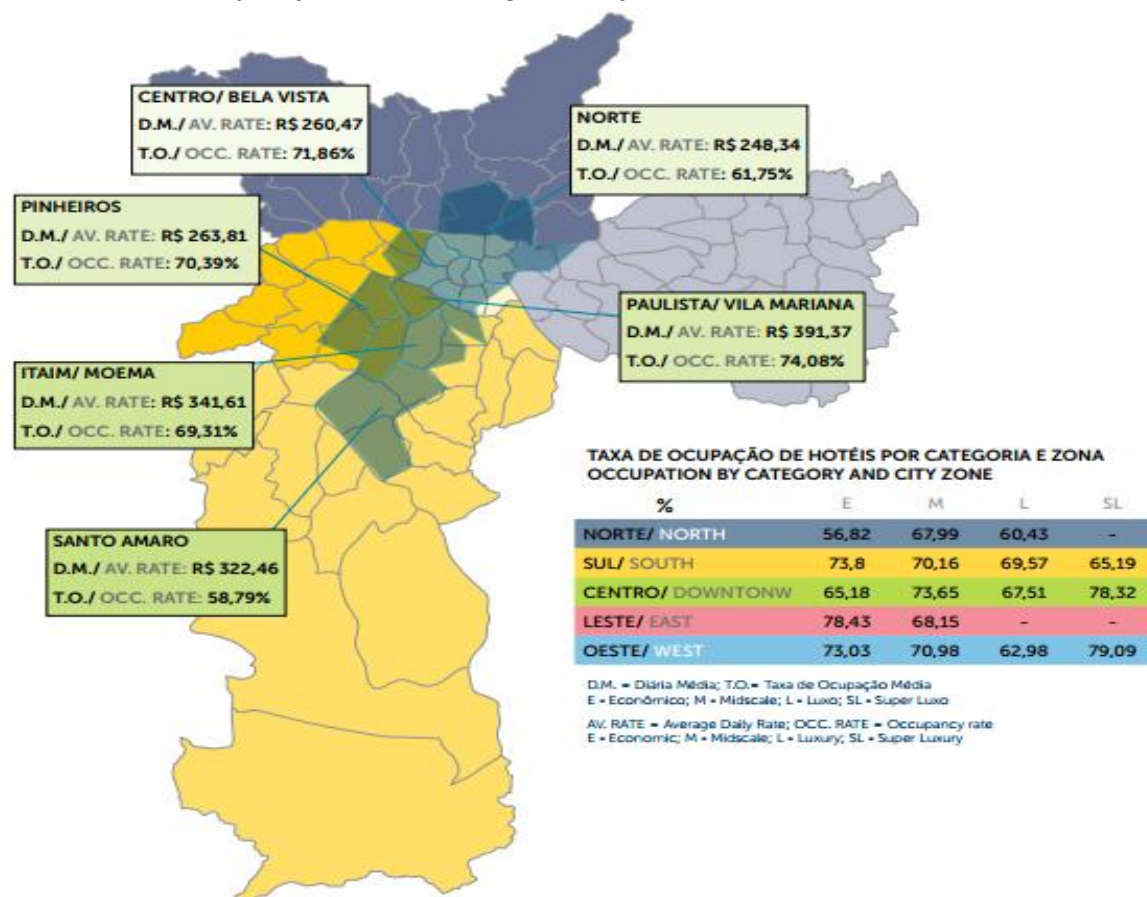
<i>Augusta Boulevard</i>	<i>Novotel São Paulo Center Norte</i>
<i>Bella Augusta Residence</i>	<i>Novotel São Paulo Jaraguá SP Conventions</i>
<i>Blue Tree Premium Berrini</i>	<i>Novotel São Paulo Morumbi</i>
<i>Blue Tree Premium Faria Lima</i>	<i>Paulista Garden Hotel</i>
<i>Blue Tree Premium Morumbi</i>	<i>Pergamon Hotel</i>
<i>Blue Tree Premium Paulista</i>	<i>Pestana São Paulo Hotel</i>
<i>Blue Tree Premium Verbo Divino</i>	<i>Pullman São Paulo Ibirapuera</i>
<i>Blue Tree Towers Anália Franco</i>	<i>Quality Berrini</i>
<i>Bourbon Convention Ibirapuera</i>	<i>Quality Jardins</i>
<i>Bourbon São Paulo Business Hotel</i>	<i>Quality Moema</i>
<i>Caesar Business São Paulo Faria Lima</i>	<i>Quality Suites Long Stay Bela Cintra</i>
<i>Caesar Business São Paulo Paulista</i>	<i>Radisson Faria Lima</i>
<i>Caesar Park Faria Lima</i>	<i>Ramada Jardins São Paulo</i>
<i>Campobelo Plaza</i>	<i>Royal Jardins Boutique Hotel</i>
<i>Confort Nova Paulista</i>	<i>San Michel Hotel</i>
<i>Estanplaza Berrini</i>	<i>San Raphael Hotel</i>
<i>Estanplaza Paulista</i>	<i>Sheraton São Paulo WTC Hotel</i>
<i>Fasano Hotel</i>	<i>Slaviero Executive Jardins</i>
<i>Feller Avenida Paulista</i>	<i>Slaviero Slim Congonhas</i>
<i>Golden Tulip Paulista Plaza</i>	<i>Staybridge Suites São Paulo</i>
<i>Grand Hyatt São Paulo</i>	<i>The Capital Flat</i>
<i>Higienópolis Hotel & Suites</i>	<i>The Landmark Residence Hotel</i>
<i>Holiday Inn Express Sumaré Ave</i>	<i>The Park Hall</i>
<i>Howard Johnson Faria Lima</i>	<i>The Time Othon Flat</i>
<i>Ibis Budget São Paulo Morumbi</i>	<i>Transamérica Classic Higienópolis</i>
<i>Ibis Budget São Paulo Paulista</i>	<i>Transamérica Classic La Residence</i>
<i>Ibis Budget São Paulo São João</i>	<i>Transamérica Classic Ópera</i>
<i>Ibis São Paulo Congonhas</i>	<i>Transamérica Classic Victoria</i>
<i>Ibis São Paulo Expo Barra Funda</i>	<i>Transamérica Congonhas</i>
<i>Ibis São Paulo Morumbi</i>	<i>Transamérica Executive - Perdizes</i>
<i>Ibis São Paulo Paulista</i>	<i>Transamérica Executive 21st Century</i>
<i>Intercontinental São Paulo</i>	<i>Transamérica Executive Chacara Santo Antônio</i>
<i>L & M São Paulo</i>	<i>Transamérica Executive Faria Lima</i>
<i>Le Premier Suites</i>	<i>Transamérica Executive International Plaza</i>
<i>Liau Hotels Ginza</i>	<i>Transamérica Executive The Advance</i>
<i>Meliá Jardim Europa</i>	<i>Transamérica Executive The Special</i>
<i>Mercure São Paulo Alameda</i>	<i>Transamérica Hotel São Paulo</i>
<i>Mercure São Paulo Berrini</i>	<i>Transamérica Prime Paradise Garden</i>
<i>Mercure São Paulo Funchal</i>	<i>Transamérica Prime The World</i>
<i>Mercure São Paulo Moema</i>	<i>Travel Inn Conde Luciano</i>
<i>Mercure São Paulo Nações Unidas</i>	<i>Trianon Paulista Hotel</i>
<i>Mercure São Paulo Nortel</i>	<i>Tryp Higienópolis</i>
<i>Mercure São Paulo Paraíso</i>	<i>Tryp Iguatemi</i>
<i>Mercure São Paulo Paulista</i>	<i>Tryp Itaim</i>
<i>Mercure São Paulo Pinheiros</i>	<i>Tryp Nações Unidas</i>
<i>Mercure São Paulo Privilege</i>	<i>Tryp Paulista</i>
<i>Mercure São Paulo Times Square</i>	<i>Tsue Biental Flat</i>
<i>Mercure Stella Vega</i>	<i>Tsue The Palace Flat</i>
<i>Moncloa Hotel</i>	<i>Unique Hotel</i>
<i>Normandie Design Hotel</i>	

Source: *Observatório do Turismo da Cidade de São Paulo (2012)*

Appendix 23: Distribution of Hotels, Rooms and Respective Occupancy Level by Area of São Paulo City in 2010



Source: *Observatório do Turismo da Cidade de São Paulo (2011)*

Appendix 24: Hotels' Performance in São Paulo / 2012
Occupancy Rate and Average Rate by Area – November / 2012


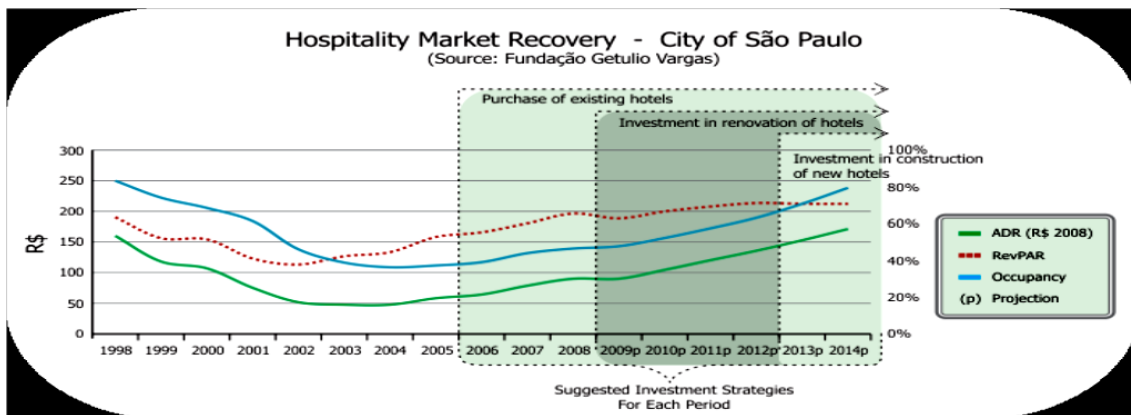
Source: *Observatório do Turismo da Cidade de São Paulo (2012)*

Hotels – General and Separated by Category Performance - 2012

COMPARATIVO MENSAL/ MONTHLY COMPARISON	JAN/ JAN	FEB/ FEB	MAR/ MAR	ABR/ APR	MAI/ MAY	JUN/ JUN	JUL/ JUL	AGO/ AUG	SET/ SEP	OUT/ OCT	NOV/ NOV	DEZ/ DEC	MÉDIA/ AVE
T.O. - OCC. RATE (%)	53,14	57,33	73,56	67,35	72,65	70,40	65,11	71,35	68,17	70,63	69,97		67,24
Econômico/ Economic	50,94	53,37	72,53	67,28	67,60	70,30	66,39	70,47	66,9	64,41	71,05		65,57
Midscale	54,18	49,83	74,33	67,89	74,26	71,36	66,34	72,90	69,17	71,06	70,88		67,47
Luxo/ Luxury	50,29	58,66	69,79	62,40	70,08	65,86	63,50	68,32	66,08	70,54	68,21		64,88
Super Luxo/ Super Luxury	59,71	62,96	76,47	70,92	72,95	67,85	57,49	67,86	64,95	78,88	69,05		68,10
D.M. - AV. RATE (R\$)	257,83	271,05	296,32	298,89	316,66	306,49	298,61	305,08	297,74	303,02	309,40		296,46
Econômico/ Economic	145,49	149,60	151,71	153,86	164,04	159,93	155,50	162,15	152,98	149,34	161,06		155,06
Midscale	248,31	256,42	265,56	270,26	270,14	266,47	259,19	265,23	259,27	263,78	267,25		262,90
Luxo/ Luxury	422,93	401,62	384,19	373,28	367,43	360,24	369,47	372,13	362,70	376,98	373,00		378,54
Super Luxo/ Super Luxury	638,87	588,95	643,95	706,54	717,28	701,99	685,58	730,17	677,29	818,55	880,42		708,14
RevPar* (R\$)	138,92	158,93	218,58	203,13	232,19	216,86	191,86	215,73	203,63	217,89	215,03		201,16
Econômico/ Economic	74,11	79,83	110,04	103,52	110,89	113,12	103,24	114,27	102,33	96,20	114,08		101,97
Midscale	134,54	127,77	197,40	183,48	200,59	190,16	171,95	193,35	179,33	187,45	189,20		177,75
Luxo/ Luxury	212,68	235,59	268,13	232,94	257,48	237,26	234,61	254,24	239,66	265,92	255,12		244,88
Super Luxo/ Super Luxury	318,47	370,82	492,44	501,06	523,25	476,29	394,17	495,49	439,87	645,67	623,04		480,05

Source: *Observatório do Turismo da Cidade de São Paulo (2012)*

Appendix 25: Hospitality Market Recovery - City of São Paulo



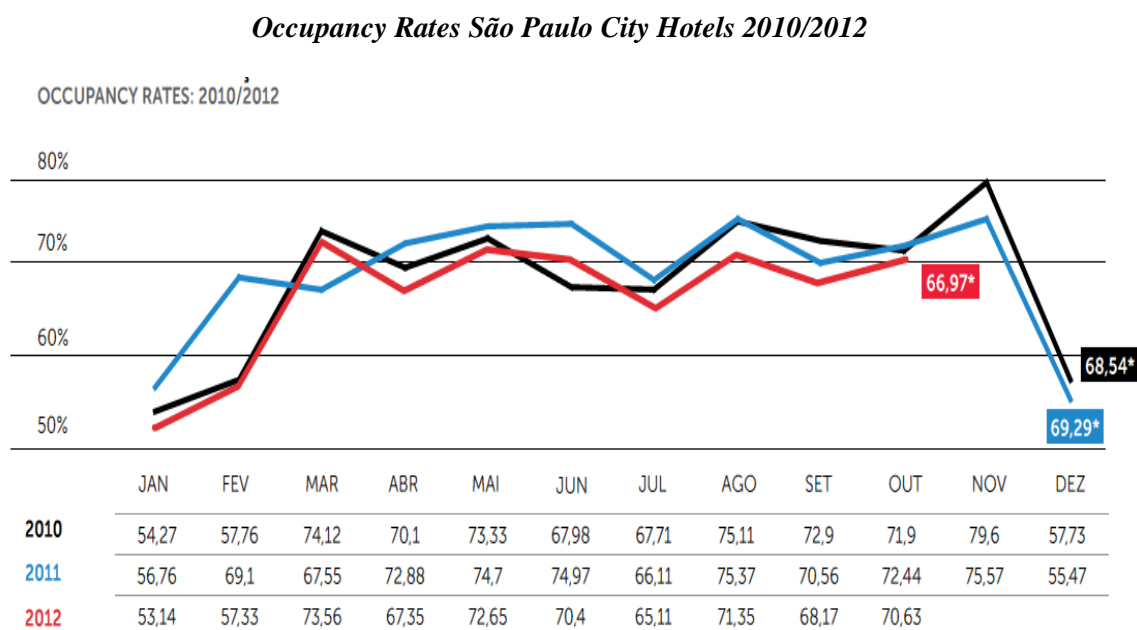
Source: HVS (2009)

Appendix 26: São Paulo Occupancy Level – Projection for 2015

Assumptions	Total	Economic	Midscale	Upscale
Actual Supply (accommodation units)	35.869	14.547	16.582	4.740
Occupancy level 2011	68%	70%	67%	65%
Actual Demand (accommodation units)	24.374	10.183	11.110	3.081
Average Annual Growth	3.9%	4.1%	4.3%	2.0%
New Supply until 2015	463	120	343	0
Additional Demand 2015	4.063	1.768	2.058	237
Occupancy level in 2015	78%	81%	78%	70%

Source: *Placar da Hotelaria 2015 – Projecção da taxa de ocupação nas 12 cidades-sede da Copa do Mundo no Brazil, 5ª Edição – Dezembro /2012*

Appendix 27: Monthly and Weekends' Occupancy Levels



Source: *Observatório do Turismo da Cidade de São Paulo (2012)*

Hotels – Weekend Performance - São Paulo City 2012

HOTELS - WEEKEND PERFORMANCE - 2012													
	JAN/ JAN	FEV/ FEB	MAR/ MAR	ABR/ APR	MAI/ MAY	JUN/ JUN	JUL/ JUL	AGO/ AUG	SET/ SEP	OUT/ OCT	NOV/ NOV	DEZ/ DEC	MÉDIA/ AVE.
T.O. - OCC. RATE (%)	44,07	45,74	58,76	56,48	56,82	59,27	55,29	55,91	59,08	58,16			54,96
D.M. - AV. DAILY RATE (R\$)	257,29	255,11	288,07	280,54	295,53	287,73	271,52	285,56	280,89	274,16			277,64

Source: *Observatório do Turismo da Cidade de São Paulo (2012)*

Appendix 28: SWOT Analysis of São Paulo’s Hotel Industry

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • The most developed city in terms of hospitality in all South America: <ul style="list-style-type: none"> - 19.3% of all Brazilian Hotels are located in São Paulo State (IBGE, 2011) - Presence of several international and national chains in all segments. - Human resources - SENAC is considered a remarkable and certified university (and study center) in Tourism and Lodging areas. • The only city prepared to receive the World Cup (Placar da Hotelaria 2015, 2012) • Sao Paulo is the most visited destination in Brazil for foreign tourists who travel on business, and third place to travel for leisure. • In 2011, average rates in US dollars rocketed in the Hotel industry (30% in the Upscale segment, 29% in the Luxury & Upper Upscale segment, and 22% in the Upper Midscale & Midscale segment). 	<ul style="list-style-type: none"> • The economic segment is mostly composed by old independent hotels. • São Paulo has been reducing the level of violence, but still continues to be a huge problem. • To Enrico Torquato, from Associação Brasileira da Indústria de Hotéis (ABIH), the excessive bureaucracy not only complicates the building of new hotels, but also the expansion plans of the existing ones in the main cities like São Paulo. • According to real estate consultancy Colliers, commercial areas of cities, where demand is greater for businesses, offer a rate of return bigger for real state for business than for hotels. In São Paulo, the return for hotels is 11%, while in Rio is 10.5%. Investors typically are looking for the hotel industry rates close to 15%, but rarely succeed. • Difficulty to get credit. • Strong currency has made Brazil and consequently São Paulo an expensive travel destination.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Average rates in the luxury segment have significantly risen, taking into account that demand is currently higher than the supply available in the segment. • The growing middleclass is putting pressure over the actual supply and is expected that supply-demand ratio will pressure investments in the economic segment. • The difficulty of independent hotels to compete with big chains can potentiate some acquisitions. 	<ul style="list-style-type: none"> • Overcapacity after 2016. There is the risk that after World Cup and Olympic games the host cities are over capacitated regarding hotels. • Rising competition due to requirements of such big international events. • Bureaucracy. São Paulo ranked 11th in ease of doing business by state, according to a report prepared by the World Bank.

Source: *Own depiction from primary and secondary data (2012)*

Appendix 29: IBIS Characteristics

An ultimate comfort offer

The ibis room: modern, comfortable and well-equipped

In every hotel of the network, the ibis room is designed to offer to its guests a happy sleep and the possibility to work calmly: soundproof, connected to the hotel Wi-Fi, with a flat screen LCD TV, a spacious bathroom and a desk.

Brand new bed, brand new comfort

Ibis, the good-night's-sleep specialist, has developed an innovative and revolutionary bedding concept. Pillows are fluffy, the duvet is super-soft and the high-tech mattress aligns with the density points which provide your body, so your sleep will be deep and refreshing. And the ibis secret weapon is a 7cm topper of extra comfort for a soft and welcoming feel. Unique in the economy hotel segment, the new ibis bed will transform your nights!*

*Deployment in process

The highest level of service in its category

Enjoy a smooth stay

Day and night, our teams are at your disposal

Our teams are here to streamline your stay. We've got a 24 hour reception, an ibis kitchen serving hot and cold dishes day or night and a non-stop bar.

A commitment to service quality

From 1997, ibis was the first economy hotel brand to be quality certified ISO 9001. This international standard is about a warm welcome at any time day or night, light meals served round the clock, breakfast from 4am to 12 noon and a non-stop bar service. Today, 758 ibis hotels in 21 countries are ISO 9001 certified, that is 84% of the network.

The 15 Minutes Satisfaction Guarantee

The "15 minutes satisfaction" contract is a unique illustration of ibis's commitment to customer service. If a little hitch threatens to cloud your stay, do not hesitate in letting us know at any time, day or night. The ibis teams have 15 minutes on the clock to sort it out. And if they do not manage to chase away this pesky cloud in the specified time, that service is on the hotel.

Breakfast and a range of restaurants concepts

Tasteful mornings - 4am to 6.30am and 10am to 12 noon: hot drinks, fruit juice, pastries for our early or late risers 6.30am to 10am: Self-service, unlimited buffet breakfast.

Meal & drinks menu 24/7 - The ibis kitchen is open 24 hours a day and serves savoury and sweet dishes, for whenever hunger or a sweet tooth may strike. Feeling peckish? Ask for our menu.

Choose your gastronomic world - Discover Café Pasta&Pizza, Oopen, Wok & Co, or our bar Rendez-vous, and the pleasure of new dishes, rich in taste and originality!

Offers for sleeping at the best price

Ibis always offers a lower rate for every type of weekend stay:

The "**Special Weekend**" deal is designed for leisure customers and offers a lower rate for Fridays, Saturdays and Sundays, public holidays and the eve of public holidays**.

The "**Long Weekend**" deal for two or three-night stays (the longer you stay the less you pay) offers discounts of 15% to 30%.

The "**Hotel+activities**" deal combines an overnight stay with an added activity (cultural, sports or relaxation) chosen by the hotel**.

Special services for keen sportsmen and women with the ibisport package**: attractive rates and specific advantages (balanced meals bursting with vitamins, a picnic lunch to take with you, meeting room for debriefing, sports press, etc.). For registered members of sports clubs travelling for a competition during weekends in a selection of over 500 hotels worldwide.

**See terms and conditions on ibishotel.com

HAPPY 20 "The earlier you book, the less you pay"

Customers booking a stay at least 20 days in advance pay less. This discount is available only on the ibishotel.com and accorhotels.com websites, in 40 countries and over 800 hotels worldwide

Exclusive offers

All year long, the ibishotel.com website offers special, exclusive deals for most of its destinations and hotels.

Source: <http://www.accor.com/en/brands/brand-portfolio/ibis.html> (2012)

IBIS Styles as a Model to Follow

The stylishly designed hotels where the little extras don't cost extra! A non-standardised economy and design brand aimed at all those who are looking for "the best of the best", ibis Styles offers an **all-inclusive** package, with room rates including breakfast and internet access.

Situated in the heart of cities and in other major centers of activity, each establishment has its own distinct personality and reflects a colorful, bright and energetic brand spirit with a hint of humor. Simplicity, interactivity, quality and conviviality are the brand's core values.

The hotel where the price includes it all

ibis styles offers an "all-inclusive" package including the room, all-you-can-eat buffet breakfast and broadband internet access. Plus, the brand's generosity also extends to a host of extra amenities: a conviviality area offering complimentary tea, coffee, water, newspapers and magazines; an interactive computer terminal with internet access and a Golden Book where guests can leave feedback; a welcome gift on arrival; popular children's TV channels; and many more besides...

The design hotel

Even though they are all different, ibis styles hotels are easily recognizable. Furniture, amenities, the use of light and the layout have all been carefully selected in order to create a distinctive style, with design central to the brand's thinking. In each hotel, the words easy-on-the-eye, color, light, energy, generosity, conviviality and humor always mesh together to strike the right chord.

Clients particularly value the authenticity and unique personality present throughout the all seasons range.

Your meeting at ibis Styles

Your meeting at all seasons

Some all seasons hotels are equipped with meeting rooms, which offer an 'all-inclusive' package. This includes hire of the room, internet access, coffee breaks or meals (at night), all technical equipment and a range of other amenities. Total simplicity for effective meetings

Source: <http://www.accor.com/en/brands/brand-portfolio/ibis-styles.html> (2012)

Appendix 30: Most Valorized Attribute by Consumers of Budget Hotels according to the Category

Attribute	Number
Hotel	
Cleanliness in all the facilities	144
Price	116
Location	108
Safety	103
Room	
Silience in the room	138
Air conditioning	126
Kind of mattress	103
Employees	
Professionalism	139
Reliability	132
Congeniality	118
Fast answer to service	109

Source: Merlo and João (2010)

Appendix 31: Official Hotels for the WFUMB, FLAUS & JPR 2013

DISTANCE TO THE MEETING VENUE	OFFICIAL HOTELS		DAILY RATE PER ROOM RATES IN REAIS – BRAZILIAN CURRENCY (USD 1,00 ~ R\$2,00)			INTERNET	PARKING	
			SINGLE OCCUPANCY	DOUBLE OCCUPANCY	TRIPLE OCCUPANCY			
100 m	☆☆☆☆	Hotel Transamérica Av. Nações Unidas, 18.991 – Santo Amaro NEAREST HOTEL TO THE CONGRESS VENUE	Deluxe Room	R\$ 523,00 +5% tax	R\$ 565,00 +5% tax	R\$ 706,25 +5% tax	Free	R\$ 35,00 per day
			Executive Room	R\$ 577,00 +5% tax	R\$ 626,00 +5% tax	R\$ 782,50 +5% tax		
			Golden Room	R\$ 755,00 +5% tax	R\$ 755,00 +5% tax	-		
6300 m	☆☆☆☆	Hilton São Paulo Av. Nações Unidas, 12.901 – Brooklin Novo	Deluxe Room	R\$ 419,00 +5% tax	R\$ 449,00 +5% tax	Upon request	R\$ 60,00 per day	R\$ 30,00 per day
6300 m	☆☆☆☆	Gran Estanzola Rua Arizona, 1517 – Brooklin Novo	Deluxe Room	R\$ 405,00 +5% tax	R\$ 405,00 +5% tax	R\$ 475,00 +5% tax	Free	Free
5000 m	☆☆☆☆	Blue Tree Morumbi Rua Roque Petroni Jr, 1000 – Brooklin Novo	Deluxe Room (02 single beds)	R\$ 332,00 Friday to Sunday +5% tax	R\$ 387,00 Friday to Sunday +5% tax	R\$ 483,75 Friday to Sunday +5% tax	R\$ 30,00 per day	R\$ 17,00 per day
				R\$ 357,00 Sunday to Friday +5% tax	R\$ 397,00 Sunday to Friday +5% tax	R\$ 496,25 Sunday to Friday +5% tax		
9600 m	☆☆☆☆	Radisson Faria Lima Av. Cidade Jardim, 625 – Cidade Jardim	Superior Room	R\$ 340,00 +5% tax	R\$ 390,00 +5% tax	-	Free	Free
7000 m	☆☆☆☆	Estanzola Nações Unidas Rua Guararapes, 1889 – Brooklin Novo	Suite House	R\$ 267,00 +5% tax	R\$ 319,00 +5% tax	R\$ 389,00 +5% tax	Free	Free
8200 m	☆☆☆☆	Transamérica Prime The World Rua Gomes Carvalho, 1005 – Vila Olímpia	Superior Room	R\$ 304,00 +5% tax	R\$ 334,00 +5% tax	-	R\$ 12,00 per day	R\$ 7,00 per day
3400 m	☆☆☆☆	Intercity Nações Unidas Rua Fernandes Moreira, 1371 – Chácara Sto. Antonio	Standard Room (couple bed)	R\$ 320,00 +5% tax	R\$ 365,00 +5% tax	Upon request	Free	Free
3000 m	☆☆☆☆	Blue Tree Verbo Divino Rua Verbo Divino, 1323 – Chácara Santo Antonio	Superior Room	R\$ 262,00 +5% tax	R\$ 347,00 +5% tax	R\$ 433,75 +5% tax	Free	R\$ 14,00 per day
6000 m	☆☆☆☆	Novotel Morumbi Rua Min. Nelson Hungria, 450 – Chácara Sto. Antonio	Superior Room	R\$ 309,00 +5% tax	R\$ 403,00 +5% tax	-	Free	R\$ 20,00 per day
3400 m	☆☆☆☆	Transamérica Chácara S. Antonio Rua Américo Brasiliense, 2163 – Chácara Sto. Antonio	Superior Room	R\$ 289,00 +5% tax	R\$ 319,00 +5% tax	R\$ 399,00 +5% tax	Free	Free
6400 m	☆☆☆☆	Quality Berrini Rua Henrich Hertz, 14 – Brooklin Novo	Superior Room	R\$ 236,00 +5% tax	R\$ 286,00 +5% tax	-	Free	Free
8100 m	☆☆☆☆	Estanzola Funchal Rua Funchal, 281 – Vila Olímpia	Suite House	R\$ 279,00 +5% tax	R\$ 319,00 +5% tax	R\$ 389,00 +5% tax	Free	Free
8300 m	☆☆☆☆	Park Suites ITC Rua Fidêncio Ramos, 420 – Vila Olímpia	Superior Room	R\$ 277,00 +5% tax	R\$ 317,00 +5% tax	R\$ 387,00 +5% tax	Free	Free
6400 m	☆☆	The Time Othon Flat Rua Hans Oersted, 115 – Brooklin Novo	Superior Room	R\$ 270,00 +5% tax	R\$ 290,00 +5% tax	-	R\$ 12,00 per day	Free
3400 m	☆☆☆☆	Tryp Nações Unidas Rua Fernandes Moreira, 1264	Superior Room	R\$ 269,00 +5% tax	R\$ 329,00 +5% tax	-	Free	R\$ 17,00 per day
6800 m	☆☆☆☆	Estanzola Berrini Av. Eng. Luiz Carlos Berrini, 853 – Brooklin Novo	Suite House	R\$ 267,00 +5% tax	R\$ 319,00 +5% tax	R\$ 389,00 +5% tax	Free	Free
3400 m	☆☆☆☆	Estanzola International Rua Fernandes Moreira, 1293 – Chácara Sto. Antonio	Suite House	R\$ 287,00 +5% tax	R\$ 344,00 +5% tax	R\$ 414,00 +5% tax	Free	Free
7100 m	☆☆☆☆	Tryp Berrini Rua Quintana, 934 – Brooklin Novo	Superior Room	R\$ 266,00 +5% tax	R\$ 356,00 +5% tax	-	Free	R\$ 15,00 per day
6100 m	☆☆☆☆	Blue Tree Berrini Rua Quintana, 1012 – Brooklin Novo	Suite Jr.	R\$ 262,00 +5% tax	R\$ 310,00 +5% tax	R\$ 413,75 +5% tax	R\$ 24,00 per day	R\$ 16,00 per day
				R\$ 251,00 +5% tax	R\$ 287,00 +5% tax	R\$ 363,00 +5% tax		
				R\$ 199,00 +5% tax	R\$ 199,00 +5% tax	-		
2800 m	☆☆☆☆	Mercure Nações Unidas Rua Pr. Manoelito Ornelas, 104 – Chácara Sto. Antonio	Standard Room	R\$ 251,00 +5% tax	R\$ 287,00 +5% tax	R\$ 363,00 +5% tax	Free	R\$ 12,00 per day
5000 m	☆☆	Ibis Morumbi Rua Roque Petroni Jr, 800 – Brooklin Novo	Standard Room	R\$ 179,00 From May 1 to 2	R\$ 179,00 From May 1 to 2	-	Free	R\$ 12,00 per day
				R\$ 259,00 From May 2 to 4	R\$ 259,00 From May 2 to 4	-		
			No meals	R\$ 199,00 From May 4 to 5	R\$ 199,00 From May 4 to 5	-		
8000 m	☆☆☆☆	Quality Vila Olímpia Rua Alvorada, 1009 – Vila Olímpia	Superior Room	R\$ 246,00 +5% tax	R\$ 284,00 +5% tax	R\$ 344,00 +5% tax	Free	Free

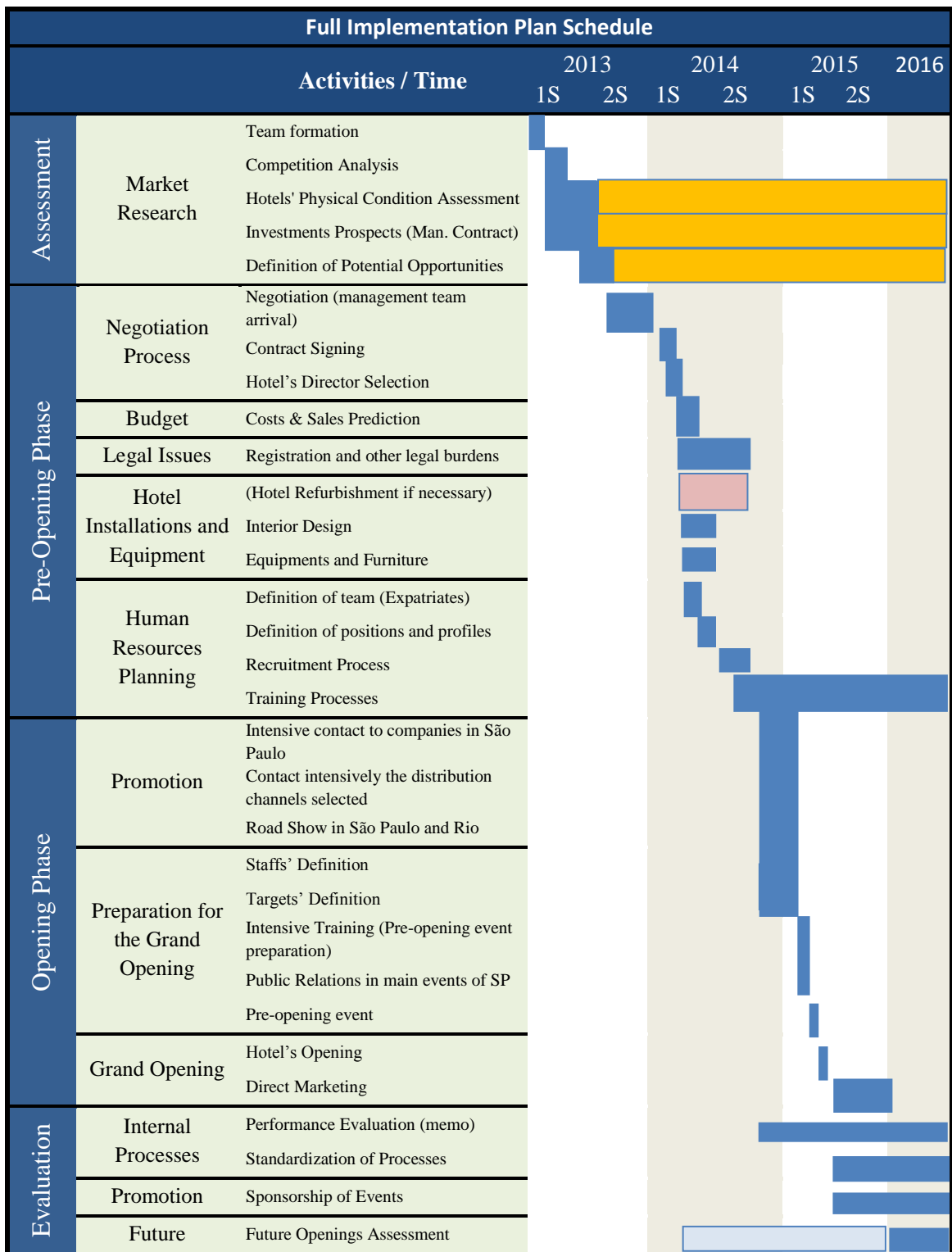
Source: Mello Faro Turismo, the Official Travel Agency for the WFUMB, FLAUS & JPR 2013 (2012)

Appendix 31: Fairs and Events - Tourism and Real Estate Related - São Paulo (2013)

Event	Data	Local	Comments
19th Workshop & Trade Show CVC ²⁹	20-21 February	Expo Center Norte	The Workshop meets annually 12 000 travel agents in a two-days event, and about 700 national and international exhibitors, including city hotels, resorts, airlines, tourism departments and other suppliers, which will be distributed among the 20,000 meters of the pavilion. In this event, CVC and its partners present trends in products and services for the following seasons.
Travelweek São Paulo ³⁰	16-19 April	Pavilhão da Bienal	Travelweek São Paulo attracts the media, specialized in tourism, luxury, hospitality, business, lifestyle, social column and interior design, resulting in an important media coverage that perceives the event as a reference when it comes to the global scene of high-end travel.
World Travel Market Latin America ³¹	23-25 April	Transamérica Expo Center	Is the leading global event for the Latin American travel industry - is the three day must-attend business-to-business (B2B) event which brings the world to Latin America and promotes Latin America to the world. To be staged annually in the economic powerhouse of São Paulo, World Travel Market Latin America is the event where the Latin American Travel Industry will negotiate and conclude its deals to become one of the most important regions in the global travel and tourism industry.
Equipotel ³²	16-19 September	Anhembi Parque	<p>With 50 years of experience, the Equipotel Group is responsible for staging Equipotel, the largest and best hospitality and food trade show in Latin America. Ranked among the top five in the world, it is a networking hub, essential to the success of businesses dealing in the hospitality, cuisine, food and tourism sectors. Product releases, new trends, services, and technologic innovation within your reach, all in one place, that is what Equipotel has to offer.</p> <p>Facts and figures of the 2011 edition</p> <ul style="list-style-type: none"> • 48,474 qualified professionals attended the fair. • 1,384 exhibitors in 672 stands from over 60 economic segments gathered in impressive 60,000 sqm.
Cityscape Latin America 2013 ³³	October	Amcham Business Center	At the Cityscape Latin America are the world's leading architects, consultants, engineers and other professionals for the design and construction of properties represented. A conference on infrastructure and booming industries give the visitors valuable information and advice. Cityscape Latin America also offers a good opportunity to review information and access to the Latinamerican real estate market.

Main Source: http://www.eventseye.com/fairs/cy1_trade-shows-sao-paulo.html (2012)

Appendix 32: Full Implementation Plan Schedule



Source: Own depiction from primary and secondary data (2012)

Legend:

- Normal Time Expected
- Activities that can take extra time
- Activity that can start early
- Activity that can happen or not

Appendix 33: MEMO

Theme	Objectives	Measurement	Targets	Initiatives
Financial	Maximization of sales	Occupancy rate	Occupancy rate 5 p.p. above the mean of the Economic Segment in São Paulo	Make similar initiatives to the Ibis ones (<i>Appendix 29</i>), for weekends and to advanced reserves
	Increase of profitability	RevPAR	Maximize RevPAR	Price discrimination and monthly evaluation of performance
Customer	Increase of brand and hotel awareness	<ul style="list-style-type: none"> - Surveys - Friends and comments on Orkut - Presence on events and fairs 	<ul style="list-style-type: none"> - Be top mind choice in the economic segment - Maximum number of fairs and events in 20133 	<ul style="list-style-type: none"> - The 1st team must prepare carefully each fair or event - Create an Orkut page for the Hotel and have one person managing this page - Direct mailings to actual customers
	Attraction of new customers	Monthly report about new customers (CRM system)	Increase the number of new corporate customers	<ul style="list-style-type: none"> - Direct mailings to companies and sales team to constantly visit corporations in the main cities of Brazil - Discounts for first stay (when booked in advanced) and groups
	Increase of customer satisfaction	<ul style="list-style-type: none"> - Monthly surveys' analysis - Number of complaints 	<ul style="list-style-type: none"> - Reach numbers in line with the level of 3 star hotels in Portugal - Minimize complaints 	<ul style="list-style-type: none"> - CRM system to track guesses opinions - Constant training
	Increase of customer loyalty	Number of repeated bookings (CRM system)	Increase customers' retention rate	<ul style="list-style-type: none"> - Incorporate the new Hotel in the Club's Card (loyalty card of Dom Pedro) - Contracts with companies offering special prices
Internal	Recruiting process improvement	<ul style="list-style-type: none"> - Staffs' quality - Turnover rate - Employee satisfaction 	<ul style="list-style-type: none"> Minimization of turnover maximization of employee satisfaction 	<ul style="list-style-type: none"> - One-to-one interviews - Recruiting from credited institutes and faculties
	Standardization of training procedures	<ul style="list-style-type: none"> - Error rate - Customers' satisfaction (Friendliness and Staff Efficiency) - Employee satisfaction 	Level of customers satisfaction and respective comments	<ul style="list-style-type: none"> - Creation of book with standardized processes - Experienced training team - Use expatriates from the different Dom Pedro Hotels
	Automation of processes through IT (done in Brazil)	<ul style="list-style-type: none"> - Inventory level - Customers' satisfaction management - Costs savings per section 	Maximize standardization of processes and improve month by month	Use CRM system and monthly analyses regarding costs and customers' management issues
Learning	Establishment of corporate service culture	Customer perception about the Hotel (through comments on surveys)	Be known by the quality of the staff, cleanliness and professionalism in all Brazil	<ul style="list-style-type: none"> - Creation and dissemination of corporate vision and mission - Corporate Values Definition - Message passed during Recruitment and Training Processes
	Empowerment of employees	<ul style="list-style-type: none"> - Number of customer complaints - Fastness and Efficacy on answer to customers' complains 	<ul style="list-style-type: none"> - Minimization of dissatisfied customers - Maximize fastness and efficiency 	<ul style="list-style-type: none"> - Training for dealing with customers' complains

Source: Own depiction from primary and secondary data (2012)

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