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**HOW CAN A FIVE STAR HOTEL INCREASE ITS LUXURY STATUS:
THE CASE OF INTERCONTINENTAL LISBON**

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A Project carried out on the Master in Management Program, under the supervision of:

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ABSTRACT

How Can A Five Star Hotel Increase Its Luxury Status: The Case Of Intercontinental Lisbon

With luxury consumption increasingly changing from the notion of owning to experiencing, the luxury hospitality sector is blossoming internationally. However, while defining luxury is not an easy process, understanding what constitutes a luxury hotel becomes even more challenging. InterContinental Hotels & Resorts presents itself as one of the largest international luxury hotel chains. Nonetheless, the research conducted over this Work Project revealed that InterContinental Lisbon is currently not perceived as a luxury hotel nor fulfilling the luxury business models proposed in the literature. This project offers InterContinental Lisbon relevant insights to increase its luxury status, matching its image with the corporate brand identity of InterContinental Hotels & Resorts. Recommendations are also drawn for other five star hotels in Lisbon.

Keywords: *Luxury, luxury hospitality, Lisbon, InterContinental*

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A. INTRODUCTION AND OBJECTIVES OF THE WORK PROJECT

The present Work Project derives from a personal motivation to deepen the analysis of five star hotels in Lisbon, namely by understanding if this classification is a synonym of luxury hospitality. The thesis author is currently employed at InterContinental Lisbon, part of InterContinental Hotels & Resorts' portfolio. Belonging to one of the largest international luxury hotel chains should automatically make Lisbon's hotel a luxury property. However, when confronting InterContinental Lisbon's perception with available literature on luxury, we reached the conclusion that this hotel is actually not fully a luxury property.

As such, the main goals of this Work Project are 1) understanding why InterContinental Lisbon is not matching the established definitions of luxury from the literature; 2) offer recommendations on how to increase its luxury status and 3) infer from this case study recommendations for other five star hotels that could be in the same situation.

Reaching the proposed goal is relevant since 1) it is important for InterContinental Lisbon to be aligned with the corporate brand's¹ identity and because having a real luxury perception will enable 2) a price increase and 3) focusing the brand on long-term sustainability and stability.

B. CONTEXTUAL BACKGROUND

1. LUXURY, LUXURY HOSPITALITY AND LUXURY HOTELS IN LISBON

i. DEFINING LUXURY

The concept of luxury is not an easy one to define and, according to Kapferer and Bastien (2012, p.45), "there are as many definitions as there are authors", resulting in multitude of subjective uses for the word these days. Being impossible to find one universally accepted definition for luxury, one may resort to the main luxury business models to understand if a certain brand

¹According to Aaker (2002), corporate brand identifies the corporation behind the commercial brand, which is the one visible to consumers. InterContinental Hotels & Resorts is the corporate brand behind each one of the local InterContinental hotels.

possesses a set of characteristics that allows inclusion in the scope of luxury. Five approaches are selected in the literature:

a) The traditional definition delimits luxury within a set of features: superior aesthetics, finest materials and artisanship. This paradigm is deeply connected to scarcity and preciousness of the goods and lies in three main pillars: physical rarity (either due to qualified labor or shortage of resources availability); appealing to multiple senses and having a strong human component (being produced by man as opposed to machines) (da Silveira, 2017).

b) Luxury as Distance: This paradigm expresses the gap between dream and access. As such, brands should simultaneously work on two main factors: creating high awareness and attractiveness while limiting access, creating artificial rarity (Kapferer, 2015). This combination will result on a brand aspired by many but accessible to only a few, a key factor to legitimizing the brand's luxury status.

c) Luxury as the Creator's Light: this approach focuses the luxury status on the aura of the creator. The luxury prominence of a brand is the result of a charismatic persona, either its creator or artistic director (Kapferer and Bastien, 2012). This model requires the creator's legitimization by established authorities in the domain (ratings, journalists, peers,...) and is constantly subject to proof, under risk of losing the aura that sustains the luxury status.

d) Luxury as a "New" Social Marker: this business model shifts the traditional role of luxury as a consequence of social status to a new role as driver of social stratification where it did not exist (Kapferer and Bastien, 2012). This model has distinct applications, whether we consider the western or the emerging countries. For the developed world, luxury is seen as differentiation: owning an unknown brand is perceived as a sign of distinction and elite status. For emerging countries, luxury creates a sense of belonging, and owning a certain item from a recognized luxury brand is essential to preserve face.

e) New Luxury Conceptualization: this last model is based on the balance between two “must have” features: individual function (i.e. substance) and social function (i.e. symbol). Social function can lead to a high profile social statement – for those who want to be seen with luxury items or in exclusive experiences – or to a low profile social statement – with minimalism considered the ultimate luxury statement (da Silveira, 2017). The latest evolution of this duality is the emergence of a high profile based on responsible luxury, where people want to be seen with brands associated with social, environmental or political causes.

ii. COMPARING LUXURY AND PREMIUM

As aforementioned, there are “many meanings to the word luxury itself” (Kapferer, 2015, p.44), and we are often faced with the doubt of whether a certain brand is premium or luxury. In addition to the relativity of the concept, two additional factors can explain the confusion between premium and luxury. Firstly, it is not uncommon to find premium brands imitating the codes of luxury (Kapferer, 2015). Moreover, even price, which one could consider a proxy indicator of luxury status, can in some cases be misleading as “certain premium products being now more expensive than the equivalent luxury products.” (Kapferer and Bastien, 2012, p.44). Having that said, it is useful to understand how to distinguish between the two. Starting with the basis of the business model, a premium product strives to achieve the best substance within a certain category, being positioning (and comparison) at the base of the brand’s efforts. Luxury, in contrast, is superlative. According to Kapferer and Bastien (2012, p.66), “[a luxury brand] prefers to be faithful to an identity rather than always worrying about where it stands in relation to a competitor.” Consequently, premium products are developed to connect to the market’s needs and tastes / trends, while luxury products result from the inspiration of the creator and shape the future tastes / trends (Kapferer and Bastien, 2012). Lastly, while premium brands correlate the price of products with functionality, the same is not applicable in luxury, where price and function are not correlated (Kapferer, 2015).

iii. THE LUXURY MARKET – GOODS AND EXPERIENCES

The broadness of the concept also complicates the understanding of what the luxury market includes and, hence, its size. Nonetheless, it is widely accepted that the luxury market includes personal luxury (perfumes & cosmetics, watches & jewelry, apparel and accessories), cars and yachts, experiential luxury (hotels & exclusive vacation, Food & Beverage and interior design & furniture) and other luxury (technology, art and others), forming a €1,3 trillion market in 2015 (BCG, 2015). Recent years have witnessed a transformation in the luxury consumption from a notion of “having” or “owning” to one of “experiencing”; luxury is no longer just the possession of a branded purse or an exclusive car, but also the possibility of booking the most selective hotel or experiencing a high-end spa treatment. It is hence not surprising that the experiential luxury market is growing on average 15% annually, while luxury goods registers a growth of 11% (BCG, 2016). Within this context, luxury travel has been earning the spotlight, with the proliferation of publications on the most exclusive destinations or accommodation sites, not-to-be-missed activities or sightseeing spots. Hotels and exclusive vacation account for over 75% of the total experiential luxury market – roughly €350 billion (BCG, 2016). However, considering that the concept of luxury itself is already so idiosyncratic, analyzing the luxury experience market is increasingly difficult for its lack of tangibility. How shall one define a hotel, a restaurant, a wellness center or a tour as luxurious, especially when, as mentioned before, the word luxury is thrown around so frequently for promotion goals? (Kapferer and Bastien, 2012)

iv. LUXURY HOSPITALITY

Like luxury in general, defining the concept of luxury hotel is a challenging process: once again, we find many different approaches, none of which seems to offer a full understanding of luxury hospitality or objective indicators that allow us to categorize a hotel as luxury. As no official definition exists for what a luxury hotel is, we tried to understand what some experts in the

travel industry think. The insights are varied and, while the physical aspect is valued (i.e. beautiful and quality design in rooms, high quality linens or fitness center according to the Luxury Travel Magazine, 2016), the emphasis nowadays seems to be placed in all facets related to service and customer care (namely by providing a predictive service or authentic, meaningful destination knowledge, according to IHG, 2013). In terms of physical characteristics of what a luxury hotel should be, we find reference to many room characteristics, from exclusive design and styling to latest technology. Regarding the outstanding “must-have” features, many mention Spa; pool; fitness center and laundry service. (Luxury Magazine, 2016). Notwithstanding, the tonic is increasingly becoming the level of service provided and the ability to deliver customized and personal experiences (Amadeus, 2016). IHG (2013) indicates that “luxury travel is becoming more about the authenticity of the experience, not the product. It’s all about the detail that makes an experience feel personal and exclusive. Exclusivity now means experiencing life like the local people do, to discover what that is like for yourself, (...)” The Five Star Alliance (2008) indicates that the line between a premium and a luxury hospitality offering lies on impeccable, uber-efficient service, able to identify and provide swift and adequate response to all guest’s needs (eg. fast and discreet check in and check out or knowledgeable Concierge able to assist with local suggestions and get exclusive accesses). To better illustrate the service level mentioned, a few representative quotes were selected:

Now it’s coming back to doing what the individual guest really wants: personalized and individualized service geared not to the market, but to the individual. Very clearly, we created a luxury experience for the market as a whole, but true luxury today is about responding to each individual guest. (Schulze, Chairman and Chief Executive Officer at The West Paces Hotel Group, 2011 in Leaders Magazine, Inc)

When needs and desires are anticipated and fulfilled even before being realized to the extent that they become a requirement. (Gaderson, Priorities Concierge, 2008 in Five Star Alliance)

We can hence conclude that certain physical facilities are indeed expected in a luxury hotel, but the focus is increasingly becoming the level of service provided (or the outstanding combination of both). Nonetheless, mentioning exquisite amenities or high-level service is still a very broad

and subjective definition for luxury hotel. Unfortunately, no universal concept is available and, as such, the star classification, namely the five star category, is the most commonly used proxy to determine whether a hotel is luxury. While generally accepted, this categorization system is not exempt from questioning, as the star ranking varies from one country to another and there is no internationally agreed standard (Daily Mail, 2015). As such, each country has its own definition of what constitutes a five star hotel, usually established by local authorities. According to the Daily Mail (2015) the Raffles Hotel in Singapore would be one of the few hotels considered a five star under any national ranking system, illustrating the classification systems discrepancy. Nevertheless, considering the lack of a single international standard, each country's star system prevails as the best available alternative to determining luxury hospitality.

v. LUXURY HOSPITALITY IN LISBON

In Portugal, the star ranking is defined and monitored by the Portuguese Tourism Board - *Turismo de Portugal*. *Portaria* no. 327/2008, of April 28th 2008, is the legal article defining the set of characteristics that will result on a certain star ranking in hotels. Appendix 1 presents the listing of features per star rating according to *Portaria* no. 327/2008, including all aspects since service areas or accesses to technological features. As per this classification, the city of Lisbon comprises, in 2017, a total of 25 five star hotels – see Appendix 2 for full listing.

However, this is not a synonym of stating that there are 25 luxury hotels in Lisbon. On one hand, some lodging facilities that could be regarded as a luxury hotel are classified otherwise (i.e. Palácio de Belmonte, perceived by many as a five star hotel, has a different classification for *Turismo de Portugal*, being considered a facility of *Alojamento Local*). On the other hand, many five star properties are not actually “luxury” hotels, according to the definitions of luxury provided in section B.1.i of this Work Project. In order to obtain a more accurate overview of luxury hotels in Lisbon, the aforementioned luxury definitions were compared to the listing provided by the Lisbon Tourism Bureau. Table 1 illustrates this thesis author's interpretation

of how the five star hotels in Lisbon fit each of the Luxury business models, based on observation and feedback provided by hotel industry professionals and other players in the tourism area – see Appendix 3 for the detailed sources of information.

Table 1 - Analysis of Five star Hotels in Lisbon under the Five Luxury definitions presented in Section B.1.i

| Hotel Name | Luxury Approach | | | | | TOTAL |
|-----------------------------------|-----------------|----------|----------|----------|----------|----------|
| | a | b | c | d | e | |
| Altis Avenida | 1 | 0 | 0 | 1 | 1 | 3 |
| Altis Belém | 1 | 0 | 0 | 1 | 2 | 4 |
| Altis Grand Hotel | 0 | 0 | 0 | 0 | 1 | 1 |
| Avenida Palace | 1 | 0 | 0 | 1 | 1 | 3 |
| Bairro Alto | 1 | 0 | 0 | 2 | 2 | 5 |
| Corinthia Hotel | 0 | 0 | 0 | 0 | 0 | 0 |
| Dom Pedro Lisboa Palace | 0 | 0 | 0 | 1 | 1 | 2 |
| EPIC SANA Lisboa Hotel | 0 | 0 | 0 | 1 | 1 | 2 |
| Eurostars Hotel das Letras | 0 | 0 | 0 | 0 | 0 | 0 |
| Fontecruz Lisboa | 0 | 0 | 0 | 1 | 1 | 2 |
| Four Seasons Hotel Ritz Lisboa | 2 | 1 | 0 | 1 | 2 | 6 |
| InterContinental Lisbon | 0 | 1 | 0 | 1 | 1 | 3 |
| Myriad by SANA HOTELS | 0 | 0 | 0 | 1 | 1 | 2 |
| Olissipo Lapa Palace | 1 | 0 | 0 | 1 | 1 | 3 |
| Palácio do Governador | 2 | 0 | 0 | 1 | 2 | 5 |
| Pestana Palace | 1 | 0 | 0 | 1 | 1 | 3 |
| PortoBay Liberdade | 0 | 0 | 0 | 1 | 1 | 2 |
| Real Palácio | 0 | 0 | 0 | 0 | 0 | 0 |
| Santiago de Alfama Boutique Hotel | 0 | 0 | 0 | 1 | 2 | 3 |
| Sheraton Lisboa Hotel & Spa | 0 | 1 | 0 | 0 | 1 | 2 |
| Sofitel Lisbon Liberdade | 0 | 1 | 0 | 1 | 1 | 3 |
| The Vintage House – Lisboa | 0 | 0 | 0 | 0 | 0 | 0 |
| Tivoli Lisboa | 0 | 0 | 0 | 1 | 1 | 2 |
| Valverde Hotel | 2 | 0 | 0 | 1 | 2 | 5 |
| Vip Grand Lisboa Hotel & Spa | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:

Luxury Definitions: a – Traditional Definition; b – Luxury as Distance; c – Luxury as the Creator’s Light; d – Luxury as a “new” Social Marker; e – New Luxury Conceptualization

Classifications: 2 – Fully satisfies definition; 1 – Partially satisfies definition; 0 – Does not satisfy definition

As we may observe, out of the 25 hotels listed, five fail to comply entirely with any of the approaches, while 14 only partially fit one or a few of the definitions. Only five hotels have a total score of four or above, completely satisfying more than one of the luxury approaches: *Altis*

Belém, Bairro Alto; Four Seasons Ritz Lisboa; Palácio do Governador and Valverde Hotel.

Also noteworthy is the *Santiago de Alfama Boutique Hotel*, which perfectly fills the last luxury definition. It is relevant to mention that all of the listed hotels publicly present themselves (i.e. by means of press releases or website pages) as luxury hotels, many partly copying some of the luxury business models. However, we realize that most of them are only premium, failing to fulfill their stated goal of being a luxury hotel.

2. INTERCONTINENTAL HOTELS & RESORTS

InterContinental Hotels & Resorts is one of the brands belonging to the InterContinental Hotels Group (IHG), one of the largest hotel chains in the world, present in almost 100 countries with over 5000 owned, managed or franchised properties (Appendix 4 summarizes the main characteristics of each brand and the number of open and pipeline units).

In 1946, Pan American Airlines, supported by the American Government, created InterContinental Hotels & Resorts. The hotel company was looking to anticipate the soon to be widespread in commercial aviation and provide a new generation with luxurious solutions to explore what were, at the time, hard to access exotic destinations. The first InterContinental opened in that same year in Belem, Brazil (IHG confidential, 2014).

InterContinental Hotels strive to transmit to its guests the “InterContinental Life”, the corporate brand’s basic philosophy that blends consistent international standards with a deep understanding of the culture of each of its destinations. Being “In the Know” (company’s own expression), consists in the delivery of an authentic and local experience by the hotel’s staff, a promise that is at the core of the luxury experience that InterContinental Hotels & Resorts aim at providing to its guests.

The InterContinental experience can be delivered in three hotel categories: City, Resort and Historic. City properties are located in the finest addresses of cosmopolitan destinations, offering the InterContinental luxury experience in the heart of the most prestigious cities. Resort

properties are located in areas based on climate and natural beauty, mostly in Asia / Pacific region. The Iconic Historic hotels aim to bring stories to life, in buildings that not only offer architectural significance but have also been the stage of events of cultural, political or social relevance (i.e., InterContinental Carlton Cannes was the venue where Prince Rainier met Grace Kelly; Martin Luther King wrote his famous “I Have a Dream” speech at the InterContinental Willard Washington). Presenting itself as a company that strives to make international travelling more alluring and involved in an atmosphere where extraordinary things happen, InterContinental Hotels created three trademark programs to help deliver the “InterContinental Life”: InterContinental Ambassador, the Concierge Program and InterContinental Meetings & Events Collection (for detailed information on InterContinental Hallmarks, see Appendix 5). Nowadays, InterContinental Hotels & Resorts operates 187 properties worldwide (see Appendix 6) and has over 60 hotels in the pipeline for new openings (IHG, 2016).

i. INTERCONTINENTAL HOTELS & RESORTS - BRAND IDENTITY & CURRENT POSITIONING

Brand Identity: In order to develop a deeper understanding of the corporate brand, an analysis on its brand identity and current positioning was conducted. According to Kapferer and Bastien (2012), brand identity defines what the brand manager would like the brand to be and stand for. It is a singular concept: one brand, one identity (Kapferer, 2008). There are several conceptual models to examine brand identity and, for the current analysis, Kapferer’s Identity Prism was selected (Kapferer, 2008) – see Appendix 7 for additional informational on this model. As InterContinental Hotels & Resorts do not have a brand identity document, we have developed the brand identity prism illustrated in Figure 1 based on internal documents provided by the company (see Appendix 8 for a more detailed analysis).

Figure 1 - InterContinental Hotels & Resorts Brand Identity, based on Kapferer's model (2008), suggested by the thesis author based on internal documents provided by the company



Brand Positioning: According to Kapferer (2008), positioning is “emphasising the distinctive characteristics that make it [a brand] different from its competitors and appealing to the public”.

There are several frameworks available in literature, for which we selected the model developed by Kevin L Keller (2013). The Customer-based brand equity (CBBE) model is composed of four main steps to define brand positioning: determining the target consumer; the main competitors; the points of difference (PODs) and the points of parity (POPs) (Keller, 2013). Once again, InterContinental Hotels & Resorts do not feature a document with all pillars necessary to define the brand positioning, so the statement below corresponds to the thesis author's analysis based on several company internal documents.

The target market for the corporate brand internationally are sophisticated, understated travelers, who are looking for a luxury experience without needing to blatantly display it. Moreover, they are experienced travelers who enjoy being “In the Know”. Regarding competitor hotel brands, InterContinental Hotels & Resort compete mainly with: Sofitel and Pullman Hotels & Resorts (from Accor Hotels); Le Meridien and JW Marriott (from Marriott); Park Hyatt (from Hyatt); and Conrad Hotels & Resorts (from Hilton Worldwide). Figure 2

provides the main POPs, PODs and reasons to believe, while and Figure 3 illustrates the positioning statement of InterContinental Hotels & Resorts.

Figure 2 - InterContinental Hotels & Resorts POPs, PODs and Reasons to Believe, based on Keller’s Model (2013), suggested by the thesis author, based on company internal documents

| Points of Parity (POPs) | |
|---|---|
| Global Luxury Brand Premium locations High design facilities | |
| Points of Difference (PODs) | Reasons to Believe |
| Providing the most authentic, “In the Know” local wisdom | Concierge Program and Insiders Collection |
| Highest level of customer service | Ambassador Program and Heartbeat |
| The “InterContinental Life” – knowing the world of international travel better than anyone else | Largest international luxury brand; over 60 years of experience in luxury |

Figure 3 - InterContinental Hotels & Resorts Positioning Statement, based on Keller’s Model (2013), suggested by the thesis author, based on company internal documents



ii. INTERCONTINENTAL HOTELS & RESORTS IN PORTUGAL

Looking for a location to launch its first property in Portugal, InterContinental Porto *Palácio das Cardosas* was inaugurated in 2011 in *Avenida dos Aliados*, the most prominent square in the city of Porto (InterContinental Porto Internal Guide and Regulations, 2017). Soon after, targeting the Portuguese capital, the group signed an agreement to manage the at the time existing Tiara Park Atlantic Lisboa². The hotel reopened as the new InterContinental Lisbon in October 2014 (see section B2iii) (InterContinental Lisbon Internal Guide and Regulations, 2017). The group launched a third property in the country soon after, in August 2015:

² Note: in the hotel business, the property of the building and the management are frequently two different entities.

InterContinental Estoril, the first international branded hotel in the Cascais area and the second smallest InterContinental in the world (InterContinental Estoril Internal Guide and Regulations, 2017).

As we may verify, the brand’s presence in a small country such as Portugal reveals three very different property types, with varying sizes, styles and business mix. On the one hand, the InterContinental Porto, mid-sized city center historical building, classified as an InterContinental Historic property. InterContinental Lisbon, on the other side, is a large, contemporary property in the center of Lisbon with a very high focus on the meetings and events segment. Lastly, the new InterContinental Estoril, a boutique-like hotel located in the coast, presenting itself as a resort style property.

iii. INTERCONTINENTAL LISBON

As the focus of the present Work Project is the InterContinental Lisbon, the main milestones in the property history, from its inception in the 1980s, were summarized in Table 2:

Table 2 - InterContinental Lisbon's History and Main Milestones

| Year | Event |
|-------------|--|
| 1981 | Hotelgal SARL and <i>Société des Hôtels Meridien</i> sign an agreement for the opening of 2 new hotels in Portugal (1 in Lisbon and 1 in Porto) |
| 1984 | Le Meridien Lisboa opens in Rua Castilho |
| 2008 | Hotelgal SARL decides to terminate the contract with <i>Société des Hôtels Meridien</i> Creation of Hotelgal’s own hotel brand – Tiara Hotels & Resorts, with 5 properties: 2 in Portugal (Lisbon and Porto) and 3 in France (Paris and Cannes) Tiara Park Atlantic Lisboa is inaugurated in March |
| 2014 | Management agreement signed between Hotelgal SARL and InterContinental Hotels Group InterContinental Lisbon is inaugurated in October, substituting Tiara Park Atlantic Lisboa |
| 2015 | InterContinental Lisbon undergoes refurbishment of public areas, F&B outlets and meeting center. Rooms suffer soft upgrades. |
| 2017 | Full renovation of rooms and suites planned to start in November, lasting for 1 year until end of 2018 |

Having explored the five star Hospitality sector in Lisbon and the value proposition of InterContinental Hotels & Resorts, we realized that InterContinental Lisbon is one of such hotels that presents itself as luxury but is currently premium. It enjoys international acknowledgement for being part of InterContinental Hotels & Resorts, which partly grants fulfilling of the following luxury approaches: “Luxury as Distance”, “Luxury as a New Social Marker” and the “New Luxury Conceptualization”. Nonetheless, it cannot be truly considered a luxury hotel according to the luxury approaches.

C. ADDRESSING THE WORK PROJECT QUESTIONS

1. MARKETING RESEARCH AND METHODOLOGY

A marketing research was conducted in order to explore: 1) why InterContinental Lisbon does not fully fulfill a luxury status, as defined through our literature review in the “Defining Luxury” part and explained on section B of this Work Project; 2) how can InterContinental Lisbon increase its luxury status and 3) what recommendations can be inferred for other five star hotels in the same situation.

The research, which involves secondary and primary data, was conducted in three main stages. The first step is an exploratory study to understand the perceptions of InterContinental Lisbon’s clients. As it was not possible to conduct qualitative interviews with hotel guests (according to hotel’s policy preventing any disclosure of clients’ personal information), we have undergone a quantitative analysis of InterContinental Lisbon’s full year 2016 results of the Heartbeat Survey (post-stay enquiry sent to all clients by email). The survey, granted by InterContinental Lisbon, had a total of 1190 respondents, distributed along the entire year, staying at the hotel both for personal / leisure or business motivations. The second phase consisted in interviewing six InterContinental Lisbon’s employees from different areas – Sales & Marketing, Events, Food & Beverage (F&B) and Rooms – through qualitative in-depth interviews. Lastly, to have

a perspective of the Lisbon hotel from other InterContinental Hotels' staff, qualitative in-depth interviews to six employees from other properties were conducted: InterContinental Carlton Cannes; InterContinental Bordeaux Le Grand Hotel; InterContinental Marseille Hotel Dieu; InterContinental Paris Le Grand Hotel; InterContinental Amstel Amsterdam. The sample for in-depth interviews was selected according to the following criteria: 1) working for InterContinental Hotels & Resorts or InterContinental Lisbon for at least one year and 2) working in a five star hotel for at least five years. The interviews were conducted in Portuguese for InterContinental Lisbon employees and in English for employees of other InterContinental Hotels (see both interview guides in Appendix 9 and Appendix 10).

2. MAIN RESEARCH INSIGHTS

i. GLOBAL OVERVIEW OF IMAGE AND CURRENT POSITIONING

A thorough analysis of InterContinental Lisbon highlights a potential **misalignment between the property's image and the corporate brand's identity**. Our assumption is that this misalignment is related to the very high focus on business guests at the Lisbon's hotel. It is relevant to highlight that InterContinental Lisbon had, in 2016, 27% of its total revenues deriving from the groups MICE (Meetings, Incentives, Conferences and Exhibitions) segment, aiming to grow this number to 30% in 2017 (InterContinental Lisbon / confidential, 2016). In addition to the groups segment, a significant portion of business derives from corporate negotiated rates and transient business travelers, summing **over 50% of total revenues deriving from business motivations** (InterContinental Lisbon / confidential, 2016). Nonetheless, it is by looking at InterContinental Lisbon's positioning that we find the most relevant contrast with the corporate brand. Starting with the target market of InterContinental Lisbon, a great focus is set by management on the busy event organizer looking for a smooth and effective planning experience and focused primarily on physical characteristics of his next potential event venue. Managers also include in their main target the business traveler traveling

to Lisbon for professional reasons, looking for well-located, quality accommodation. Moving to the competitors, once again, we notice a strong contrast with the corporate brand positioning. In the case of InterContinental Lisbon, the competitor list (Comp Set) includes the Epic Sana; the Sheraton; the Corinthia; the Altis Grand; the Sofitel and the Tivoli Lisboa (InterContinental Lisbon confidential, 2016). As we may analyze in Table 1, all of these hotels are considered premium, none of them fully satisfying any of the luxury approaches. Hence, we find a relevant difference between InterContinental Lisbon and the corporate brand when it comes to the importance of the business segment.

The main opinion of the interviewed InterContinental Lisbon's staff is that this **high focus on the MICE segment is incompatible with the hotel's luxury ambitions:**

"Luxury starts in how we segment the market. Looking at our physical facilities, we should never have such a high volume of MICE segment...imagine if you had paid 300€ for a room and were arriving at the hotel to find over 200 people from a conference spread across the Lobby, what would you think?" (Staff, InterContinental Lisbon)

Moreover, the staff considers that currently the hotel is **too focused on volume over average price**, working with high levels of occupancy to achieve revenue targets:

"A luxury hotel should not focus on high occupancy levels. Obviously, it's great if you are full with a high RevPAR but, if that's not possible, it's better to have a lower occupancy with high rates that allow you to not compromise on the high service levels our guests expect." (Staff, InterContinental Lisbon)

Lastly, the interviewees agree that the InterContinental Lisbon is a good venue to organize a conference or event, but **not the best choice for a luxury traveler looking for exclusive service:**

"It is unquestionable that we are among top choices for any international company wanting to organize a conference in Lisbon: we have the spaces, the location, the right staff. But would I say the same regarding a couple looking for a luxury retreat in Lisbon or a family wanting the highest level of service while travelling to Portugal? Probably not. Even our groups, how often do the top VIPs get accommodated at the Ritz even if the conference is happening at our hotel?" (Staff, InterContinental Lisbon)

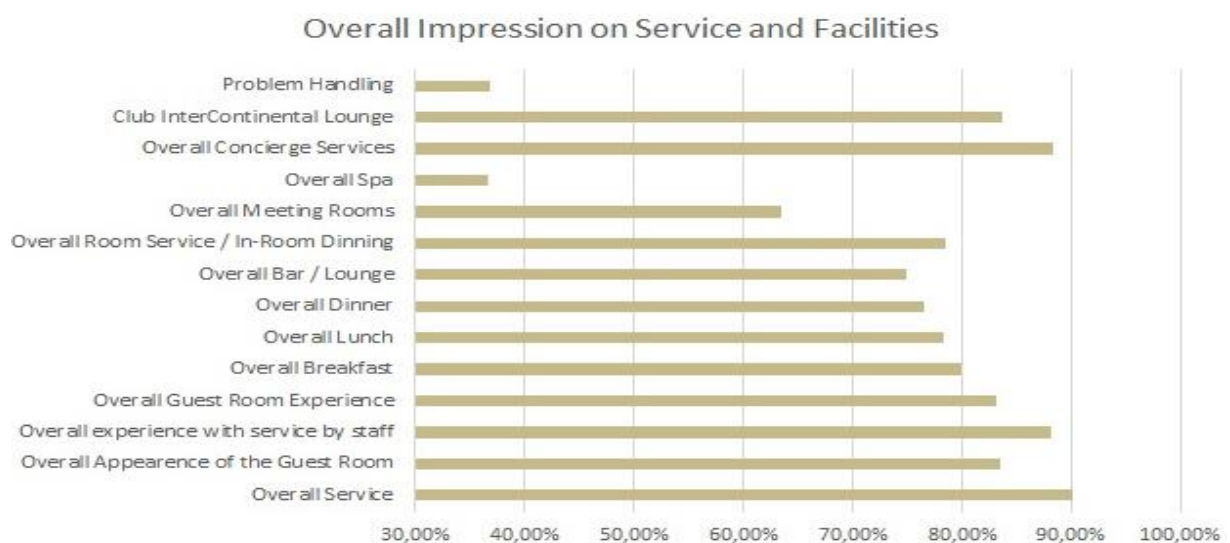
ii. GLOBAL OVERVIEW OF FACILITIES

Focusing on the physical spaces, there are certain expectations associated to a five star property, not only in terms of rooms, but also public areas and leisure facilities. In the case of InterContinental Lisbon, as previously mentioned, the hotel recently undergone refurbishment in public areas, F&B outlets and the main meeting center, with plans for room renovations starting later in 2017. Nonetheless, some of the interviewees mentioned there is still space for improvement in terms of the facilities available at the hotel. The interviewed staff members believe the **hotel lacks leisure facilities**, such as exterior areas, pool or spa. While some are not essential, they believe that the renovations projects should have accounted for this, namely by creating a spa area and a rooftop bar:

“I know that the physical space limitations we have will never allow us to have everything, like a pool, but something more we could have done...instead of keeping those 4 meeting rooms on the -1 floor, why didn't we just created a nice spa area? Those rooms are difficult to sell anyway, and we could really use the spa area.” (Staff, InterContinental Lisbon)

“Just imagine the buzz if we had moved forward with the rooftop bar! We have one of the best views in Lisbon from the 19th floor, and there's enough space for a nice bar with indoor and outdoor area.” (Staff, InterContinental Lisbon)

Figure 4 - Heartbeat Survey Results regarding Service and Hotel Facilities at InterContinental Lisbon, 2016 (n = 1190)



We have perceived from the satisfaction survey that **guests are not pleased with the spa facilities**. InterContinental Lisbon currently offers a discounted rate in a spa in front of the hotel, but this solution is either not pleasing the guests or not being properly communicated. Figure 4 highlights the overall results from the satisfaction survey³, where we see that “Overall Spa” is rated below 40%.

The interviewed staff members also mentioned that the **InterContinental Club**, available for guests booking Club rooms or Suites, **should be located on a higher floor** (instead of the current Lobby floor location), enjoying a more exclusive setting and views over the city:

“Most hotels offer their Executive Lounges on the top floors, where guests enjoy more privacy and the best views. If the Lounge is available for our VIP guests and those booking our most expensive room categories, the Lobby really isn’t the best location for a space that should transmit luxury and exclusivity. We don’t even have windows at the Club!” (Staff, InterContinental Lisbon)

Lastly, some InterContinental Lisbon employees mentioned **small details in terms of quality linen, flower decoration and amenities** that, while not visible to all guests, is noticeable for the guest accustomed to luxury hotels:

“You know the thing about details is that maybe 80% of our guests don’t notice, but those who are used to luxury hotels will know. We need to invest in higher quality linens and towels, and the room amenities should be of a more prestigious, international brand...regular guests still ask about our old Hermès amenities, those were real luxury for them!” (Staff, InterContinental Lisbon)

iii. GLOBAL OVERVIEW OF SERVICE

InterContinental Hotels & Resorts set a very high focus on service levels, essential do deliver the “InterContinental Life” brand promise. As such, **service** is considered by employees of other InterContinental Hotels as one of the most important features that **differentiate the brand from others**:

“Of course the product itself is very important, but in a competitive environment like the one of today, where all the luxury properties are beautiful, only the experience, the service offered to the guest can make a difference. The InterContinental standards in terms of service are quite

³ InterContinental Hotels & Resorts consider 85% as the minimum threshold in each category of the satisfaction survey

high and the staff who works in these properties are most of the time very proud to be part of the company. This is a great strength.” (Manager, InterContinental Carlton Cannes)

Nonetheless, they also recognize that there is room for improvement regarding the **consistency of service delivery**, acknowledging many discrepancies in service levels between the different

InterContinental Hotels:

“Unfortunately, this is a weakness for InterContinental. Many properties worldwide and a real lack of homogeneity, consistency, which makes it difficult to really position the brand in the top luxury level... Some hotels are more historical, with a real soul and history and staff really attached to their hotels and some others are more corporate hotels, convenient for meetings or incentives but the product and the service (even if they are very good) do not especially reflect the real soul of the place.” (Manager, InterContinental Paris Le Grand Hotel)

InterContinental Lisbon employees also believe that **service in the hotel lacks consistency**, some days being personalized and attentive while others (especially when levels of occupancy are high) less engaging and lacking personal connection with the guest:

“You can observe a check in today and witness what true InterContinental service is all about, but the exact same person, in a different day when 20 people are queuing to check in, perform a welcoming experience that is not at all a reflection of luxury. We really lack consistency in service delivery and this is something we need to work on.” (Staff, InterContinental Lisbon).

Moreover, a few staff members mentioned that the **ratio between the number of employees and the number of guests in-house is sometimes below the standard for a luxury hotel**, which contributes for the above-mentioned lack of consistency. As such, staff members are often unable to deliver an attentive and customized service to each guest:

“Sometimes it seems you are making lemonade without lemons. The ratios we have are not always enough. We are playing in a different league now and the service we are expected to deliver is not always possible if you are full and only have a certain amount of people in your team.” (Staff, InterContinental Lisbon).

“People want to go the extra mile and treat each client as if he’s the only one, but how is this possible when you have 20 or 30 guests in line and no one else to cater to them?” (Staff, InterContinental Lisbon).

Some employees also mentioned that Club room and suite guests should have **additional customized service**, namely by having floor managers or butler service that could assist these guests in private check in and check out and additional tailored guest relation service throughout their stay. **Problem handling** was also identified as an area in need of improvement (and

highlighted in the customer satisfaction survey - Figure 4), specifically regarding problem identification and taking immediate action to solve and recover guest satisfaction.

Overall, whether regarding the physical infrastructures, the service or the hotel's positioning in the MICE business, the experience delivered at the InterContinental Lisbon seems to **currently not meet guest's expectations for the brand.**

Figure 5 - Heartbeat Survey Results regarding Guest Loyalty and Behavior at InterContinental Lisbon, 2016 (n = 1190)



Figure 5 illustrates the main metrics used to analyze the guest general experience at InterContinental Lisbon and how it matches their expectations. As the survey suggests, almost all metrics fall below the threshold³, especially the ones related to the **price over quality ratio and delivery of brand expectations**, indicating that InterContinental Lisbon, while offering a good result in overall experience, fails to deliver an experience according to the expectations of an InterContinental guest.

To conclude, we perceive that InterContinental Lisbon faces some challenges in three main areas in order to elevate its status to the luxury experience expected from InterContinental Hotels & Resorts. 1) In terms of positioning, the hotel is **too focused on the business segment**, what jeopardizes its luxury image for the individual traveler. 2) Regarding infrastructures, InterContinental Lisbon **lacks leisure facilities** to cater to the tastes of the luxury traveler, namely a spa or rooftop bar. Additionally, its **Club InterContinental Lounge seems to need a change in location** within the hotel to a more exclusive setting. 3) Lastly, service appears to

need improvement in terms of **consistency and problem handling**, ensuring sufficient number of staff elements to dedicate full attention to all guests and additional services available for the higher room category guests.

3. RECOMMENDATIONS TO INTERCONTINENTAL LISBON

i. RECOMMENDATIONS REGARDING IMAGE AND CURRENT POSITIONING

In order to accomplish its luxury aspirations, InterContinental Lisbon should start with a strategy shift in order to accommodate the demands of the affluent travelers. InterContinental Lisbon is recommended to **reduce its revenue targets coming from the MICE business**, shifting the strategy **from volume to Average Daily Rate (ADR)** to achieve its revenue goals. Additionally, the **maximum size of groups should also be limited**, as the physical infrastructures of the hotel do not allow a real separation between groups and individuals and, as such, when welcoming a larger event, the individual clients are inevitably disturbed by the amount of business guests.

ii. RECOMMENDATIONS REGARDING FACILITIES

Considering the hotel's physical infrastructures and taking the current context where InterContinental Lisbon is still investing in renovations and may continue to do so, **leisure facilities should be placed as a priority investment**. One possibility would be the **conversion of the -1 floor**, currently including four meeting rooms that have not been refurbished yet (and that, lacking natural daylight, are not the preferred for meeting guests) **into a spa area**. This would reposition the hotel within the luxury segment and offer a relevant added value. Should this suggestion not be possible, InterContinental Lisbon could consider the possibility of **reconverting one of the rooms into a treatment space**, offering at least an area for selected massages and wellness treatments inside the hotel. Additionally, a VIP Lounge should have an exclusive location, without high visibility and allowing guests to enjoy the views over the city. One possibility to accomplish this goal would be the **conversion of some corner rooms in a**

high floor into a panoramic Club Lounge. This would not only enable the guests to enjoy the magnificent views over the city but, more importantly, grant a sense of prestige from being in a more secluded setting, meeting the expectations of luxury consumers who want to be part of a “club” (Kapferer and Bastien, 2012). It is also recommended that InterContinental Lisbon reconsiders the project of **building a rooftop bar** in its top floor (where currently there are two suites available for internal use). Exterior areas are becoming more in demand, as Lisbon establishes itself as a trendy touristic destination. Moreover, having a rooftop terrace would constitute an attraction point for locals, which would convey a sense of authenticity to the hotel, one of the expectations increasingly sought after by luxury travelers (Deloitte, 2017).

iii. RECOMMENDATIONS REGARDING SERVICE

As expectations for an individual experience continue to increase and luxury guests expect their own individuality to be acknowledged (Amadeus, 2016), the level of service takes the spotlight as a key distinctive point. In view of this, **InterContinental Lisbon should set a very high focus on staff training and development**, in order to ensure the InterContinental standards are applied and that staff members have the tools needed to deliver the highest levels of service. It is recommended that InterContinental Lisbon establishes a thorough training program, starting with managers and team leaders who should attend personal **Brand-standard trainings** (namely in problem handling, loyalty or customer care, naming a few). On a second stage, **at least one champion per each training developed should be appointed** in order to transmit to the remaining team members the learnings from the trainings, being responsible for the monitoring of the service behaviors and creation of new moments of education in that specific area if needed. It would also be recommended to create more **opportunities for cross trainings in other InterContinental Hotels**, namely by identifying which properties excel in the specific area each employee needs to develop. This would not only motivate the employees to develop and grow, but also give an opportunity to witness firsthand the delivery of the InterContinental

service levels, generating ideas and procedures that could be implemented in InterContinental Lisbon. Notwithstanding, training the current staff does not replace the need to **recruit additional employees in order to have the appropriate amount of human resources** to ensure the delivery of luxury standards. It is important to recruit the appropriate amount of people with relevant training and experience to ensure InterContinental Lisbon lives up to the corporate brand's expectations. Moreover, InterContinental Lisbon should **upgrade the service offering**, namely by creating a **Floor Manager service** exclusively for Club floors and suites, providing a 24 hour point of contact that could respond to the guests' needs: private check in and check out, arranging for external services (such as transportation or ticket booking), overseeing services within the hotel (dietary or health restrictions, for instance). Linking to the aforementioned, the Concierge also plays a key role in the delivery of the luxury experience. While, as we may perceive from Figure 4, **Concierge** services are among the highest rated, there is still opportunity for further development in **becoming more proactive channels towards exclusive activities**. "Hoteliers should reimagine the hotel experience to include strategic partnerships with retailers, restaurants, and local events and activities" (Deloitte, 2017). InterContinental Lisbon Concierge team should more **proactively establish partnerships with local suppliers** for customized experiences for the hotel's guests. These partnerships should go beyond the regular touristic attractions or restaurants available in the city, but offer the possibility to open doors otherwise not available for the public in general⁴. Additionally, according to Virtuoso (2017), family bookings are also growing in the luxury segment, leading to the need of catering to the specification of these guests. It is, hence, recommended that **InterContinental Lisbon develops services dedicated to family groups**,

⁴ An example of such service is the establishment of Fashion Concierges, a growing trend in luxury hospitality (Euromonitor, 2016), creating a closer connection with the city's luxury retailers and facilitating services such as fashion adviser, billing to the hotel service or in-room delivery. This service can be relevant considering the increasing importance of the Chinese market for InterContinental Lisbon – 10th nationality in terms of revenue in 2016 according to company confidential data (2017).

namely by creating customized accommodation packages including special rates for family rooms (including tailored elements such as children's books or toys), family entertainment activities and possibility to organize on the moment additional services such as baby sitting.

All the aforementioned recommendations should change the current perception of InterContinental Lisbon as a business hotel, **matching the hotel's image to the InterContinental corporate brand identity and delivering a luxurious service**, able to cater to guests seeking an exclusive experience, in an internationally recognized brand.

4. RECOMMENDATIONS TO OTHER FIVE STAR HOTELS IN LISBON

As consumers become more affluent and knowledgeable of the global luxury offering, it is more and more important for brands to be able to deliver relevant and tailored experiences, which becomes a key distinctive factor of their luxury offer (Amadeus, 2016). As experiential luxury is concerned, "as consumers become accustomed to luxury and its attributes such as flamboyant designs or flashy, unmistakable labels, travel, food and other none material luxuries become important." (Wittig et al., 2014, p.157).

One of the goals with this Work Project was the development of a few recommendations that other five star hotels in Lisbon in the same situation as the InterContinental could apply in order to increase their luxury status. While this is not an easy task, since all hotels have different realities and goals, it is noteworthy that most hotels presented in Table 1 and not considered luxury according to our analysis are, like the InterContinental Lisbon, large properties with a high percentage of MICE business. As such, we can immediately draw a similarity and suggest **a limitation in this segment's weight if a hotel is truly committed to position itself in the luxury segment**. Luxury guests look for exclusivity, something not easily achieved in city properties where the spaces are limited and, as such, the presence of groups highly impacts the overall guest experience.

Moreover, luxury properties are always exposed to **higher scrutiny in terms of physical facilities**. While not easy, luxury hotels always need **to be up to date in terms of their infrastructures** and facilities offered to guests. These hotels need to have regular investment in maintenance and refurbishment in order to keep up with new hotel openings that offer the most up-to-date facilities. When applicable, **heavier works should be conducted** to create spaces that are relevant to the service offering, namely wellness centers, executive lounges or external areas.

Lastly, **staff training and recruiting should be a core priority** in luxury hotels, as the human component is essential to deliver a luxury service. In the case of independent hotels or national chains, where international standards are not available, it is essential to **define clear guest service standards** that are communicated to the teams through frequent trainings. The application of these behaviors should be monitored by the team leaders and mentoring should be applied when needed. Sufficient human resources should be in place to transmit the luxury offering in a tailored way, allowing personal interaction without jeopardizing the experience of other guests. Staff should also be constantly encouraged to do the extra mile to surprise guests and provide an authentic but also exclusive experience, one that is able to make each guest feel unique and part of an elite club. “This is why offering luxury customers a relevant, personal and exclusive experience will become even more crucial than it is today – it will be a differentiating factor between old and new luxury” (Amadeus, 2016).

5. LIMITATIONS

The main limitations experienced throughout the course of this Work Project are mostly related to the field in analysis.

Firstly, as previously mentioned, the concept of luxury is not universally established in literature or in reality, which becomes even more problematic in the case of luxury experiences, where the object of study is not tangible. As such, **defining what constitutes or not a luxury**

hotel was not a straightforward process. Even so, we conducted our own analysis of the five star hotels in Lisbon, trying to connect it as much as possible with the definitions available in literature.

Additionally, it was not possible to **conduct in-depth interviews of guests of InterContinental Lisbon**, in order to have a more thorough understanding of their perspective. Nonetheless, we tried to mitigate this hindrance through qualitative in-depth interviews to InterContinental employees, who are aware of specific situations and receive themselves personal comments from hotel guests.

Lastly, while the Lisbon Tourism Office conducts many interviews to understand the profile, motivations and perceptions of the tourist in Lisbon, **no study specifically directed towards the luxury tourist was ever performed**, what prevents us from having a notion of the real potential of this Work Project. We would thus like to leave the suggestion to the Tourism Office to conduct an analysis specifically directed to this segment, whose understanding could result on targeted actions aiming to increase the attractiveness of Lisbon as a Luxury Tourism destination.

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