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Pricing Strategy for *Pestana Collection* and *Pestana CR7* in Madrid

Individual Part B - *Pestana Collection*

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1. Pestana Collection Hotels

1.1 Pestana Collection Brand Concept

Pestana Collection is a brand that currently owns four luxury hotels (*Pestana Palácio do Freixo, Pestana Palace, Pestana Vintage Porto and Pestana Cidadela Cascais*). Pestana Vintage Porto – the first *Pestana Collection* hotel – opened in 2005 in Porto, inaugurating this brand. All of them aim to provide guests with a unique experience with a classic luxury and contemporary comfort, being upper upscale Hotels, which corresponds to the international 5* standards. Some of these units, Pestana Palácio do Freixo and Pestana Palace, are part of the *Leading Hotels of the World*, a very prestigious luxury hospitality organization that represents more than 375 of the most premium hotels, resorts and SPAs, (*Appendix 1B*). In *Appendix 2B*, there is some additional information about each of these four units in order to understand a little bit more about this brand. *Pestana Collection* has high standards in what concerns to the accommodations, service, cuisine, facilities and employees behaviour, who provide a ceremonial service using a formal outfit (*Appendix 3B*) surprising its customers all the time. According to a Pestana's source, the customers' information search starts in the car, from the airport to the Hotel or through surveys in order to build a deep description about their profile. As a result, after customers' arrival to the hotel, they will face a personalized service even if it is their first time at Pestana Collection. The brand team can surprise its customers by including their name on the robes or even a simple free story telling about the building where the hotel is located in. All these set of characteristics make customers feel beloved, special and like they were at home.

Brand Identity

This brand is based on a **Luxury** concept. Pestana Collection aims to deliver a personalized and premium service to its customers to make them feel special and unique. Actually, Pestana

wants to become “your experience with us to be truly memorable... Having “the time of your life” (*Pestana Collection Website, 2017*).

Mission & Values

After talking about the concept of this brand, it is important to say what the mission and the vision of Pestana Collection are. It is intended as a brand that provides a “Collection service with Portuguese flair, savoury Food and Beverage experiences, original and true heritage feelings in emblematic landmarks” (*Pestana Collection Website, 2017*). When all of these characteristics are aligned with each other, this brand can comply with its mission: provide its guests “*The Luxury of the time*”. Pestana Collection, along with the other brands, share the same values- supporting team member excellence and “continually provide refined, attentive, quality service” to “exceed the expectations” of all those who choose Pestana to stay, (*Pestana Collection Website, 2017*).

1.2 Pestana Collection Resources and Capabilities Analysis

The identification of *Pestana Collection's* resources and capabilities was based on an exclusive analysis of the four existence Collection hotels, since the Group doesn't have a booklet with the Collection's characteristics. This analysis consisted on an accumulation and further evaluation of these organisational characteristics described in the *Appendix 4B*. After recognising these set of characteristics, an analysis of the framework VRIO was led – Value, Rarity, Inimitable and Organizational embedded. “The DC (Dynamic Capabilities) view explores how the firms' resources and capabilities evolve over time and provides a better understanding of how competitive advantage is achieved and maintained” (*Ambrosini and Bowman, 2009*). The Resources of *Pestana Collection Brand* are the following:
-Exclusive Service: Pestana Collection provides a luxurious and a personalized service to its customers making them feel special and unique (*Appendix 3B*). Pestana Collection also tries

to get as much information as possible about its customers in order to surprise them and make a long-term relationship. This whole set of characteristics makes customers feel beloved, special and like they were at home.

Privileged location: Location is one of Pestana Collection's main assets since all hotel units from this brand are near the city's most famous monuments with good and easy transportation accesses. Another important aspect about Pestana collection location is that all Hotels take place in historic buildings with an historical overview, as it is already mentioned on each Collection Hotels' description (*Appendix 2B*).

Business and events' rooms: Besides the rooms, all Pestana Collection Hotels also have some business and events' rooms. Several companies book these business rooms to conferences or business meetings. This brand also prepares weddings and baptisms (*Appendix 5B*).

In-rooms and facilities' experience: Pestana Collection provides its customers with luxurious rooms and facilities, to make them feel special and relaxed all the time (*Appendix 6B*).

Well-respected Chefs: Pestana group is investing and trying to make a difference in what concerns to the ***F&B experience***. They've started having specialized restaurants led by well-respected Chefs as well as some individual experiences (*Appendix 7B*).

The reputation of Pestana collection: Since the first hotel opening in 2005, Pestana Collection has been building a strong relation with its customers, trying to make them enjoy their stay as much as possible, in order to create a distinctive place inside consumers' mind. Pestana Palace Collection, for example, shows some celebrities' testimonials, to promote this reputation. A good example is Madonna, who says – “Pestana Palace is my home in Lisbon” . As proof of recognition of the good performance of this brand, some *Collection* hotels have received many awards, being one of the Leading Hotels of the World- Pestana Palace and Pestana Palácio do Freixo (*Appendix 1B*).

-Amenities: Pestana Collection provides its customers with amenities in order to cosset its customers while they are at a Collection unit.

-Strong presence on online social media: Actually, Pestana Collection connects with its customers via social media platforms before, during and after their stay. Recently, Pestana created a Facebook page to improve this connection. Obviously, “keep in touch” with its guests is very important to increase the value and the awareness of the brand.

-Activities and Play spaces: Pestana Collection Hotels tries to satisfy the family as a whole, creating activities not only for the Adults but also for their children. In special occasions of the year, like Easter, the brand promises a funny program - Egg hunt tradition – for the kids and their parents and providing a free stay to the children. During Spring and Summer, Pestana also invites its customers to participate into a *Chic-nic*, (*Appendix 8B*), where the clients can choose between *Casa do Lago* or another private lawns of the Marquês de Valle Flor gardens to attend this event. It has a DJ and specialized food and beverages, to stimulate the interaction between the families and the brand.

-Collection events: Pestana Collection prepares some special events like *Local & slow food* experience, *Local Wine Experience*, *Modern Food Events* and *Flair Bartending & Mixologist* in order to attract its customers and to stimulate its proximity with the brand (*Appendix 9B*). After this exhaustive analysis of Pestana Collection resources and capabilities, it could be concluded that among these several identified resources, only **three** of them bring **sustained competitive advantage** to the brand- the resources that will bring earnings to the brand in the future. These three resources are: The *Privileged location*; *Exclusive Service* and last but not the least *the reputation of Pestana collection*. On the other hand, there are other resources that were classified as conferring Temporary competitive advantage and Competitive parity to the brand since they aren't too difficult to be copied or they aren't considered as rare resources, respectively. Well-known chefs are an example of this type of resources, which is likely to

appeal competitors due to its current success. These three VRIO mentioned resources are considered as being the ones responsible for the differentiation of this brand and at the same time for its liquidity, allowing the brand to deal with its sudden costs.

2. Pestana Collection Consumer Profile

A consumer profile consists in a detailed description about the type of a customer a company is selling to. This description helps the company to understand exactly what its customers' needs and wants are. To better understand the consumer profile of Pestana Collection, three different tourist market segmentation criteria were used. Firstly, in what concerns *Socio-demographic criteria*, there isn't a specific age to be considered a Pestana Collection's client. Pestana Collection not only has clients who are in the beginning of their lives as a couple but also retired couples who choose the brand Collection to stay. Last year, the majority of the customers were Couples (54%), Families (24,1%) and, in a smaller percentage, Business (10,1%). As these *Collection Hotels* are characterized by providing a luxurious service, they are associated to relatively high prices, the reason why the client's salary is what defines better this type of customers. On average, Pestana Collection's customers are characterized by having a medium high salary. Secondly, according to *psychographic criteria*, *Pestana Collection's* customers value to be treated as unique and special; they like to enjoy the lust of a place avoiding noisy and messy spaces. Thirdly, regarding the *behavioural criteria* more and more the clients are used to use the Internet to book their holidays, and Pestana Collection's aren't an exception. On average, 60% of leisure clients and 41% of the business ones prefer to make their reservations through online platforms (*Amadeus, 2017*) - Since it was not provided any information about this topic about Pestana Collection's customers. *Booking window:* It is similar to the lead time; it is the period of time between the reservations made by the customers and the arrival date to the hotel. According to *Appendix*

IOB, the average booking window in 2016 was 44 days, meaning that, on average, the customers booked 44 days before their arrival at Pestana Collection. In 2017, this number increased to 48, showing that the customers are more willing to plan their trip ahead of time in order to not lose the opportunity of stay in this brand. However, booking windows are affected by lots of factors, they vary by season and by time of the year, for example.

Average length of stay: Last but not the least, the Average length of stay is related to the amount of days guests stay at the hotel during a particular period. Regarding Pestana Collection, customers stay on average between two to three days (*Appendix 11B*). In July and August, the months in which the clients stay a little more, the average length of stay (ALOS) was 2,7 and 2,9 days respectively, in 2017. This means that clients stayed approximately three days. These values are very similar to the ones registered in 2016. In the *Appendix 12B*, it can be observed the top ranking nationalities of the guests (including the domestic and international tourists) and their respective Room Revenue, ARR (Average Room Rate), ALOS and Booking Window. The domestic customers, the Portuguese ones, have a lower Booking window and ALOS compared to the majority to the international guests. At the same time, the countries with a greater ALOS are Brazil and Germany while Brazil and Switzerland are the ones with a higher Booking Window.

3. Pestana Collection Madrid Hotel

Why was Pestana Collection placed in Madrid, specifically Plaza Mayor?

In 2017, Pestana Group announced its expansion to two European Capitals: Amsterdam and Madrid, starting the internationalization and the portfolio growth of this Collection Brand. According to Mr. José Roquette, Pestana Hotel Group Chief Development Officer, this event marks “A historic step in the Pestana Hotel Group, which shows the strengthening of our presence in the main European capitals and the commitment to the expansion of the Pestana

Collection Hotels brand, a premium brand of the Group, across borders” (*Jornal Económico, 2017*). Madrid is a majestic European capital with historical and high-valued buildings that seem to fit very well in the Collection Hotels characteristics. In 2015, the group won a public tender to refurbish a historical building – Casa de la Carnicería (*Appendix 13B*) – in Plaza Mayor. The building from the 17th Century was used to supply meat to several butchers’ in Madrid. With more than 400 years old, it is a building characterized by a strong cultural status. Plaza Mayor, where this building can be found, is associated to many historical events, being the heart of Madrid’s historical district near Puerta del Sol, a very famous plaza, and Plaza de la Villa. Residential buildings with only three floors and nine entranceways surround the plaza and Casa de la Carnicería is one out of these nine most known entranceways. Behind these entrances, there are some traditional stores, diversified restaurants, San Miguel Market, bars, concerts, city tours related with several touristic points, and many painters doing their artworks that attract lots of tourists. At Christmas time, there is an event for the whole family, at plaza Mayor, characterized by multi-coloured lights, kiddies’ rides and street performances for kids and bazaars. All these attractions that fit with the *Pestana Collection* consumer profile contributed for Pestana to choose Plaza Mayor as its destiny to place its new unit, in Madrid.

4. Competitive Set of Pestana Collection Madrid

Before defining Pestana Collection Madrid’s pricing strategy based on a price benchmarking, it is crucial to analyse and identify its competitive set first. A competitive set is “defined by STR Global as group of hotels by which a property can compare itself to the group’s aggregate performance.” (*Hospitality Professionals Association, 2013*). Several steps were taken in order to achieve Pestana Collection Madrid’s competitive set.

4.1. Methodology

Step 1: Firstly, due to the lack of information about the future facilities that Pestana Collection Madrid will have, it was assumed that all the hotels of the brand have to minimally follow the same set of characteristics and facilities offered. Pestana Palace in Lisbon was the Collection Hotel that was taken as reference to this analysis, since it is the only Collection Hotel that is located in a capital, such as Pestana Collection Madrid.

As a result, it was assumed that Pestana Collection Madrid's characteristics are going to be similar to Pestana Palace's characteristics. Then, a long list of the luxury hotels in Madrid was collected. After an exhaustive search on some Tourism platforms (like Booking and Trip Advisor), it was concluded that there are currently around 28 five-star hotel units in the capital of Spain (*Appendix 14B*). Finally, this sample was reduced to 20 Hotels, which are the ones that are located less than 3km from Pestana Collection Madrid, in Plaza Mayor (*Appendix 15B*).

Step 2: The following step consisted in analysing all these 20 hotels according to a range of characteristics that, after a search, lead to the conclusion that their existence are crucial to a Collection Hotel (*Appendix 16B*). These Characteristics were divided into three categories: Hotels' facilities, Hotels' characteristics and Hotels' rating based on Customers' opinion on Booking platform *Appendix 17B*. Then, an analysis over each characteristic for each hotel unit was conducted (*Appendix 18B*) and it was clear that only some of these characteristics are considered important to determine the competitive set. Some characteristics (like Wi-Fi reviews, Hotel reviews, Locations reviews, Luxury standards and the number of stars), in spite of being very important to each Hotel's reputation, all the Hotels got a high score on them. Thus, they aren't relevant if the aim is to find the eventual Pestana's competitors. On the contrary, business facilities, swimming pool, SPA, restaurant, distance from Pestana, hotel's age, number of rooms, historical overview and barber/beauty salon are the

characteristics that allowed distinguishing the hotels from each other –their importance is explained on *Appendix 19B*. In order to differentiate these hotels from each other, a numerical scale adapted to each criteria depending on the parameters used to compare the hotels was used (*Appendix 20B*).

Step 3: Thirdly, after defining the criteria, the attribution of a weight according to the importance of each characteristic was needed. So, each hotel has a final score, which is the result of the sum of the multiplications of the rate in each criterion by its respective scale (*Appendix 21B*). The higher the Hotel’s final score is the more similar it will be to Pestana Collection Madrid. Under this analysis, it was possible to define the competitive set of Pestana Collection Madrid. Only 5 hotels out of 20 now compose the Pestana’s competitive set, which are the ones that have the highest overall score (*Appendix 22B*). This methodology was performed in order to achieve the most accurate Hotels that will compete with Pestana Collection Madrid.

4.2. Competitive set

Pestana Collection Madrid’s competitive set is composed by five hotels, which are characterized by having a strong historical overview. Hotel Ritz Madrid, a Palace hotel in Madrid’s “Golden Triangle” of culture; Urso Hotel & SPA, a restored palace from early 20th century; Hotel Santo Mauro Autograph Collection, the former residence of the Duke of Santo Mauro; NH Collection Madrid Palacio de Tepa, a 19th-century palace and Urban Hotel 5* GL, the only one that isn't located in a historical place (Table 1).

Table 1: Pestana Collection Madrid’s competitive set

Hotels	Business facilities	Swimming pool	SPA	Restaurant	Hotel's age	Rooms number	Historical Overview	Barber/ Beauty Salon	Fitness Centre	Total
Hotel Ritz Madrid	1	0	1	1	1	0	1	1	1	0,67
Urso Hotel & SPA	0,5	0	1	1	1	1	1	0	1	0,845
Hotel Santo Mauro, Autograph collection	1	0	0	1	1	0,5	1	0	1	0,67
NH Collection Madrid Palacio de Tepa	1	0	0	1	1	1	1	1	1	0,82
Urban Hotel 5* GL	1	1	0	1	0	1	0	0	1	0,605

An analysis of each competitor was done (*Appendix 23*) in order to understand each Hotel's advantages and disadvantages.

5. Revenue Management Strategy of Pestana Collection Madrid

5.1-What is pricing management? What are the factors that influence it?

Revenue Management (RM) “is the art and science of maximising revenue under variable conditions. It is a management tool that has the objective of increasing sales revenues by manipulating the prices at which fixed products (i.e. hotel rooms and airline seats) are made available for sale in relation to the current and forecasted demand”, (*Hospitality Professionals Association, 2013*). When doing the Revenue Management of a hotel, for example, the **Pricing Management** is crucial - “one of the largest and most critical success factors in an organisation's strategy. Revenue management techniques have a large part to play in establishing the “right” price.” (*Hospitality Professionals Association, 2013*). The goal of pricing is to identify the maximum achievable revenue associated to a product or a service, bearing in mind the customers' willingness to pay. At the same time, this factor is very important to define the Revenue Management and also influenced by several factors comprehended into *Internal and External Factors*.

Internal Factors: 1-Marketing: “A shift in any element has an immediate effect on the other three- Production, Promotion and Distribution” (*Ghose, 2017*) and thus an impact on the price. If there is any change in the room typologies, the price will eventually change. 2-Costs: The costs (fix and variable) and the price are two variables that are quite related. In the hospitality segment, the employees' wage, the cleaning costs are very important to take into account when the price is being set, in order to avoid loses. The charged price may cover the costs; being the cost-based pricing approach focused on this factor, but it ignores the fact that buyers are indifferent to seller's cost.

3-Product differentiation: The price also depends on the uniqueness of the product or the service that is offered. Actually, the differentiated service is associated to a premium price.

4-Objectives of the firm: The price strategy also depends on the firm's objective: maximizing sales revenue, market share, maximizing customer value, among others.

External Factors: 1-Demand: The demand and the price are much related. It is clear that a higher demand is usually associated to a higher price and consequently to a higher hotel's occupation rate (OCC). In order to estimate the OCC for *Pestana Collection Madrid*, the tourism demand 2018 for five-star hotels in Madrid (*Appendix 24B*) was used, which was considered to be a good proxy for the demand that Pestana will face. According to the previous analysis under the *Tourism Demand*, on a monthly basis, the demand increases on weekends and on national/regional holidays, a typical tourism of a European capital (the reason why the ALOS rounds 2 to 3 days, as it was already analysed). As a result, the Hotels' prices are substantially higher on weekends and on holidays. However, the demand also varies depending on the season – High season is associated to a higher price when compared to the low season. 2- Competition: Additionally, when a Hotel is setting up the pricing, it is crucial for a hotel to take in consideration the prices that its *competitive set* is charging. This strategy of pricing is known as *Competition-driven pricing* – a method of pricing in which the seller makes a decision based on the prices of its competitive set. This strategy is used by *Pestana Collection Madrid* to establish the prices that are going to be charged for the first year. In order to achieve a price per night for this Hotel, in Madrid, a benchmarking of the daily prices charged by the already mentioned *Competitive set* for two types of rooms and for two different rates during 2017 was done. 3-Buyers' perception: When a Hotel is determining which price to set, it is important to know how its customers value the service and understand how they perceive the price – if they are more or less price sensitive. Being this the focus of the value-based pricing approach, it is very important to analyse the customers' profile.

Rates Structure

In order to reach the formula of Pestana Collection Madrid's price strategy, two common rates in the Hospitality Industry were used: The lowest rate and the Best Flexible rate – information provided by the Pestana Group. The lowest rate: This rate is associated with the cheapest price (without breakfast or any other meals included) and it isn't refundable. The best flexible rate: This rate is associated with a higher price with free-cancellation. The customers can cancel their stay until a stipulated date by the Hotel without any allied costs. This rate doesn't have neither breakfast nor any other meals included.

On the *Appendix 25B*, one can observe the prices charged by each Hotel (according to its own website and on Booking platform in 18th December 2017) for both type of rooms (Standard double room and Suite) for both rates. After analysing the table, there are two Hotels that don't have the lowest rate (Hotel Urban and Hotel Ritz Madrid), what doesn't happen on their website respectively. In what concerns the charged price per night, it is substantially lower on each Hotel's website than on Booking platform, which makes sense – since when a customer books on Booking platform, the price is distributed between Pestana and Booking, making the price go up. Regarding the rates, there is no rule for its number; however on booking the numbers presented for each Hotel is relatively lower when compared to the website's rates. According to a Pestana Group's source, 30% of the times, customers choose the best flexible rate since 70% of the times they prefer the lowest rate. These percentages were essential to calculate the revenue management.

Room Types

According to a Pestana Group Source, Pestana Collection Madrid will have 89 rooms including suites. In order to define the best price that should be charged, it was assumed that this Hotel will keep the same proportion of room typologies of Pestana Palace Lisboa, which

has 177 rooms, being 17 of them suites. As a result, Pestana Collection Madrid will have 9 Suites and 80 Standard double rooms. These two room types are explained in detail on *Appendix 26B*. The prices of these two typologies will be clearly different. In order to understand this difference, the charged prices per night between a suite and a standard room among the competitive set were compared. After an analysis of these prices, it was concluded that the price of a suite is around 153% higher than the price of a standard room (*Appendix 27B*).

5.2- Benchmarking competitors' price and Revenue Management

This analysis was based on **three assumptions** in order to set the pricing strategy: first the five-star hotel demand and competitive set prices for **2018** were calculated based on historical values from 2017. Secondly, it was used a dynamic pricing system – a system used by many hotels today – where the prices used on this analysis are fixed to the date when the benchmarking was done and won't be constantly adjusted to the daily market demand. Thirdly, it was also assumed that there will be no price differences between the hotel's website and travel agents for all the rates and room types.

Methodology

1st Step: Based on the historical daily prices of 2017 collected for the hotel's competitive set, the **monthly average price for 2018** was estimated by applying the Spanish price inflation forecast for 2018 (1,3%), according to the *OECD data*.

2nd Step: The following step consisted in the computation of the Maximum, the Medium, and Minimum price per month practiced by all the competitors not only for the standard room but also for the Suite (*Appendix 28B and 29B*) for both rates. These three statistics were used in the construction of the scenarios.

3rd step: Thirdly, three scenarios were set with the purpose to achieve the future revenue of the first year using the prices per month estimated above. For each scenario, different pricing

strategies designed for an introductory phase were contemplated, using different OCCs and monthly prices (*Appendix 30B*). As it was said before, the occupation rate is based on the forecasted Madrid's tourist demand for five-star hotel for **2018**, which was computed from the increase in the historical demand of 2017 by expected growth rate for Madrid's hotel industry in 2018 of 3,6% (*PwC, 2017*). Depending on the scenarios, the monthly occupation rate is sometimes higher or lower than the demand. It was assumed that the number of rooms occupied per day is always the same, within each month. The monthly prices used were the medium, maximum or minimum, according to the scenario and the seasonal occupancy variations.

4th Step: Lastly, this data was used to estimate the monthly and yearly revenues for each room typology. Through this methodology, it was possible to achieve the total Pestana Collection Madrid Hotel's revenues for 2018, depending on the scenario.

5.3 Scenarios

Scenario 1

This scenario is the best "picture" the Hotel can face. In the first six months, it is expected that the Hotel doesn't have a higher occupation rate (OCC), once it is still establishing its positioning in the market. For this reason, the charged price will be the medium one. This increase in the Hotel's positioning over time allied with the fact that *Pestana Collection* is a luxury brand that is characterized by providing an exclusive service contributes to widespread the Hotel's popularity, being associated to higher values of its OCC. At a certain point, the occupation rate starts to be greater than the *five-star hotel demand of Madrid* and as a result the Hotel starts to practice the *Premium Price strategy*- a premium price (which corresponds to the maximum price) is charged in order to encourage favourable and exclusive perceptions among its customers based on the price, since there is a tendency to associate higher prices to an exclusive and exceptional quality.

Scenario 2

This scenario is an intermediate one. In the first six months, the Hotel will have a lower occupancy rate due to the fact that the Hotel is still establishing its positioning in the market. After the first six months, the Hotel is expected to face an increase in the OCC that aligns with the average demand for the *Five-star hotel segment of Madrid*. Despite the relative increase in the brand awareness, the hotel cannot practice high prices, since the customers do not associate the *Collection Brand* to an exclusive and exceptional high quality brand still. In order to not lose all the customers to the *competitive set*, the price charged is the medium one.

Scenario 3

The third scenario is the worst “picture” the Hotel can face. During the first eight months, the occupancy rate will have lower values than the average demand for the *Five-star hotel segment of Madrid*, although it suffers an increase over time. These lower levels of occupancy rate can be related to a bad establishment of the Hotel’s positioning. Since the *Collection Brand* doesn’t have any unit out of Portugal, the customers can take more time to perceive the value of this brand. For this reason, the Hotel should use a *Price Penetration Strategy* – which consists in setting a lower price (the minimum one) in order to attract customers and gain market share. In the last four months of the year, the price will be raised (to the medium one) since the customers are probably getting more used the Brand and its value. This strategy can also prevent new competitors from entering into the market if they don’t have a correct perception of this strategy.

6. Pestana Collection P&Ls for the different scenarios

6.1 Revenues and cost structure

After displaying the three scenarios already defined, a *Profit and Loss Statement (P&L)* for each one was accomplished. This statement allows understanding the impact of the revenues,

the rooms’ prices and the occupancy rate on the Gross Operating Profit (GOP), in the first year, 2018 (*Appendix 31B*). *Pestana Collection Madrid’s* revenues and costs were computed under a set of percentages (Table 2), provided by a source of the Pestana Group. For a better understanding of these costs and revenues, an explanation is available on *Appendix 32B*.

Table 2: Revenues and Costs structure as a % of Revenues

Revenues Structure (as a % of total Revenues)	
F&B Revenues	9%
Other revenues	1%
Rooms Revenues	90%
Costs structure (as % of F&B Revenues)	
Consumption of raw materials	30,00%
Costs Structure (as % of Total Revenues)	
Laundry expenses	2%
Cleaning Products expenses	0,48%
Office Materials expenses	0,30%
Amenities	0,75%
Maintenance expenses	7,00%
Workers Insurance expenses	0,52%
Professional Services expenses	0,26%
Card of Credit commission	0,50%
Marketing expenses	1,00%
Losses	15,00%
Agency commissions	5,00%
Other expenses	1,00%
Public Relations	0,00%
Tributes	0,81%
Staff costs	20,00%
Temporary Employment companies expenses	4,00%
Replacement costs	1,00%

6.2. P&Ls analysis

In the P&L of each scenario (*Appendix 31B*), three Hospitality important indicators were calculated: OCC, ADR and RevPAR, which allow understanding the performance of the Hotel for the first year. After this, a comparison was done with these three performance indicators of *Pestana Collection* with the Madrid’s five-star Hotels for each scenario. This analysis allows evaluating if the Hotel is succeeding in establishing its positioning in the market. This benchmark can be seen in table 3.

Table 3: Key Performance indicator for each Scenario. Note: the 2018 market values are the predicted five-star hotels performance indicators on appendix 16A (Group part).

Key Performance Indicators	Scenario 1	Scenario 2	Scenario 3
MPI - Market Penetration Index: OCC Hotel/OCC Market	101%	96%	86%
ARI - Average Rate Index: ADR Hotel/ ADR Market	2,8	2,4	2,3
RGI - Revenue Generation Index: RevPAR Hotel/ RevPAR Market	3,0	2,5	2,2

Before analysing table 3, it is crucial to know that when the value of the index is greater than 1, it means that the Hotel is acting above the market of its segment – five-star hotels.

By analysing Table 3, it is possible to conclude that in what concerns the occupation rate in the second and third scenarios, the level is lower than the market average, which is a consequence of difficulty in establishing its positioning in the market. This can be related to the fact that *Pestana Collection* brand is starting its internationalisation, so it is a brand that isn't very popular outside Portugal. Regarding the ADR and RevPAR Key performance indicators in the three scenarios, *Pestana Collection Madrid* is performing better than the market average. This result can be associated with the fact that *Pestana Collection Madrid* is practicing higher prices than the average five- star hotels, since this Hotel isn't a common five-star hotel, it belongs to a luxury segment. Lastly, it is expected that the GOP, which explains the hotel's operational profitability, is 38% of the 2018 total revenues. This value is a little higher than the expected average GOP for Madrid's Hotels in 2018, which is 35% (*STR Global Report, 2017*) and can be related to the possibility that the Hotel is choosing good pricing strategies in order to attract customers.

7. Conclusions & Recommendations

The opening of a Hotel in Plaza Mayor appears to have many positive aspects. This Hotel has a strong associated resource – The Pestana brand – that is already linked to a well succeed reputation. Regarding the **pricing strategy** that *Pestana Collection* should adopt, it will depend on the scenario. However, one would say that scenario 2 is the one that best fits this

situation. On one hand, Scenario 1 practices the highest prices that couldn't be appropriated for the first year of the Hotel's opening. On the other hand, Scenario 3 won't probably attract the upper upscale segment due to the low prices that are linked to a worst quality service. So the pricing strategy should be in accordance with the scenario 2 on an annual basis (table 4):

	Lowest Rate Price	Flex Rate Price
Standard Double Room	278	328
Suite	431	509

Table 4: Pricing Strategy based on the Scenario 2 on an annual basis.

If *Pestana Collection Madrid* applies this pricing strategy, it is believed that its medium prices will attract customers and at the same time they will perceive its premium and exclusive service. In what concerns to the **competitive set characteristics'** evaluation, it was concluded that *Pestana Collection Madrid* should have a barber and beauty salon, which is linked to a luxury service, and a fitness centre too. These two facilities will increase the time the customers spend at the Hotel and the employees can use it to establish a relationship with them and get to know them better. At the same time, in order to compete with the other five hotels, the Hotel in Madrid should provide business facilities to its customers. According to what has already been mentioned, some of *Pestana Collection's* customers belong to a business segment. So, if Pestana provides business rooms, where the corporate events usually take place, the Hotel would increase the brand awareness among the premium segment at the same time. In order to establish a competitive advantage in relation to this set of competitors, *Pestana Collection Madrid* could have a swimming pool to make the difference, since only *Hotel Urban* has this facility and also a SPA to promote the "luxury of the time" – its mission – which is only provided by two Hotels of its competitive set.

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APPENDIX B

(Individual Part – Filipa Bucho #3328)

Appendix 1B: Two *Pestana Collection* Hotels that belong to the Leading Hotels of the world

Source: Leading Hotels of the world's website

According to the Leading Hotels' website, "To be considered for inclusion, a hotel must be in the luxury category and meet the most exacting standards with respect to accommodations, service, cuisine, employee behaviour and facilities – in short – all aspects affecting guest comfort, convenience and mood. Inspection reports, based on hundreds of separate, stringent criteria, are subsequently filed with the Executive Committee whose members then vote for acceptance or rejection. Only the world's most distinguished properties are admitted to The Leading Hotels of the World, thereby assuring a constant adherence to the organization's exacting standards of high quality."

Figure 1: There are only 8 Portuguese Hotels that belong to *the Leading Hotels of the World*, being 2 of them *Pestana Collection* units.

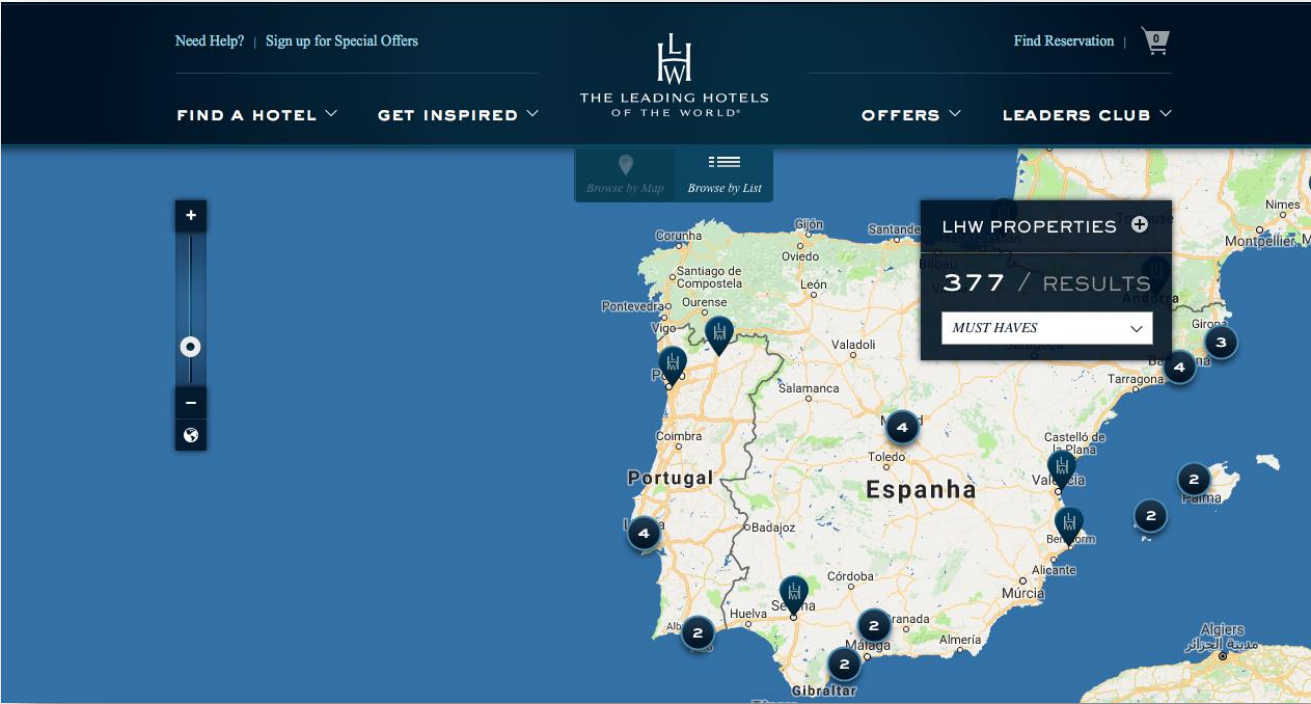


Figure 2: Palacio do Freixo is one out of the two *Pestana Collection* Hotels that belongs to the *Leading Hotels of the World*



Figure 3: Pestana Palace is the other *Pestana Collection* Hotel that belongs to the *Leading Hotels of the World*

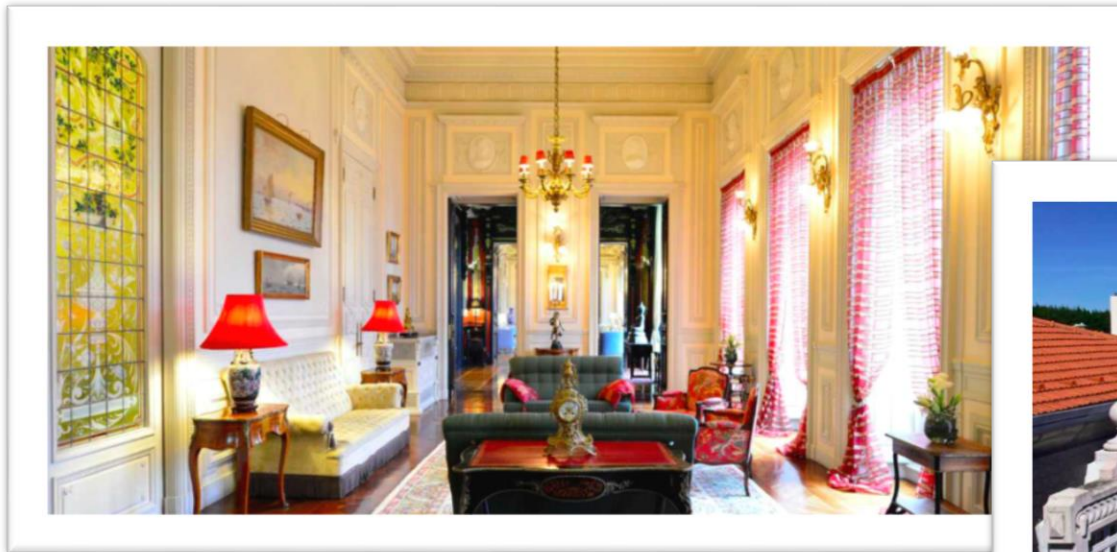


Appendix 2B: Brief description of the four Hotels of Collection Brand

Source: Pestana Group's website

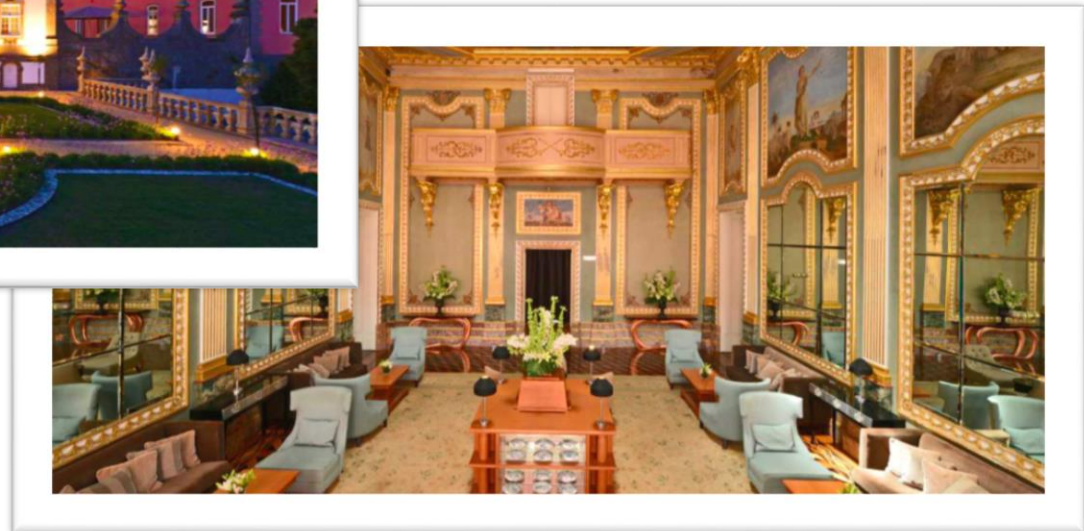
Pestana Palace:

This hotel is located in a restored palace of the 19th century. As it was already said, it is one of the “leading Hotels of the world”, due to the excellent service that provides. Pestana Palace is an upper upscale hotel in Lisbon and it is near to some of the principal monuments of Lisbon- Tower of Belém, Centro Cultural de Belém and Mosteiros dos Jerónimos. There are two swimming pools, a SPA, lush gardens and a sophisticated restaurant, which serves traditional dishes. This is why Pestana Palace is known as the most luxurious side of Lisbon.



Palacio do Freixo:

Palacio do Freixo is located in Douro River, just 3km from the historical centre. This is not the only the reason why this Pestana unit is the best option to start discovering Porto, but also because of its short distance from the transportations services. This hotel is located in a Palace of the 18th century by a famous Italian architect, Nicolau Nasoni. It has a swimming pool and a relaxing SPA. Hotel do Freixo also belongs to the Leading Hotels of the world, once it has a classic luxury and a contemporaneous comfort.



Pestana Vintage Porto:

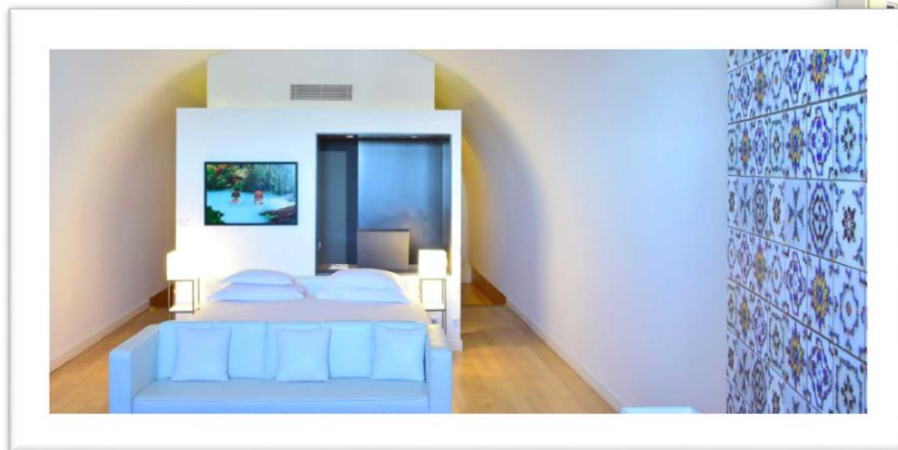
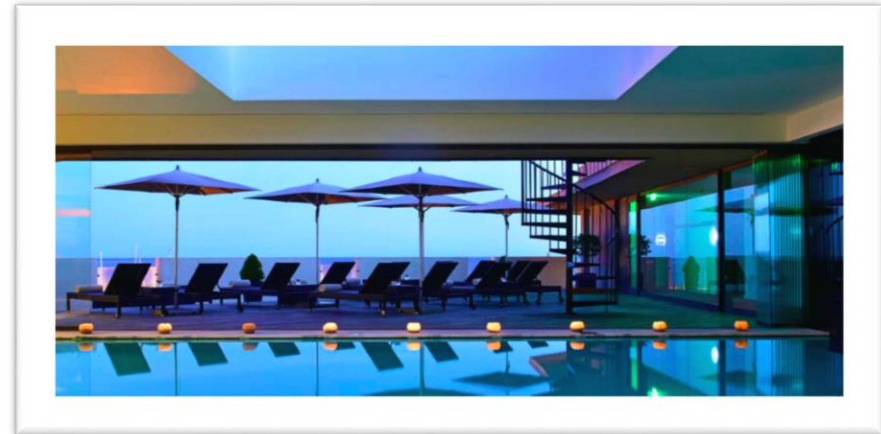
Pestana Vintage is located in the most privileged locals of the city, in Ribeira. This Hotel was built from a set of 18 building considered as a world heritage site by UNESCO. It is characterized by a vintage, romantic, luxurious and contemporaneous atmosphere. Its restaurant, RIB BEEF & WINE, is very appreciated by meet and wine lovers. Some of the rooms of this Hotel have a wonderful view to the Douro River, D. Luís Bridge and caves of Gaia.



Pestana Cidadela Cascais- Pousada & Art Distric:

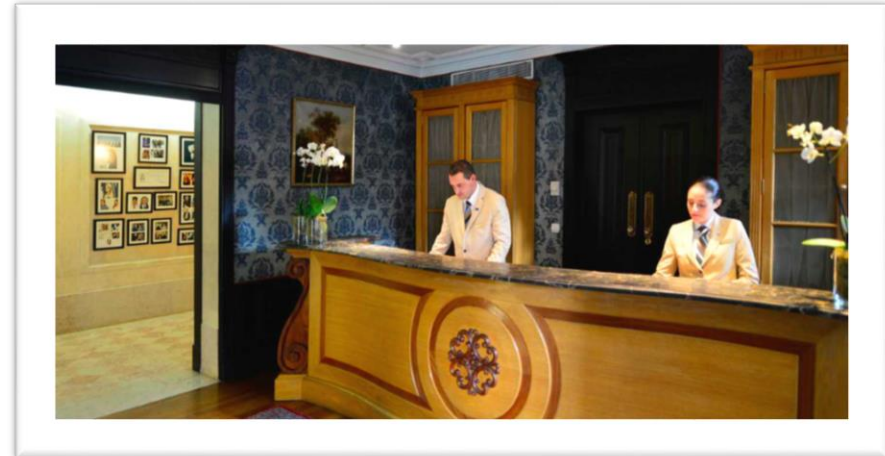
Pestana Cidadela Cascais is an upper upscale Hotel in Cascais and it is one of the first hotels in Portugal that have an Art District inside.

Around this Hotel there are studios, galleries and museums with a breath-taking view to the sea and to Marina of Cascais. It is also 3 minutes from the nearest beach by foot and 5 minutes from the centre of the village, a proof of its privileged location. It has two swimming pools surrounded by Fortaleza gardens.



Appendix 3B: Pestana Collection employees –The employees of *Pestana Collection* use a formal outfit to characterize the service of excellence in order to satisfy its customers and make them feel special.

Source: Pestana Group's website



Appendix 4B: VRIO of the *Pestana Collection* Brand

Source Information provided by Pestana Group

Organizational Resources	Valuable	Rare	Inimitability	Organized	Potential Source of Competitive Advantage
Exclusive Service	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Privileged location	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Business and events' rooms	Yes	Yes	No	-	Temporary Competitive Advantage
In-rooms and facilities' experience	Yes	Yes	No	-	Temporary Competitive Advantage
Well-respected Chefs	Yes	Yes	No	-	Temporary Competitive Advantage
The reputation of <i>Pestana Collection</i>	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Amenities	Yes	No	-	-	Competitive Parity
Strong presence on online social media	Yes	No	-	-	Competitive Parity
Activities and Play spaces	Yes	Yes	No	-	Temporary Competitive Advantage
Collection events	Yes	Yes	No	-	Temporary Competitive Advantage

Appendix 5B: The events and businesses' rooms of some *Pestana Collection* units.

Source: Pestana Group's website.

Figure 1 and 2: Wedding in Pestana Palacio do Freixo and Pestana Palace respectively.

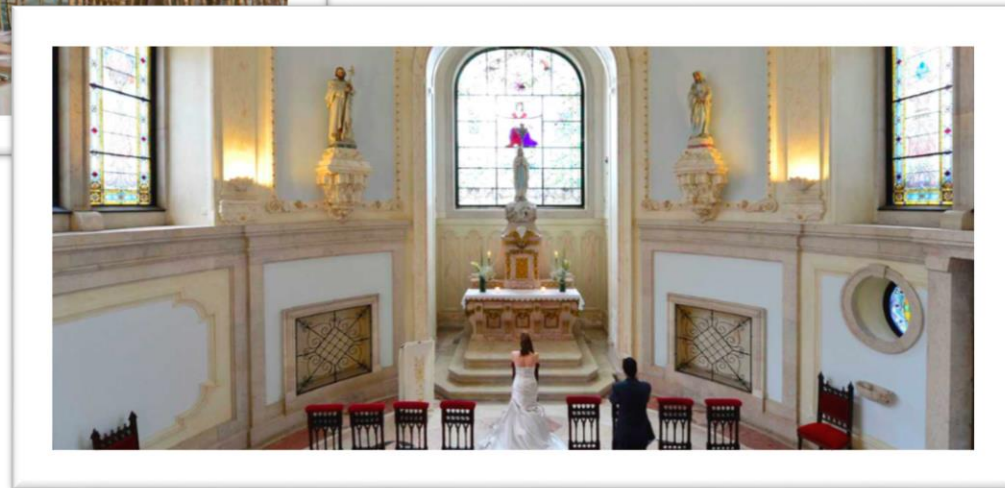
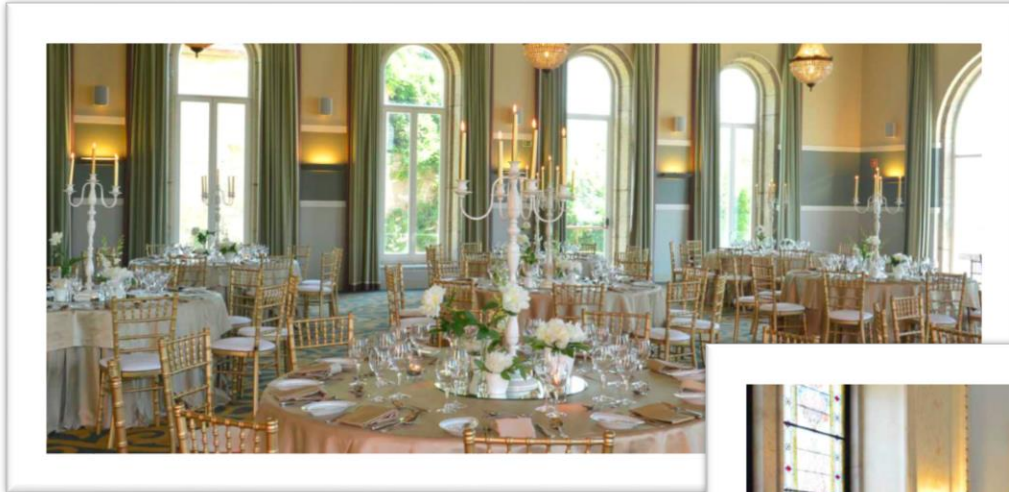


Figure 3 and 4: Business Rooms at Pestana Palace



Appendix 6B: Luxurious rooms and facilities that characterizes *Pestana Collection* Brand

Source: Pestana Group's website.

Figure 1: A luxurious suite from Pestana Palace

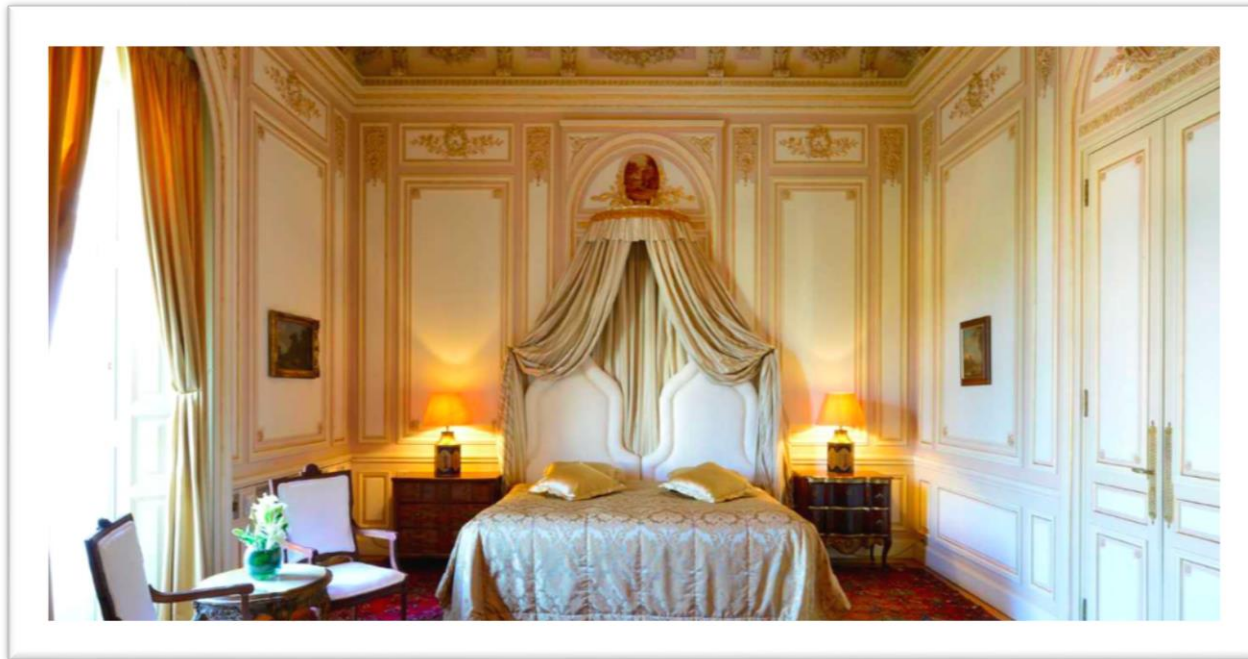
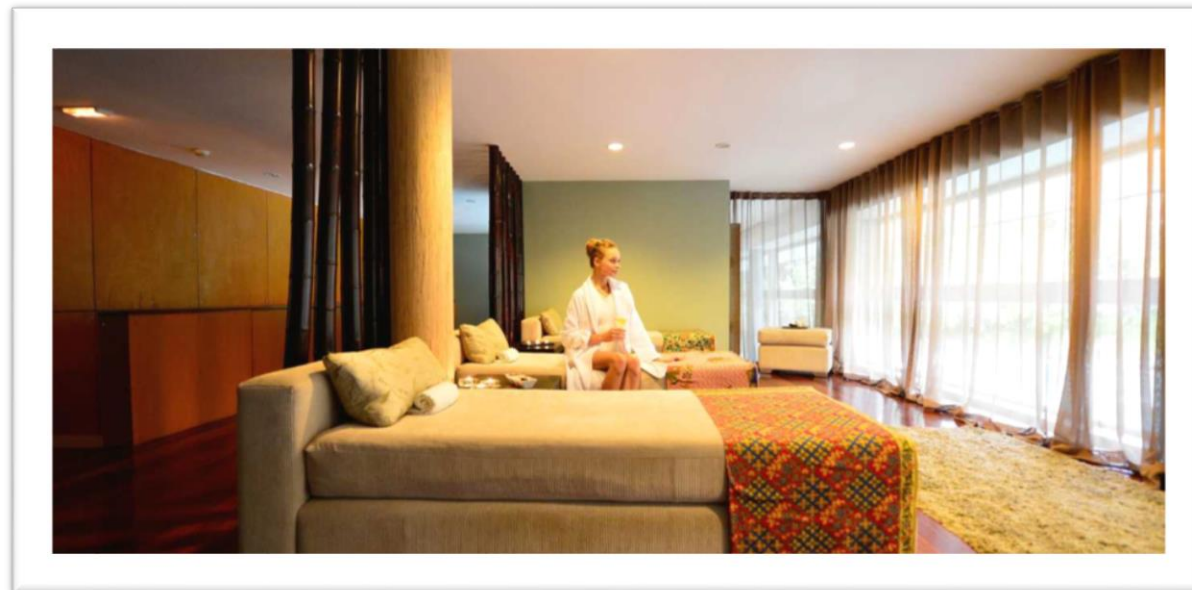
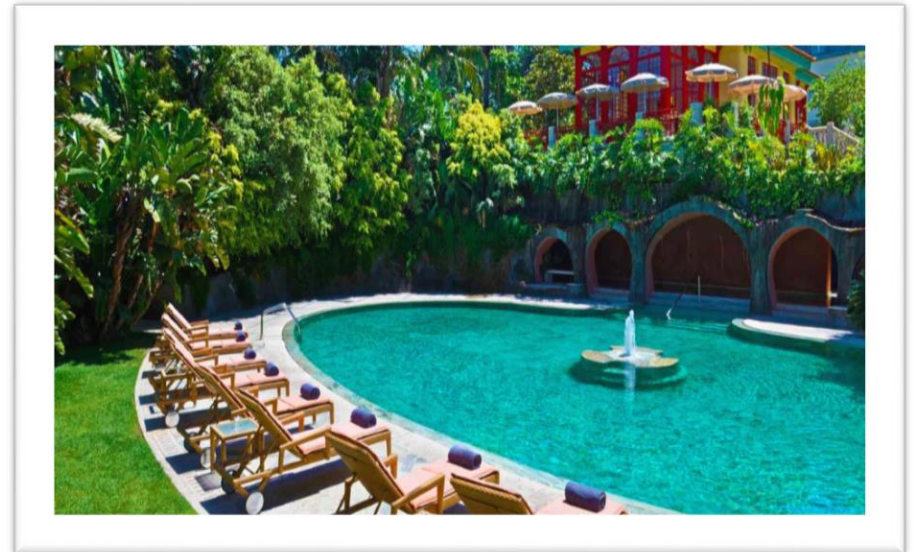
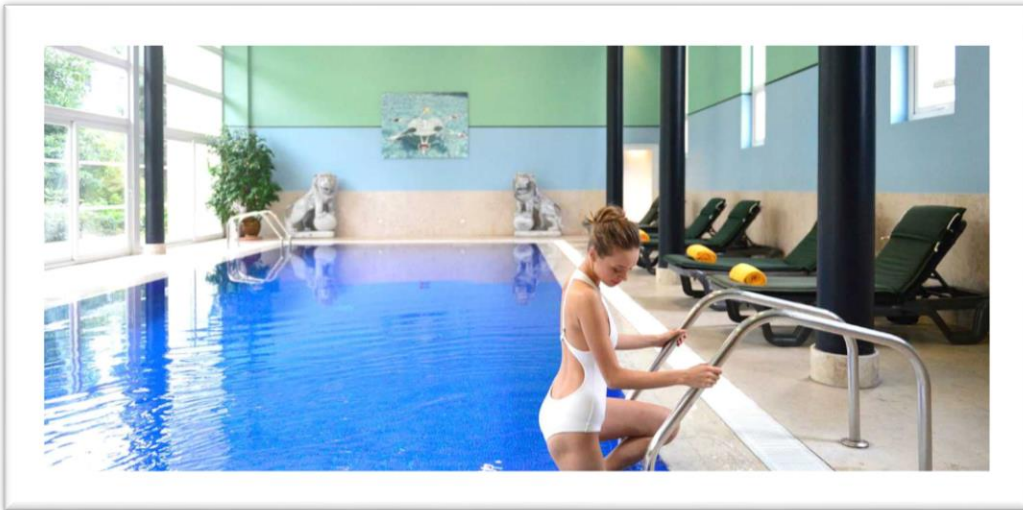


Figure 2: The fascinated exterior and interior Swimming pool and SPA from Pestana Palace



Appendix 7B: Some special dishes prepared by well-respected chefs from *Pestana Collection* Hotels

Source: Pestana Group's website.

Figure 1: A special dish prepared by Palatium, Palacio do Freixo's restaurant.



Figure 2: Another special dish prepared by Pestana Vintage Porto' chef at Beef & Wine Restaurant



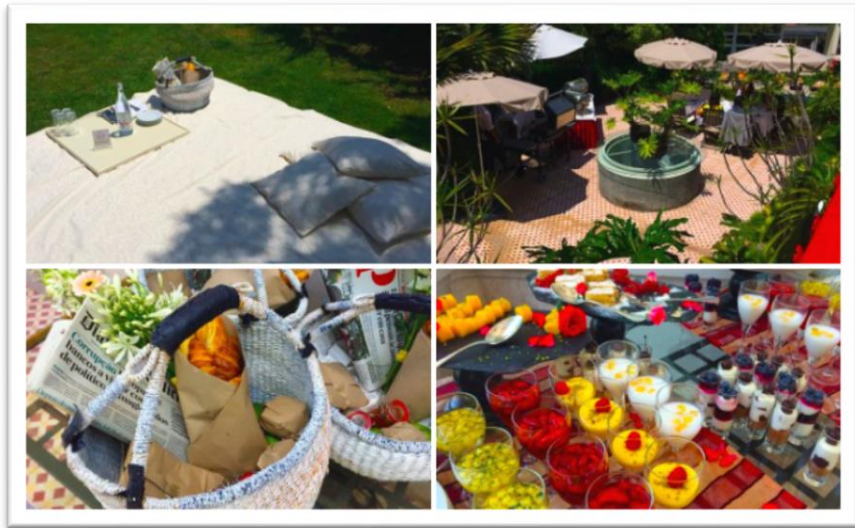
Appendix 8B: Activities and Play spaces organized by *Pestana Collection* brand

Source: Pestana Group's website

Figure 1: Egg-hunting tradition

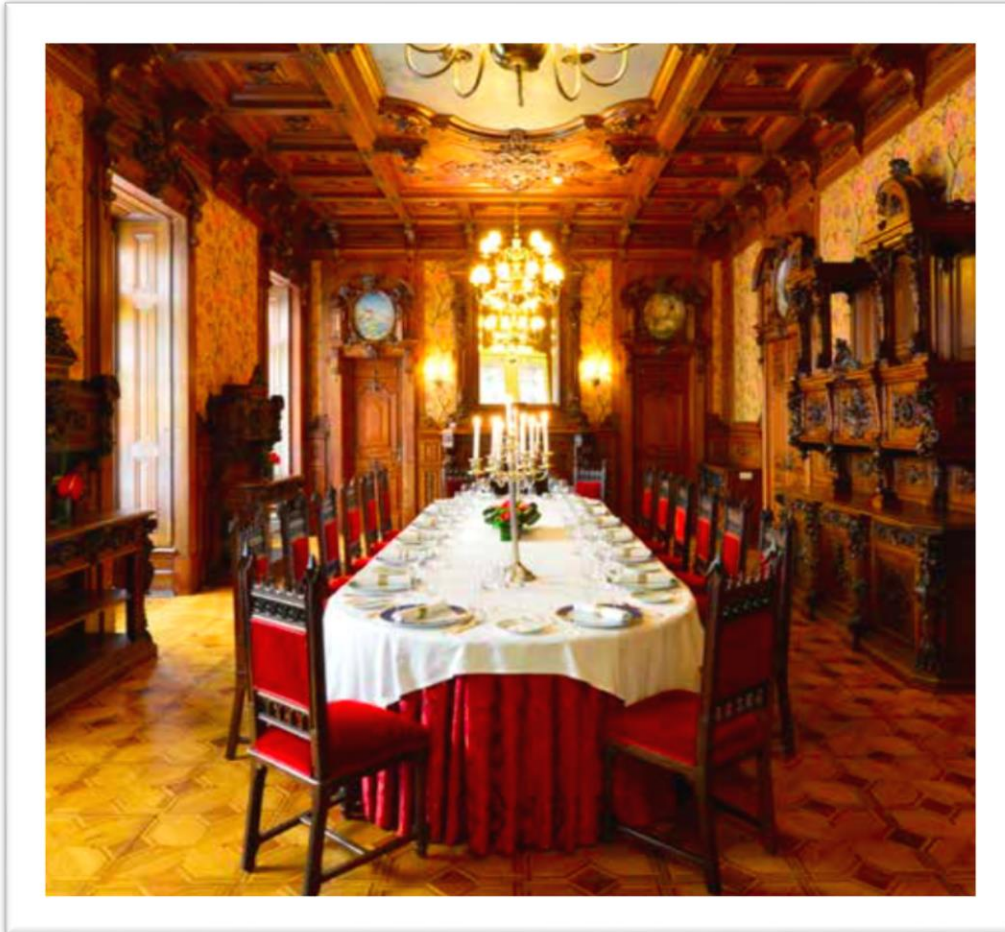


Figure 2: Chic-nic at Pestana Palace Lisboa



Appendix 9B: Events organized by *Pestana Collection* brand (for MICE segment)

Source: Pestana Group's website



Appendix 10B: Average Booking window of Collection brand

Source: Information provided by Pestana Group

Booking Window	Column Labels												2016 average
Row Labels	2016												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Collection	24	22	36	45	57	57	59	48	67	50	24	44	44

2017											2017 average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct		
35	24	29	38	51	61	58	53	73	61	48	

Appendix 11B: Average Length of Stay of Collection brand

Source: Information provided by Pestana Group

LOS	Column Labels												2016 average
	2016												
Row Labels	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Collection	2,3	2,2	2,6	2,4	2,5	2,4	2,8	2,9	2,5	2,5	2,3	2,3	2,5
2017													2017 average
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct			
	2,6	2,2	2,5	2,4	2,3	2,6	2,7	2,9	2,4	2,3			2,5

Appendix 12B: Top Ranking Nationalities that generated more revenues to *Pestana Collection* in 2017

Source: Information provided by Pestana Group

Row Labels	Room Rev	ARR	ALOS	Booking Window
Portugal	3 019 069,5	176,6	1,4	46,5
United States	2 915 215,8	194,2	2,5	60,0
Great Britain	2 329 357,9	176,6	2,6	70,9
France	1 593 760,9	177,0	2,6	41,3
Brazil	1 438 210,4	190,4	2,9	76,1
Germany	1 048 518,8	167,2	2,9	62,3
Spain	1 002 126,4	182,9	2,4	29,0
Switzerland	567 244,6	205,4	2,6	80,4
Belgium	537 672,5	183,6	2,8	72,3
Canada	453 001,2	192,4	2,5	71,4
Grand Total	14 904 178,0	182,5	2,2	57,9

Appendix 13B: Future location of *Pestana Collection* in Madrid – This future *Pestana Collection* unit will be placed in Casa de la Carnicería, in Plaza Mayor, one of the main Plazas of Madrid.

Source: Pestana Group's general Booklet



Appendix 14B: The 28 luxury hotel units found in the capital of Spain using Booking platform

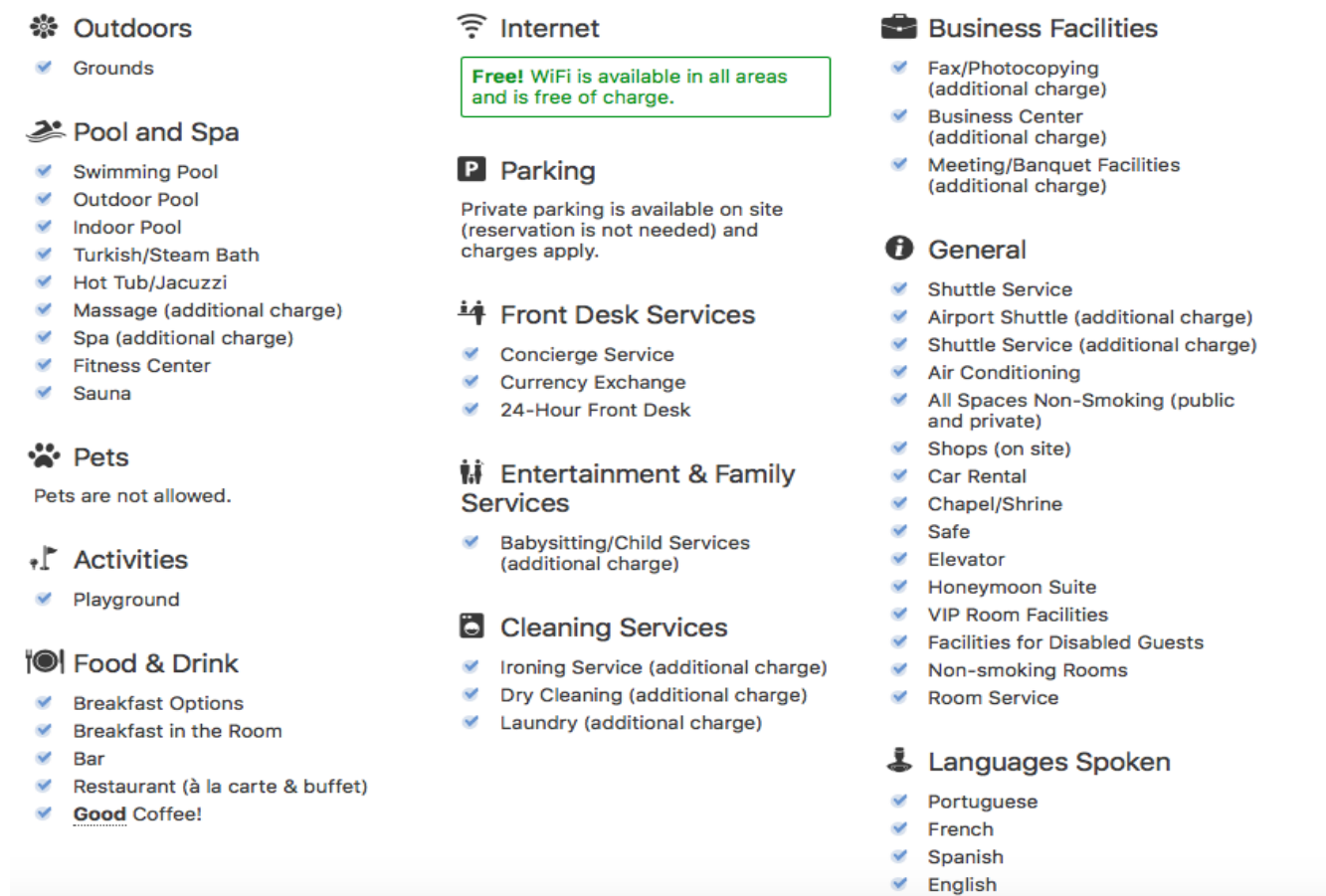
5 stars Hotels in Madrid	Kms from Pestana	
Hotel Villa Magna	2,6	1
Hotel Ritz Madrid	1,3	1
Urso Hotel & SPA	1,7	1
Relais & chateaux Orfila	2	1
Hotel Santo Mauro, Autograph collection	2,2	1
Gran Melia Fenix, the leading hotels	2,2	1
Westin Palace hotel	1	1
Barceló Emperatriz	3,1	0
Hotel Palacio del Retiro	1,8	1
NH Collection Madrid Palacio de Tapa	0,55	1
Urban Hotel 5* GL	0,75	1
The Principal Madrid Hotel	1,1	1
NH Collection Madrid Suecia	1,1	1
NH Collection Madrid Paseo del Prado	1,2	1
Hotel Villa Real	1	1
Barceló Torre de Madrid	1,3	1
Meliá Madrid Princesa	1,6	1
Hotel Único Madrid	2,7	1
Hotel Hospes Puerta de Alcala	1,7	1
Wellington Hotel, Calle de Velázquez	2,3	1
Hilton Madrid Airport	12,7km	0
Hotel Hospes Puerta de Alcala	1,7km	1
Gran Melia Palacio de Los Duques	0,7 km	1
InterContinental Madrid	3 km	0
Wellington Hotel	2,3 km	1
Eurostars Madrid Tower	7,5 km	0
Hesperia Madrid	3,2km	0
Eurostars Suites Mirasierra	9,2km	0
Hotel Miguel Angel by BlueBay	3,0 km	0
Silken Puerta America	4,9 km	0

Appendix 15B: The new list of competitors that are located less than 3km from *Pestana Collection* Madrid

Hotels
Hotel Villa Magna
Hotel Ritz Madrid
Urso Hotel & SPA
Relais & chateaux Orfila
Hotel Santo Mauro, Autograph collection
Gran Melia Fenix, the leading hotels
Westin Palace hotel
Barceló Emperatriz
Hotel Palacio del Retiro
NH Collection Madrid Palacio de Tepa
Urban Hotel 5* GL
The Principal Madrid Hotel
NH Collection Madrid Suecia
NH Collection Madrid Paseo del Prado
Hotel Villa Real
Barceló Torre de Madrid
Meliá Madrid Princesa
Hotel Único Madrid
Hotel Hospes Puerta de Alcala
Wellington Hotel, Calle de Velázquez
Gran Melia Palacio de Los Duques

Appendix 16B: The range of characteristics of Pestana Palace in Lisbon that define the Collection Brand

Source: Booking Website



The image shows a screenshot of the Pestana Palace amenities page on the Booking Website. The page is organized into several columns of categories, each with a list of features. A green box highlights a specific amenity: 'Free! WiFi is available in all areas and is free of charge.'

- Outdoors**
 - ✓ Grounds
- Pool and Spa**
 - ✓ Swimming Pool
 - ✓ Outdoor Pool
 - ✓ Indoor Pool
 - ✓ Turkish/Steam Bath
 - ✓ Hot Tub/Jacuzzi
 - ✓ Massage (additional charge)
 - ✓ Spa (additional charge)
 - ✓ Fitness Center
 - ✓ Sauna
- Pets**

Pets are not allowed.
- Activities**
 - ✓ Playground
- Food & Drink**
 - ✓ Breakfast Options
 - ✓ Breakfast in the Room
 - ✓ Bar
 - ✓ Restaurant (à la carte & buffet)
 - ✓ **Good** Coffee!
- Internet**
 - ✓ **Free! WiFi is available in all areas and is free of charge.**
- Parking**

Private parking is available on site (reservation is not needed) and charges apply.
- Front Desk Services**
 - ✓ Concierge Service
 - ✓ Currency Exchange
 - ✓ 24-Hour Front Desk
- Entertainment & Family Services**
 - ✓ Babysitting/Child Services (additional charge)
- Cleaning Services**
 - ✓ Ironing Service (additional charge)
 - ✓ Dry Cleaning (additional charge)
 - ✓ Laundry (additional charge)
- Business Facilities**
 - ✓ Fax/Photocopying (additional charge)
 - ✓ Business Center (additional charge)
 - ✓ Meeting/Banquet Facilities (additional charge)
- General**
 - ✓ Shuttle Service
 - ✓ Airport Shuttle (additional charge)
 - ✓ Shuttle Service (additional charge)
 - ✓ Air Conditioning
 - ✓ All Spaces Non-Smoking (public and private)
 - ✓ Shops (on site)
 - ✓ Car Rental
 - ✓ Chapel/Shrine
 - ✓ Safe
 - ✓ Elevator
 - ✓ Honeymoon Suite
 - ✓ VIP Room Facilities
 - ✓ Facilities for Disabled Guests
 - ✓ Non-smoking Rooms
 - ✓ Room Service
- Languages Spoken**
 - ✓ Portuguese
 - ✓ French
 - ✓ Spanish
 - ✓ English

Appendix 17B: The description of each characteristic used to evaluate each Hotel and its respective weight.

Collection Characteristics	Description
Hotels' Facilities	
Business facilities	Fax/ photocopying; Business Centre; Meeting/ banquet facilities
Swimming pool	Indoor or outdoor swimming pool
SPA	SPA with wellness centre, Massages, hot tub and Sauna
Restaurant	If the hotel has its own restaurant
Barber/ Beauty Salon	How old is each Hotel?
Fitness Centre	The number of rooms of each Hotel
Baby sitting	If the Hotel is located into a Historical monument
Hotels' Characteristics	
Hotel's age	If the Hotel has a Barber and a Beauty Salon
Rooms number	If the Hotel has a Fitness centre
Historical Overview	Hotel classification in stars
Stars	If the Hotel has luxury standards
Luxury	Reviews made by couples
Rooms square meters	Reviews made by Business clients
Hotel's rating based on Customers' opinion on Booking platform	
Couples reviews	Location reviews made by each Hotel's clients
Business reviews	Hotel reviews made by each Hotel's clients
Location reviews	If the Hotel has a Baby sitting
Hotel reviews	The area, in square meters, of a double or twin room and of a Junior Suite
Wi-Fi Reviews	Wi-Fi reviews made by each Hotel's clients

Appendix 18B: Evaluation of the 20 Hotels in Madrid under Collection’s three categories of characteristics

Hotels	Hotels' Facilities					
	Business facilities	Swimming pool	SPA	Restaurant	Barber/ Beauty Salon	Fitness Centre
Hotel Villa Magna	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel has a barber/ beauty salon	The hotel has Fitness Centre
Hotel Ritz Madrid	Meeting/ banquet facilities	Does not have swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Urso Hotel & SPA	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel does not have Fitness Centre
Relais & chateaux Orfila	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Hotel Santo Mauro, Autograph collection	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Gran Melia Fenix, the leading hotels	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel has a barber/ beauty salon	The hotel has Fitness Centre
Westin Palace hotel	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Hotel Palacio del Retiro	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel does not have any restaurant	The hotel has a barber/ beauty salon	The hotel has Fitness Centre

NH Collection Madrid Palacio de Tepas	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Urban Hotel 5* GL	Fax/photocopying; Business centre; Meeting/banquet facilities	Indoor or outdoor swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
The Principal Madrid Hotel	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel does not have Fitness Centre
NH Collection Madrid Suecia	Nothing	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
NH Collection Madrid Paseo del Prado	Nothing	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Hotel Villa Real	Fax/photocopying; Business centre; Meeting/banquet facilities	Indoor or outdoor swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Barceló Torre de Madrid	Fax/photocopying; Business centre; Meeting/banquet facilities	Indoor or outdoor swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Meliá Madrid Princesa	Fax/photocopying; Business centre; Meeting/banquet facilities	Does not have swimming pool	The Hotel does not have SPA	The hotel has, at least, one restaurant	The hotel has a barber/ beauty salon	The hotel has Fitness Centre
Hotel Único Madrid	Fax/photocopying; Business centre;	Does not have swimming	The Hotel does not have SPA	The hotel has, at least, one restaurant		

	Meeting/banquet facilities	pool				
Hotel Hospes Puerta de Alcala	Meeting/ banquet facilities	Does not have swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Wellington Hotel, Calle de Velázquez	Fax/photocopying; Business centre; Meeting/banquet facilities	Indoor or outdoor swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre
Gran Melia Palacio de Los Duques	Meeting/ banquet facilities	Indoor or outdoor swimming pool	The Hotel has Spa	The hotel has, at least, one restaurant	The hotel does not have any barber/ beauty salon	The hotel has Fitness Centre

Hotels	Hotels' Characteristics				
	Stars	Luxury	Hotel's age	Year of each Hotel's opening	Rooms number
Hotel Villa Magna	5	It is a Leading Hotel	8 Years	2009	150
Hotel Ritz Madrid	5	The hotel has luxury standards	7 Years	2010	165
Urso Hotel & SPA	5	The hotel has luxury standards	3 Years	2014	78
Relais & chateaux Orfila	5	The hotel has luxury standards	11 Years	2006	32
Hotel Santo Mauro, Autograph collection	5	The hotel has luxury standards	7 Years	2010	49
Gran Melia Fenix, the leading hotels	5	It is a Leading Hotel	7 Years	2010	203
Westin Palace hotel	5	The hotel has luxury standards	13 Years	2004	470
Hotel Palacio del Retiro	5	The hotel has luxury standards	7 Years	2010	50
NH Collection Madrid Palacio de Tepa	5	The hotel has luxury standards	7 Years	2010	96
Urban Hotel 5* GL	5	The hotel has luxury standards	13 Years	2004	96
The Principal Madrid Hotel	5	The hotel has luxury standards	8 Years	2009	76
NH Collection Madrid Suecia	5	The hotel has luxury standards	4 Years	2013	123
NH Collection Madrid Paseo del Prado	5	The hotel has luxury standards	9 Years	2008	114
Hotel Villa Real	5	The hotel has luxury standards	16 Years	2001	115
Barceló Torre de Madrid	5	The hotel has luxury standards	1 Year	2016	258

Meliá Madrid Princesa	5	The hotel has luxury standards	12 Years	2005	274
Hotel Único Madrid	5	The hotel has luxury standards	8 Years	2009	44
Hotel Hospes Puerta de Alcala	5	The hotel has luxury standards	8 Years	2009	42
Wellington Hotel, Calle de Velázquez	5	The hotel has luxury standards	11 years	2006	250
Gran Melia Palacio de Los Duques	5	The hotel has luxury standards	12 Years	2005	180

	Hotel's rating based on Customers' opinion on Booking platform		
Hotels	Historical Overview	Hotel reviews	Wi-Fi Reviews
Hotel Villa Magna	No Historical Overview	9,2	8,2
Hotel Ritz Madrid	Historical Overview	9	8,6
Urso Hotel & SPA	Historical Overview	9,3	9,4
Relais & chateaux Orfila	Historical Overview	9,2	8,5
Hotel Santo Mauro, Autograph collection	No Historical Overview	9	8,3
Gran Melia Fenix, the leading hotels	Historical Overview	9	8,3
Westin Palace hotel	No Historical Overview	8,7	8,8
Hotel Palacio del Retiro	Historical Overview	8,7	7,5
NH Collection Madrid Palacio de Tepa	No Historical Overview	8,9	8,8
Urban Hotel 5* GL	No Historical Overview	8,9	9
The Principal Madrid Hotel	No Historical Overview	9	8,8
NH Collection Madrid Suecia	No Historical Overview	8,8	9
NH Collection Madrid Paseo del Prado	No Historical Overview	8,6	8,7
Hotel Villa Real	No Historical Overview	8,8	8,5
Barceló Torre de Madrid	No Historical Overview	9,1	9,3
Meliá Madrid Princesa	Historical Overview	8,5	8,7
Hotel Único Madrid	No Historical Overview	9,1	9,2
Hotel Hospes Puerta de Alcala	Historical Overview	9	8,9
Wellington Hotel, Calle de Velázquez	No Historical Overview	8,8	8,6
Gran Melia Palacio de Los Duques	Historical Overview	9,4	9,1

Appendix 19B: The explanation of each Collection characteristic respective weight

According to the weights given to each characteristic: the categories that have a higher weight are:

-Hotels' age: the more recent a hotel is, the more adapted it is to the preferences and tendencies of a current customer. So a younger hotel will be closer to *Pestana Collection* Madrid.

-Rooms number: The lesser the number of rooms a hotel has, the higher the price a Hotel has to charge per night, assuming always the same type of service luxurious, (*ceteris paribus*). This is because, under the Scale economies principle, the fixed costs will have to be distributed by a lesser number of rooms, so the price charged has to increase. Later, in order to get a price range as accurate as possible - the more the number of rooms of each Hotel is the closer the number of rooms that the Hotel in Madrid will have, the probability of being a competitor is greater.

-Historical Overview of each Hotel: Most times, Hotels like Pestana are associated with its historical component. This feature is something differentiating that motivates many of the clients to go to a hotel of this kind and not any other.

-Business facilities: once the Hotel is also intended to a business target, it is a facility that the business customers consider as crucial when they are finding a place to do a conference, for example.

-Swimming pool; SPA; Barber and beauty salon and Fitness centre: although some Collection Hotels do not have all this facilities, it also contributes to provide a relaxing and pleasant time to the guests; being a plus if the Hotel has this facilities.

Restaurant: having a restaurant of its own with a well-known chef gives the Hotel an immense personality and at the same time the Hotel can take advantage of this moment to get closer to its clients and create a relationship.

Appendix 20B: The numerical scale adapted to each criteria

Collection Characteristics	Scale
Hotels' Facilities	
Business facilities	1- The Hotel has all the facilities; 0,5- The Hotel only has meeting/ banquet facilities; 0-The Hotel does not have any business facilities
Swimming pool	1-The Hotel has at least one swimming pool; 0- The hotel does not have any swimming pool
SPA	1-The Hotel has a SPA; 0- The hotel does not have SPA
Restaurant	1-The Hotel has its own restaurant; 0- The hotel does not have any restaurant
Barber/ Beauty Salon	1-The Hotel has a barber/ beauty salon; 0- The hotel does not have any barber/ beauty salon
Fitness Centre	1-The Hotel has a Fitness centre; 0- The hotel does not have Fitness Centre
Baby sitting	1-The Hotel has baby sitting; 0- The hotel does not have baby sitting
Hotels' Characteristics	
Hotel's age	1-Less or equal to 7; 0,5- between 7 and 10; 0-older than 10
Rooms number	0- Less than 49 rooms; 0,5- between 49 and 64 rooms; 1-between 64 and 11 rooms; 0,5- between 114 and 129 rooms; 0- more than 129 rooms
Historical Overview	1-The Hotel is located into a historical monument; 0- The hotel is not located into a historical monument
Stars	
Luxury	1-The Hotel has luxury standards; 0- The hotel does not have luxury standards
Rooms square meters	

Appendix 21B: The respective Weight of each Collection Characteristic

Collection Characteristics	Weight
Hotels' Facilities	
Business facilities	0,1
Swimming pool	0,08
SPA	0,1
Restaurant	0,15
Barber/ Beauty Salon	0,025
Fitness Centre	0,025
Baby sitting	0
Hotels' Characteristics	
Hotel's age	0,1
Rooms number	0,25
Historical Overview	0,17
Stars	0
Luxury	0
Rooms square meters	0,25

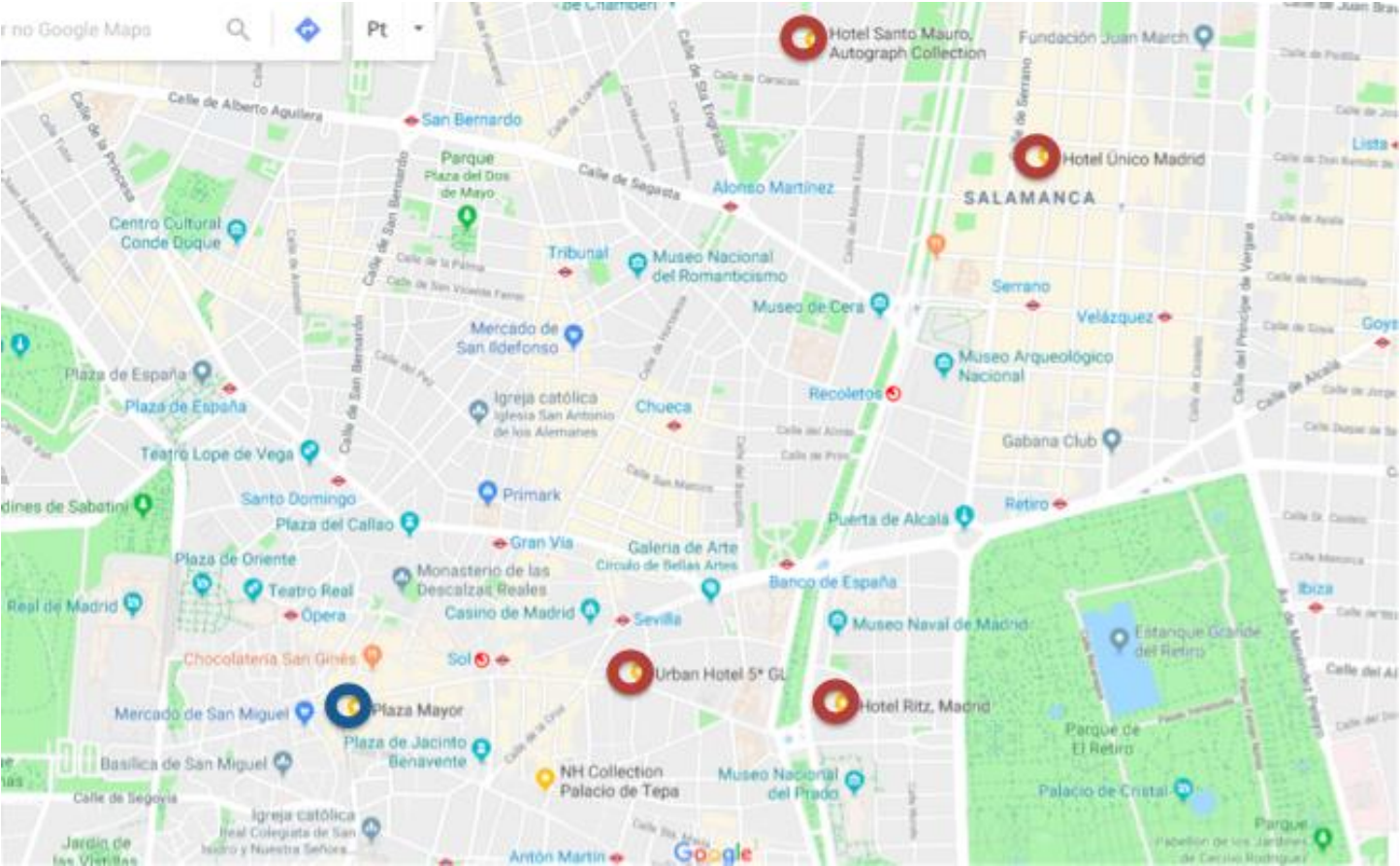
Appendix 22B: The final 5 competitive set of Pestana Collection Madrid

Figure 1: The Competitive set corresponds to the Hotels that are written with a blue colour

	Hotels' Facilities						Hotels' Characteristics			
Weight	0,1	0,08	0,1	0,15	0,025	0,025	0,1	0,25	0,17	
Hotels/ Characteristics	Business facilities	Swimming pool	SPA	Restaurant	Barber/ Beauty Salon	Fitness Centre	Hotel's age	Rooms number	Historical Overview	Total
Hotel Villa Magna	1	0	1	1	1	1	0,5	0	0	0,45
Hotel Ritz Madrid	1	0	1	1	1	1	1	0	1	0,67
Urso Hotel & SPA	0,5	0	1	1	0	1	1	1	1	0,845
Relais & chateaux Orfila	1	0	0	1	0	0	0	0	1	0,42
Hotel Santo Mauro, Autograph collection	1	0	0	1	0	1	1	0,5	1	0,67
Gran Melia Fenix, the leading hotels	1	0	1	1	0	1	1	0	0	0,475
Westin Palace hotel	1	0	0	1	1	1	0	0	1	0,47
Barceló Emperatriz	1	1	0	1	0	1	0	0	0	0,355
Hotel Palacio del Retiro	1	0	0	0	0	1	1	0,5	1	0,52
NH Collection	1	0	0	1	1	1	1	1	1	0,82

Madrid Palacio de Tropa										
Urban Hotel 5* GL	1	1	0	1	0	1	0	1	0	0,605
The Principal Madrid Hotel	1	0	0	1	0	1	0,5	1	0	0,575
NH Collection Madrid Suecia	0	0	0	1	0	0	1	0	0	0,25
NH Collection Madrid Paseo del Prado	0	0	0	1	0	1	0,5	1	0	0,475
Hotel Villa Real	1	1	0	1	0	1	0	0,5	0	0,48
Barceló Torre de Madrid	1	1	1	1	0	1	1	0	0	0,555
Meliá Madrid Princesa	1	0	0	1	0	1	0	0	0	0,275
Hotel Único Madrid	1	0	0	1	1	1	0,5	0	1	0,52
Hotel Hospes Puerta de Alcalá	0,5	0	1	1	0	1	0,5	0	1	0,545
Wellington Hotel, Calle de Velázquez	1	1	1	1	1	1	0	0	0	0,48
Gran Meliá Palacio de Los Duques	0,5	1	1	1	0	1	0	0	1	0,575

Figure 2: The location of the competitive set of *Pestana Collection* Madrid



Appendix 23B: Analysis of Pestana Collection Madrid's Competitive set- advantages and disadvantages

Hotel Ritz Madrid:

Pros	Cons
<ul style="list-style-type: none">-The presence of all the business facilities (Fax/ photocopying; Business Centre; Meeting/ banquet facilities);- The existence of a SPA;-It is a recent Hotel;-The existence of a barber and beauty salon;-Great location near Madrid's top-class museums and popular Retiro Park;-Free airport transfers for guests who are staying in suites.	<ul style="list-style-type: none">-High prices for extras such as breakfast and minibar-No swimming pool-High number of rooms



Urso Hotel & SPA:

Pros	Cons
<ul style="list-style-type: none">-The number of rooms is considerable near to the Pestana number of rooms;- The existence of a SPA;-It is a recent Hotel;	<ul style="list-style-type: none">- The lack presence of all the business facilities (Fax/ photocopying; Meeting/ banquet facilities);-Does not have a barber or a Beauty salon;-No swimming pool.



Hotel Santo Mauro, Autograph Collection

Pros	Cons
<ul style="list-style-type: none">-The presence of all the business facilities (Fax/ photocopying; Business Centre; Meeting/ banquet facilities);-A recent Hotel;-It has a historical overview:	<ul style="list-style-type: none">-The inexistence of a SPA;-No swimming pool.-Does not have a barber or a Beauty salon;



NH Collection Madrid Palacio de Tepa:

Pros	Cons
<ul style="list-style-type: none">-The presence of all the business facilities (Fax/ photocopying; Business Centre; Meeting/ banquet facilities)- 9 meeting and event rooms with a business centre;-The number of rooms is considerable near to the Pestana number of rooms;-It is a recent Hotel;-The existence of a barber and beauty salon	<ul style="list-style-type: none">-No swimming pool - The existence of a SPA;



Hotel Urban 5* GL

Pros	Cons
<ul style="list-style-type: none">-The presence of all the business facilities (Fax/ photocopying; Business Centre; Meeting/ banquet facilities);-The only Hotel with a swimming pool;-The number of rooms is considerable near to the Pestana number of rooms.	<ul style="list-style-type: none">-The inexistence of a SPA;-Free Wi-Fi is limited to one hour;-It is a old Hotel;-Does not have a Historical overview.



Appendix 24B: Forecasted 5-Stars Hotel Demand for Madrid 2018

Source: information provided by Pestana partners – OTA Insight

Forecasted 5-Stars Hotel Demand for Madrid 2018

63%

69%

67%

77%

78%

78%

64%

66%

79%

79%

72%

74%

72%

Based on the historical information of Madrid's five-star hotels demand in 2017, provided by the Pestana Group partner- *OTA Insight*, it was calculated the same demand for 2018. That was done by taking this assumption: applying the same **3,4%** yearly growth rate (forecasted by PwC for 2018 – see *table 2, appendix 14A*) of total Madrid's hotel industry occupation levels to the five-star hotels segment demand.

The months will not grow equally, as the occupation rate for some months will grow more than others, depending of **Seasonality** – high season has a higher occupation rate growth:

- High season: 8%
- Mid season: 6% (except December which has 6,5%, as there are many holidays and events on Madrid's 2018 calendar)
- Low season: 4% (except January which has 4,5%, as there it is a month with have a major events)

Appendix 25B: Charged Prices for 2 guests per night for the two rates on Booking and on Hotel's website, due date 15/02/2018 –

16/02/2018 (Last accessed: 18th December, 2017)

		Competitive set				
Tariffs		URSO Hotel & Spa	Hotel Santo Mauro, Autograph Collection	NH Collection Madrid Palacio de Tepa	Hotel Urban	Hotel Ritz Madrid
Booking						
Standard Double Room	The Lowest rate (no reimbursable)	203 €	234 €	166 €	.	.
	The Best Flexible (free cancellation)	239 €	275 €	195 €	209 €	308 €
	Total number of Tariffs on Booking	4	3	4	1	2
Suite	The Lowest rate (no reimbursable)	340 €	-	209 €	.	.
	The Best Flexible (free cancellation)	400 €	407 €	245 €	319 €	534 €
	Total number of Tariffs on Booking	4	1	4	1	4
Hotel's Website						
Standard Double Room	The Lowest rate (no reimbursable)	203 €	208 €	146 €	195 €	275 €
	The Best Flexible (free cancellation)	239 €	245 €	196 €	209 €	280 €
	Total number of Tariffs on Hotel's website	2	4	4	5	2
Suite	The Lowest rate (no reimbursable)	340 €	370 €	184 €	300 €	465 €
	The Best Flexible (free cancellation)	400 €	375 €	220 €	319 €	485 €
	Total number of Tariffs on Hotel's website	2	4	4	5	4

Appendix 26B: Brief description of room types

Source: Booking website and Pestana Group's website

Standard double room: These rooms have a king size bed or two single beds, with the possibility of adding 1 extra bed, and a capacity for 3 people.

Room size 26 m²

Room facilities: Minibar, Shower, Bath, Safety Deposit Box, Telephone, Air conditioning, Hairdryer, Bathrobe, Desk, Free toiletries, Toilet, Bathroom, Slippers, Cable Channels, Flat-screen TV and free Wi-Fi.



Suite: A large suite with a separated living area and city views. These rooms have a Private bathroom and a king size bed or two single beds, with the possibility of adding 1 extra bed, and a capacity for 3 people. Featuring a bathroom with a bath, 49" television, air conditioning, minibar and free Wi-Fi. Some rooms located on the ground floor may have small terraces.

Room size 50 m²

Room facilities: Minibar, Shower, Bath, Safety Deposit Box, Telephone, Air conditioning, Hairdryer, Bathrobe, Desk, Seating Area, Free toiletries, Toilet, Bathroom, Slippers, Cable Channels, Flat-screen TV and free Wi-Fi.



Appendix 27B: The expected price charged per night for a suite and for a standard room, due date 15/02/2018 – 16/02/2018 (Last accessed: 18th December, 2017)

Source: Booking and each Hotel's website

	Room type	URSO Hotel & Spa	Hotel Santo Mauro, Autograph Collection	NH Collection Madrid Palacio de Tepa	Hotel Urban	Hotel Ritz Madrid	Suite Price/ Standard room Price					
Booking	P standard room:	203 €	334 €	166 €	209 €	308 €	167,49%	121,86%	125,90%	152,63%	173,38%	148,25%
	P suite	340 €	407 €	209 €	319 €	534 €						
Website	P standard room	203 €	208 €	146 €	195 €	275 €	167,49%	177,88%	126,03%	153,85%	169,09%	158,87%
	P suite	340 €	370 €	184 €	300	465 €						
Average												153,56%

Appendix 28B: The Lowest rate monthly average prices

Source: Based on Information provided by Pestana Group partner- *OTA Insight*

Lowest Rate											
Months / Hotels	Average per month (ARR)					Standard Double Room			Junior Suite		
	URSO Hotel & Spa	Hotel Santo Mauro, Autograph Collection	NH Collection Madrid Palacio de Tepa	Hotel Urban	Hotel Ritz Madrid	Median	Maximum	Minimum	Median	Maximum	Minimum
January	232	272	214	207	305	232,26	305	207	360,00	473	321
February	254	265	199	202	329	254,19	329	199	394,00	511	308
March	241	292	210	193	313	241,10	313	193	373,70	485	299
April	258	321	257	277	535	276,59	535	257	428,72	829	399
May	287	400	251	267	434	286,50	434	251	444,08	672	389
June	305	378	265	299	597	304,59	597	265	472,11	926	410
July	223	340	222	242	352	242,13	352	222	375,30	545	344
August	219	265	195	196	304	218,84	304	195	339,20	472	302
September	335	408	268	327	429	334,59	429	268	518,62	664	416
October	380	391	246	290	477	379,68	477	246	588,50	739	382
November	314	317	223	253	361	314,32	361	223	487,20	560	346
December	248	286	199	254	320	254,03	320	199	393,75	495	309
Annual Average	275	328	229	251	396	278,23	396	227	431,26	614	352

Appendix 29B: The Best Flexible rate monthly average prices

Source: based on Information provided by Pestana Group partner- *OTA Insight*

Best flexible Rate											
Months / Hotels	Average Price per month (ARR)					Standard Double Room			Junior Suite		
	URSO Hotel & Spa	Hotel Santo Mauro, Autograph Collection	NH Collection Madrid Palacio de Tepa	Hotel Urban	Hotel Ritz Madrid	Median	Maximum	Minimum	Median	Maximum	Minimum
January	274	320	253	246	336	273,73	336	246	424,29	520	381
February	300	312	235	239	362	299,58	362	235	464,35	562	364
March	284	343	248	229	344	284,15	344	229	440,43	533	355
April	305	378	304	328	589	327,81	589	304	508,11	912	472
May	338	470	297	317	477	337,66	477	297	523,37	739	460
June	359	445	313	354	657	358,98	657	313	556,41	1 019	485
July	263	400	263	287	387	286,97	400	263	444,80	620	407
August	258	312	230	233	335	257,92	335	230	399,77	519	357
September	394	481	317	388	471	394,34	481	317	611,23	745	491
October	447	460	291	344	525	447,48	525	291	693,59	813	451
November	370	373	264	299	397	370,45	397	264	574,20	616	409
December	292	337	235	301	352	301,08	352	235	466,67	545	365
Annual Average	324	386	271	297	436	323,71	436	271	501,75	676	420

Appendix 30B: Monthly prices and revenues for each Scenario

Scenario 1:

Scenario 1														
	Janu ary	Febru ary	Mar ch	Apri l	May	June	July	Aug ust	Septem ber	Octob er	Novem ber	Decem ber	Total Year	Aver age
OCC	47,5 %	54%	57%	72%	73%	73%	74%	76%	89%	89%	86%	88%		73%
Rooms Occupied per month	1311	1333	1559	1925	2017	1952	2042	2097	2379	2458	2296	2428	23796	
Price Standard Double room	274	300	284	328	338	359	400	335	481	525	397	352		
Price Junior Suite	424	464	440	508	523	556	620	519	745	813	616	545		
Best Flexible Room revenue	263 5 88	293 47 3	325 4 61	463 6 78	500 3 70	514 7 93	599 76 2	515 8 53	840 19 0	947 54 0	670 26 0	627 08 7	6 562 0 55	
Price Standard	232	254	241	277	287	305	352	304	429	477	361	320		
Price Junior Suite	360	394	374	429	444	472	545	472	664	739	560	495		
Lowest Flexible Suite revenue	224 9 16	250 42 0	277 7 13	393 4 52	426 9 71	439 2 82	530 31 8	471 6 24	753 38 5	866 33 8	612 80 5	573 32 5	5 820 5 51	
Total Revenue	488 5 04	543 89 3	603 1 74	857 1 30	927 3 41	954 0 76	1 130 080	987 4 77	1 593 5 75	1 813 879	1 283 0 65	1 200 4 12	12 382 605	

Scenario 2:

Scenario 2														
	Janu ary	Febru ary	Mar ch	Apri l	May	June	July	Aug ust	Septem ber	Octo ber	Novem ber	Decem ber	Total Year	Aver age
OCC	52,5 %	59%	62%	72%	76%	76%	64%	66%	79%	79%	72%	74%		69%
Rooms Occupied per month	1448	1458	1697	1925	2086	2019	1766	1821	2112	2182	1922	2042	22478	
Price Standard Double room	274	300	284	328	338	359	287	258	394	447	370	301		
Price Junior Suite	424	464	440	508	523	556	445	400	611	694	574	467		
Best Flexible Room revenue	29133 4	32090 0	3542 63	4636 78	5174 82	5323 99	3723 19	3450 91	611918	71751 3	523251	451654	550180 3	
Price Standard	232	254	241	277	287	305	242	219	335	380	314	254		
Price Junior Suite	360	394	374	429	444	472	375	339	519	589	487	394		
Lowest Flexible Suite revenue	24859 2	27382 4	3022 89	3934 52	4415 73	4543 06	3159 25	2944 59	522166	61228 1	446501	383246	468861 3	
Total Revenue	53992 6	59472 4	6565 52	8571 30	9590 55	9867 05	6882 44	6395 50	113408 5	13297 94	969752	834900	101904 16	

Scenario 3:

Scenario 3														
	Janu ary	Febru ary	Mar ch	Apri l	May	June	July	Aug ust	Septem ber	Octo ber	Novem ber	Decem ber	Total Year	Aver age
OCC	32,5 %	39%	42%	62%	63%	50%	69%	71%	89%	87%	72%	74%		63%
Rooms Occupied per month	897	959	1145	1658	1741	1335	1904	1959	2379	2389	1922	2042	20330	
Price Standard Double room	246	235	229	304	297	313	263	230	394	447	370	301		
Price Junior Suite	381	364	355	472	460	485	445	445	611	694	574	467		
Best Flexible Room revenue	16195 4	16567 4	1924 46	3706 36	3796 47	3068 92	3888 81	3831 06	689279	78554 6	523251	451654	479896 6	
Price Standard	207	199	193	257	251	265	222	195	335	380	314	254		
Price Junior Suite	321	308	299	399	389	410	344	302	519	589	487	394		
Lowest Flexible Suite revenue	13742 0	14097 5	1632 91	3153 95	3230 62	2611 53	3125 35	2820 67	588180	67033 5	446501	383246	402415 9	
Total Revenue	29937 3	30664 9	3557 37	6860 32	7027 08	5680 45	7014 16	6651 73	127745 8	14558 81	969752	834900	882312 5	

Appendix 31B: 1st year Profit and Loss Statement for each scenario

Scenario 1

Year 1	
N° of Available Rooms	32485
N° of Rooms Occupied	23796
OCC	73%
ADR	520
REVPAR	381
REVENUES	
Best flex rate revenue	6 562 055
Lowest revenue	5 820 551
Total rooms Revenue	12 382 605
F&B Revenues	1 238 261
Other revenues	137 585
Total revenues	13 758 450
Costs	
Consumption of raw materials	371 478
Laundry expenses	275 169
Cleaning Products expenses	66 060
Office Materials expenses	41 288
Amenities	103 188
Maintenance expenses	963 092
Workers Insurance expenses	71 812
Professional Services expenses	35 906

Card of Credit commission	68 792
Marketing expenses	137 585
Losses	2 063 768
Agency commissions	687 923
Other expenses	137 585
Public Relations	0
Tributes	111 708
Staff costs	2 751 690
Temporary Employment companies expenses	550 338
Replacement costs	137 585
Total Costs	8 574 965
GOP	5 183 485
GOP as % of Revenues	0
Annual rent (70% of GOP)	3 628 440
EBITDA	1 555 046

Scenario 2	
Year 1	
N° of Available Rooms	32485
N° of Rooms Occupied	22478
OCC	69%
ADR	453
REVPAR	314
REVENUES	
Best flex rate revenue	5 501 803
Lowest revenue	4 688 613
Total rooms Revenue	10 190 416
F&B Revenues	1 019 042
Other revenues	113 227
Total revenues	11 322 685
Costs	
Consumption of raw materials	305 712
Laundry expenses	226 454
Cleaning Products expenses	54 365
Office Materials expenses	33 978
Amenities	84 920
Maintenance expenses	792 588
Workers Insurance expenses	59 099
Professional Services expenses	29 549
Card of Credit commission	56 613
Marketing expenses	113 227

Losses	1 698 403
Agency commissions	566 134
Other expenses	113 227
Public Relations	0
Tributes	91 931
Staff costs	2 264 537
Temporary Employment companies expenses	452 907
Replacement costs	113 227
Total Costs	7 056 872
GOP	4 265 813
GOP as % of Revenues	0
Annual rent (70% of GOP)	2 986 069
EBITDA	1 279 744

Scenario 3	
Year 1	
N° of Available Rooms	32485
N° of Rooms Occupied	20330
OCC	62%
ADR	434
REVPAR	271
REVENUES	
Best flex rate revenue	4 798 966,09
Lowest revenue	4024159,35
Total rooms Revenue	8 823 125,44
F&B Revenues	882312,5439
Other revenues	98034,7271
Total revenues	9 803 472,71
Costs	
Consumption of raw materials	264693,7632
Laundry expenses	196 069,45 €
Cleaning Products expenses	47 070,66 €
Office Materials expenses	29 419,16 €
Amenities	73 526,05 €
Maintenance expenses	686 243,09 €
Workers Insurance expenses	51 169,20 €

Professional Services expenses	25 584,60 €
Card of Credit commission	49 017,36 €
Marketing expenses	98 034,73 €
	1 470 520,91
Losses	€
Agency commissions	490 173,64 €
Other expenses	98 034,73 €
Public Relations	0,00 €
Tributes	79 596,54 €
	1 960 694,54
Staff costs	€
Temporary Employment companies expenses	392 138,91 €
Replacement costs	98 034,73 €
Total Costs	6110022,06
GOP	3 693 450,65
GOP as % of Revenues	38%
Annual rent (70% of GOP)	2 585 415
EBITDA	1 108 035

Appendix 32B: Revenues and Costs of a Pestana Collection Unit

Source: Information provided by Pestana Group

Revenues

Rooms Revenue - Revenues derived from the rental of sleeping rooms at the hotel, net of any rebates and discounts.^[1]

Food Revenue - Revenues derived from the sale of food, including coffee, milk, tea, and soft drinks.^[1]

Beverage Revenue - Revenues derived from the sale of beverages, including beer, wine and liquors. Also includes banquet beverage revenues. Other Food and Beverage Revenue - Revenues derived from other sources such as meeting room rentals, cover or service charges, or revenues derived from the sale of goods or services made in connection with banquets, such as equipment rental, music, decorations and souvenirs. Also includes banquet service charges.

Costs

Labour Costs (broken out by department) – Includes salaries and wages of departmental personnel and management including overtime, severance, incentive, holiday, sick, vacation and bonus pay. Also included are employee benefits, payroll taxes and allocations for workers' compensation insurance. (**Worker Insurance expenses, Professional Services expenses, Staff Costs, Temporary Employment Companies**)

Rooms Departmental Expenses - Rooms departmental expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff, and laundry, plus employee benefits. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases, travel agent commissions and continental breakfast. Food Expense - Food departmental expenses include the cost of goods, labor and related benefits, and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff (server, host/hostess, bus person, etc), banquet staff. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions. (**Amenities, Laundry expenses, Cleaning Products**)

Beverage Expense - Beverage departmental expenses include the cost of goods sold, labor and related benefits, and other operating expenses. Labor costs include departmental management, lounge service staff, banquet bartender, bartenders and mini-bar staff. Other operating expenses include china, silverware, linens, and special promotions. (**Consumption of raw materials**)

Other Departmental - Other departmental expenses would comprise those expenses (labor and other), which offset the revenue generated by other operated departments such as garage, athletic facilities, and gift shop, as well as rental activity.

Administrative and General (A&G) Expenses - Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller, and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (**Office materials expenses**).

Information & Telecommunications Expenses - This category includes all labor expenses within the IT department, as well as any expenses related to phone, internet, and any other telecommunications or technology expenses.

Marketing Expenses - Marketing expense includes payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff, and civic and community projects. This expense excludes franchise fees (royalty fees and advertising assessment). (**Marketing expenses, Public Relations, Agency commissions**)

Utility Costs - Utility expenses typically include electricity, fuel (oil, gas, and coal), purchased steam, and water. Includes central plant and energy management systems. (Does not include waste removal, which is included in Property Operation and Maintenance Expenses).

Property Operations and Maintenance - This category includes payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds, and the removal of waste. (**Maintenance expenses, Replacement costs**)

Management Fees - Fees charged by management organizations for management services or supervision. Includes both base and incentive fees. (**Tributes, Card of credit commission**)