

Universidade Católica Portuguesa

Católica Lisbon School of Business and Economics

The Independente *Hostel & Suites*,

Understanding what moves its customers

Joana Sousa Lara

Student number: 152112170

Supervisors:

Professor Paulo Gonçalves Marcos

Professor João Borges de Assunção

Dissertation submitted in partial fulfillment of requirements for the degree of MSc in
Business Administration, at Universidade Católica Portuguesa, October 13rd 2014

Acknowledgements

I would like to thank to many people for the encouragement and help given during the realization of this dissertation. First, I want to thank the founders of the Independent Hostel & Suite's, Duarte, Martim and Bernardo d'Eça Leal and Afonso Queiroz for their contributions. They showed up permanently available to provide me with information I needed and to clarify about questions I had. I could not have concluded this thesis without their co-operation, along with their staff.

Secondly, I want to thank to my thesis advisors João Borges de Assunção and Paulo Gonçalves Marcos for giving me the necessary guidelines to develop this dissertation. All suggestions and comments made by the advisor Paulo Gonçalves Marcos, as well as its careful revision my work were extremely important in the completion of it.

Thirdly but not less important, I want to thank my family and best friends for the comprehension, love and daily support during this busy time. I consider them as making part of the conclusion of this thesis.

Last but not least, I would like to recognize my workshop colleague's support, especially the one provided by Tomás Vasconcelos, and thank them for their helpful comments and suggestions during the dissertation workshops.

Abstract

Title: The Independente *Hostel & Suites*, understanding what moves its customers

Author: Joana Sousa Lara

This thesis is about the marketing strategy of a Portuguese company, which emerged recently through the personal and professional experience of four brothers.

The case study is about the Independente Hostel & Suites, that entered the local accommodation market in September 2011 and is currently exploring two alternatives growth strategies. By understanding what motivates and moves its customers, the general manager of the Independente, Duarte d' Eça Leal, has to choose the best strategy to follow in order to ensure the biggest possible growth of the business.

After the case study, the dissertation presents the Teaching Note chapter, which is divided in two main parts. The first one is the literature review that includes relevant theory and frames useful to develop the case study's analysis. Secondly, the chapter presents an analysis of the case, through the formulation of questions and the respective answers to each one of them. Still in the second part, there are given suggestions for the company's future expansion strategy, which are based on several factors.

Finishing the case study analysis, it could be concluded that the hostel premium segment option would be the best strategy to follow in order to reach a considerable business growth. This strategy will allow the business to meet customers needs and expectations and consequently to reach a wider market. This option will also make the company more profitable than maintaining the company's current hostel model – hostel upper market.

Resumo

Título: The Independente *Hostel & Suites*, understanding what moves its customers

Autor: Joana Sousa Lara

A presente tese aborda o marketing estratégico de uma empresa portuguesa, fundada recentemente através da experiência pessoal e profissional de quatro irmãos.

O caso de estudo é sobre O Independente Hostel & Suites, que entrou no mercado do alojamento local em Setembro de 2011 e que está atualmente a explorar duas estratégias alternativas para continuar a crescer. Através da compreensão do que motiva e move os seus clientes, o Diretor Geral do Independente Hostel & Suites, Duarte D' Eça Leal, tem que decidir qual a melhor estratégia a adoptar para expandir a empresa, de modo a assegurar o maior crescimento possível do negócio.

Depois do caso de estudo, a dissertação apresenta a nota de ensino que está dividida em duas partes principais. A primeira é a revisão da literatura que inclui teoria relevante e ferramentas úteis para desenvolver a análise do caso de estudo. Na segunda parte é apresentada uma análise do caso, que é feita através da exposição de questões e das respectivas respostas adequadas para cada uma delas. Ainda na segunda parte, são dadas sugestões para a estratégia de expansão da empresa, que têm por base variados factores.

Ao terminar a análise do caso de estudo, pode concluir-se que a opção de segmento *Hostel Premium* pode ser a melhor alternativa para a futura expansão da empresa de modo a alcançar o maior crescimento possível do negócio. Esta estratégia, irá permitir satisfazer as expectativas e necessidades dos clientes e consequentemente atingir um mercado mais vasto. Para além disso, esta alternativa permitirá alcançar um maior lucro do que se optassem por manter o atual modelo de hostel.

Table of contents

Acknowledgements.....	2
Abstract.....	3
Resumo	4
I. Case study.....	7
1. Company background	9
1.1 The brands / product, price & place.....	10
1.2 Promotion.....	12
1.3 Distribution channels	13
1.4 Human Resources	14
1.5 Targeting.....	14
1.6 Financial values	15
1.6.1 Room's investments 2011(1).....	15
1.6.2 Costs.....	16
1.6.3 Revenues.....	17
2. Tourism Industry Overview.....	17
2.1 International Tourism.....	17
2.2 Portugal.....	18
2.3 Lisbon	20
2.3.1 Lisbon visitors.....	23
3. General market trends	24
3.1 Youth travelling	25
3.1.2 Youth travel accommodation.....	27
3.2 Hostels.....	27
3.2.1 Supply	27
3.2.2 Demand.....	28
4. Players in the Hospitality Market	28
4.1 Competition in the Low-Cost segment	28
4.1.1 Youth Hostels.....	29
4.1.2 Bed and Breakfasts, Guesthouses and Pensions	29
4.1.3 Hostels.....	30
4.2 Competition in the premium segment.....	32
5. Projecting the future growth	34
6. Appendix.....	35
Exhibits 1 – Tripliches – triple bunk bed with 100% recycle wood.....	35
Exhibit 2 – the Independente hall: art deco	35

Exhibit 3 and 4 – the Independente dorms and guest’s living room.....	36
Exhibit 5 and 6 - the Independente suites and suites terrace	36
Exhibit 7, 8 and 9 – the Decadente; the terrace and lounge.....	37
Exhibit 11 – Tourism in the world: key figures.....	38
Exhibit 12 – International tourist arrivals and International tourism receipts by Continent in 2012.....	38
Exhibit 13 - International tourists arrivals by regions – Actual and forecast 2030 .	39
Exhibit 14 – Portugal: Total contribution of travel and tourism to GDP.....	39
Exhibit 15 – Portugal: Total contribution of travel and tourism to employment.....	40
Exhibit 16 – International guests - TOP 5 source markets – share 2012.....	40
Exhibit 17 - Overnight stays of international guests –TOP 5 source markets – share 2012.....	40
Exhibit 18 – Youth travelling: International tourist arrivals – forecast 2020	41
Exhibit 19 – Current value web chain of travelling industry.....	41
Exhibit 20 – Hostels demand	42
Exhibit 21 – Hostels demand	43
Exhibit 22 – Lisbon Hostels characteristics overview	44
Exihibit 23 – Competition in the Low cost segment.....	44
II. Teaching Note	46
1. Synopsis	46
2. Teaching objectives	47
3. Class Plan.....	47
4. Use of the case	48
5. Literature review	48
5.1 Product Mix Pricing.....	48
5.2 SWOT Analysis	49
5.3. Unique Selling Proposition.....	50
5.4 Strategic Solutions	51
5.4.1 Generic Competitive Strategies	51
5.4.2. From Commodity to Product Differentiation	53
5.4.3 Four Basic Growth Alternatives	55
6. Analysis.....	56
III. Conclusion	70
VI. References.....	71

I. Case study

A visit to a palace of the last century would change the life of Duarte D'Eça Leal, the General Manager of the Independente Hostel & Suits and the Decadente Restaurant & Bar.

In January 2011, only a month after Duarte D' Eça Leal and his brothers founded the company MBD - Gestão de Investimentos Hoteleiros¹ appeared on the market a unique opportunity to obtain an iconic building, in a key location, that fulfilled all the requirement to be the first unit of this group. The beautiful architecture of the old palace and the exceptional surroundings were impressive. Duarte immediately visualized a successful hospitality business. As soon as the four brothers agreed that this was a great opportunity to implement the company's strategy, they leased the palace.

In September 2011, just a few months after signing the lease, the palace, located across from Miradouro de São Pedro de Alcantara, on one of the most famous sights in Lisbon, opened its doors under the Independente *Hostel & Suits* and the Decadente *Restaurant & Bar* (each an independent brand and referred to as such throughout this thesis). Since then, the old palace has been on everyone's mind.

Two years after its opening, the hostel and restaurant had collected a string of awards in range of categories from many national and international magazines. This illustrates the remarkable growth and success of both brands, in both the Portuguese and international market. "We appeared in articles from 50 different countries, which is really rewarding. The hostel is performing very well and we have high occupancy rates, with an annual average of 70%. Also, the occupancy rates of the four suites located on the top floor of the building, are on average occupied 95% of the time, and 100% of the time during the weekends", revealed Duarte when drawing particular attention to the profitability of the operation. Additionally, both brands were receiving notable high ratings from the online distribution platforms – Booking (9.0),

¹ MBD – Gestão de Investimentos Hoteleiros means Management of Hotel Investments

Hostelworld (95%), Hostelbookers (98,1%), and TripAdvisor (4,5 - Hostel; 4 - Restaurant) websites.²

In September 2013 the opportunity emerged to acquire the building next-door to the palace. The Independente had identified a niche in the market, and through the development of the unique hostel concept the company had been very successful. The company was now in a position to expand the business and purchase the adjacent building. According to Duarte's brothers', the option of replicating the Independente's model was obviously the most appropriate strategy for the expansion. This model had seen the Independente in its current form grow month after month. However, Duarte believed they should expand into the premium market segment of the hospitality industry, diversifying the business in the process. "I think we should look at the characteristics of the location in which we operate and develop the unit accordingly. Moreover, the demand for suites is greater than that for dorms. The market is currently flooded with dorms. In addition, the margins earned from suites are respectively higher than that earned from dorms. Therefore the intelligent strategy is to open a place that consists solely of suites and a restaurant", justified Duarte. Duarte's brothers did not agree with this thinking, saying that if they keep the same model they would be able to maintain their unique identity in the market. Exclusively opening suites, would see a deterioration in the Independente's unique atmosphere made famous by the presence of adults and teenagers all in the same place. Furthermore, Duarte's brothers did not believe the idea was as innovative as the initial Independente *Hostel & Suites* concept and would see the business having to compete in an unknown and larger market.

The Independente's office had become tense with Duarte having the responsibility to make the final decision about the future growth and direction of the project. He knew there were only two ways to proceed: (1) follow the same model of the Independente *Hostel & Suites* - hostel upper market, or (2) develop a new model targeting the premium end of the market – hostel premium segment. Although Duarte was

² Operate as online travel agencies and offer a wide range of properties for accessible prices

convinced that the second option would benefit them more, demonstrating this to his brothers was not an easy task.

It was decided that Duarte and his brothers would reconvene in two weeks to make a final decision. In this time Duarte planned to analyse each industry to better understand the profitability of the services, so that he could firmly state his point of view when he next met with his brothers.

1. Company background

MBD – Gestão de Investimentos Hoteleiros was founded in November 2010 and emerged through the audacious thinking of four backpacker³ brothers, Duarte D’Eça Leal, Martim D’Eça Leal, Bernardo D’Eça Leal and Afonso Queiroz. The brothers complement each other with their individual travelling experiences and professional life. The company appears as a company that designs, develops, implements and manages hospitality vehicles of the low-cost⁴ segment which are conspicuous by innovation on services of high quality, the historical and/or cultural value of the buildings in which they operate and also by its economic, environmental and socio-cultural equilibrium and sustainability patterns. The partnership was formed with the goal of gathering the necessary knowledge that leads the team to a deeper understanding about the tourism segments. Their perspective was that only by working together they could reach enough creativity and make the difference in the hospitality industry. Their professional experiences as a whole were built in areas assigned either to the recovery of real estate assets and its marketing, as in tourism and wellness, becoming evident that the strategic focus of the company was naturally associated with both the historical value of each property as the personalization and characterization of the service offered. However, is through their personal experiences as travellers and their extensive knowledge about the low-cost segment that make the four together to get one of the main competitive advantages in the market - the understanding of what motivates and moves its customers.

³ Backpacking: is a form of low-cost, independent international travel

⁴ Low-cost: product or service that executes its premise by focusing on the central aspects of it, without providing non essential elements, as their traditional competitors do (ex: hotel vs. guesthouse). A commodity is also low-cost when it simultaneously controls the production and distribution chain, reaching a level of demand that allows generating economies of scale, thus reducing the marginal cost of production.

Duarte D'Eça Leal has lived ten years in England, which contextualized and defined not only his academic education but also the beginning of his professional experience. Two years in Oxford - *International Baccalaureate, St. Clare's International College* – served as a starting point for a management education - BSc Business Studies & MSc European Business, CASS Business School City University London [15th on the Financial Times Ranking] – from which he began his professional experience in the industry of the research and market evaluation (MMarket solutions). Lately worked in the field of the real estate, in the largest company of the sector in England (Fox-ton's Real Estate). Co-funding the guesthouse *The House of the She Pine Three*, in Sintra, marked his return to Portugal and later the foundation of the company MBD and the opening of *the Independente Hostel & Suites* and *the Decadente Restaurant & Bar*. He is currently, the General Manager of the Independente and the Decadente and also controls its operations and is responsible for the marketing strategy of both services.

1.1 The brands / product, price & place

“The Independente and the Decadente are two autonomous brands but that don't live without each other, that live in symbiosis”, said Duarte D'Eça Leal. Each brand offers different services but that complement each other as both meet basic needs of the traveler, food and lodging. The idea of bringing them together at the same place was to create “(...)a new concept in hospitality, where travellers as well as locals could come together in a multi-cultural story telling exchange defined by the experience lived and all the memories made (...)”(*The Standard: The Independente*, 2013)⁵.

The Independente *Hostel & Suites* was originally built to be the official residence of the Swiss ambassador and since then has had several lives. The Independente is defined by innovation but contextualized by the history and the decorative legacy of the period in which the palace was implanted. Captivates not only by the *tripliches* – triple bunk beds built with 100% of recycled wood (see exhibit 1) – but also by the unique art deco and vintage pieces, which feature the unit and the whole atmosphere (see exhibit 2). It is a space that celebrates the pride of being Portuguese and where most of the resources used and the raw materials are national. By bringing together two opposite products in the same space (Hostel versus Suites), the hotel operation covers both the low-cost segment and the premium segment, thus extending the

⁵ Source: <http://www.thestandart.net/the-independente/>

spectrum where it competes and consequently reducing the seasonality that the tourism is exposed to. Counting with a staff of almost 50 employees, the Independente already falls under the category of large-scale hostels. The hostel incorporates some traditional models of hospitality – as hotels. Furthermore, the Independent is the first hostel in Portugal opening doors of its restaurant space - the Decadent - to the general public and not limiting its access only to its guests. The hostel integrates 11 spacious dorms (see exhibit 3), which include 6, 9 or 12 beds, making a total of 90 beds and 5 shared bathrooms. Moreover, there is “(...)a private lounge within every room where guests can relax(...)”⁶ and take time to meet other travellers (see exhibit 4). As the other hostels in general, the Independente offers accommodation for a very accessible price, from 14€ to 23€, according to the season the client choose to come. Regarding the premium segment, there are four suites on the top floor, each with a double bed (see exhibit 5) and including a private bathroom and a private balcony overlooking the Tagus River (see exhibit 6). The average price of these rooms is similar to four-stars hotels in Lisbon, varying between 70€ to 120€, also according to the season the client choose to come.

The Decadente *Restaurant & Bar* (see exhibit 7), incorporated on the entrance floor of the Independente, is defined by concepts similar to those of hotel operations, including an F&B director. Privileges the national production of the season, assuming by definition the need to promote values of environmental and socioeconomic sustainability. The Decadente implements solutions traditionally adopted around the products that their clients consume and offers unusually competitive prices. On its kitchen even the cocktails are prepared exclusively with local ingredients of the season – at prices that encourage customers to return with an unusual frequency and thus to include this space in their social daily lives.

The restaurant offers to its clients a wide range of products, mainly related to the Portuguese, Mediterranean and fusion kitchen, by serving meals as breakfast, dinners, daily lunches and Sunday brunches. The lunches are served from Monday to Friday and offer the option of choosing the daily menu, which costs 10 euros. This menu includes one of the two main entrances, one of the three main dishes of the day and one of their deserts. As the company strives for a constant innovation, was also

⁶ Source: <http://www.theindependente.pt/hostelandsuites/>

recently added the offering of snacks – a toast, a juice or a burger - that are served during the afternoon, between 4 and 7 pm, and that customers can enjoy on the terrace or at the inside lounge (see exhibit 8 and 9). In regard to the capacity, the restaurant can host up to 50 people seated, plus about to 40 people at the terrace and more 15 clients at the private room that is available on Thursdays, Fridays and Saturdays. On average the restaurant serves 150 meals per day, charged at an average price of 25€ per person.

Finally, so that the restaurant and the whole business become even more profitable, they offer to its guests the possibility of having the same dinner as the staff have, for just 5€.

1.2 Promotion

The brands were mainly promoted through two types of communication, offline and online, being that the offline promotion was based on social media, networking and word of mouth effects and the online promotion was made through the websites and social network pages.

So, there were several strategies used for the promotion of the brands. First, it was created a “private club” which consisted on an official opening day with closed doors to the general public and that was exclusive for friends and family. During this initiative all dishes of the Decadente were sold with 50%. Once these special clients had the privilege of coming before and trying the restaurant, this caused a good impression and so it helped from the beginning to create a positive word-of-mouth network. The clients were pleased not only with the quality of the food but also with the whole atmosphere and with the experience itself. Secondly, the brands were promoted on the respective websites, social network pages, as Facebook, Twitter and more recently on Instagram, and also, on the online distribution channels. It was common to launch several campaigns on Facebook – ex: “best photography, one bottle of wine “the Decadent” for free” and because of that the business has reached a huge engagement with its customers on Facebook – the Decadente has reached around 20,000 fans on its Facebook page. Thirdly, Duarte decided to contact some market leaders of the Portuguese newspapers and magazines, – *Fugas* from *Público*; *Time Out*; *Rotas e Destinos*; *Expresso*; *Visão* and *Sábado* – and invited its journalists to come and to visit the palace. After introducing the palace to the reporters, he asked them to write articles created from their first impressions about the hostel and the

restaurant. The content of the communication was mainly based on the history of the palace, on the team and how do they work, on the products used, and also about the innovative created concept - hostel and restaurant at the same place. Apart from that was offered an overnight stay at the hostel or a meal for free at the Decadente, to sponsor some bloggers to write about the Independente. Moreover, the brands were promoted through thematic magazines as *Happy Woman* magazine, which obviously target women and according to Duarte, “women usually bring men to places”. Consequently, these articles began to attract other Portuguese and international journalists and bloggers to write about the hostel and the restaurant. Thus, the communication strategy of both brands was in the beginning pro-active and after reactive, once other journalists and bloggers came to visit the palace and wrote about it without Duarte contacting them.

In December 2011, the Decadente was nominated by *Time Out Lisboa* to integrate the guide of the 150 best restaurants in Lisbon and at the end of 2012 was already selected to be in the restaurants guide of *Time Out 2013*, as one of the best twenty restaurants in Lisbon. The Independente was considered by *Wallpaper* magazine as one of the best new Designer Hostels in the world (Jun 2012), was nominated by *Hostelbookers* as the hostel with the best atmosphere (Jul 2012), was one of the rare cases chosen by Louis Vuitton to integrate the annual guide *Louis Vuitton of European cities in 2013* (Oct 2012), was considered by the Italian magazine *Grazia* as one of the three most beautiful hostels in Europe (Nov 2012) and was recently nominated as one of the most luxury hostels in Europe by the journal *the Guardian* (Jan 2013).

Finally, there were established partnerships with the Lisbon airport and with the Lisbon’s Metro. At the airport, there was a poster advertising promoting the Independente with 10% discount. At the Metro there were distributed flyers that contained also 10% discount on the hostel’s accommodation for those who delivered the flyers at the hostel reception.

1.3 Distribution channels

The distribution channels are the online agents offering commissioned accommodation and through these agents is used the instant booking process. The instant booking means that the owner of the accommodation guarantees the booking from the time that it is done online. That means that the reservation can happen at any

time, bound by the rules of the website and the owner. Through the instant booking, the owner can set the strategy of cancellation, if permit it exists, but then it have to take responsibility if occurs overbooking and to ensure an equal alternative or better than which has sold. The Independente *Hostel & Suites* is distributed on Hostelworld (12%)⁷, Hostelbookers (12%), Booking (15%) and Budgetplaces (15%) websites, and it is consequently promoted and recommended by their customers and website's managers. It is also distributed through its own website⁸, at the Independente space and through telephone. The Decadente *Restaurant & Bar* is only distributed through its website⁹, at the Decadente restaurant through personal interaction space and by telephone.

1.4 Human Resources

Between 2011 and 2013 the Independente and the Decadente have created 6 temporary jobs and 42 fixed full-time jobs. There are 10 people working at the reception, being that 3 are interns and 7 full-time. There were hired 6 people for the housekeeping and more 21 fixed employees plus 2 interns to work on the restaurant. There is also a guest relation's manager who is in the reception and whose function consists on the understanding of customer's desires. Moreover he also advises experiences that suit them. His role is then to map to each client a personalized plan of sites and attractions to visit in the city. In regard to the management of the company, there are the four brothers Martim, Bernardo, Afonso and Duarte and one more person working in the accounting area who works with Bernardo. Finally, there is one more person working in the Marketing of the restaurant and also the chief of the restaurant.

1.5 Targeting

The idea was to reach three different target markets at the Independente and the Decadente spaces together. By one hand the main target audience for the hostel rooms are travellers between 18 and 24 years old, which usually prefer to pay for cheaper rooms and that, at the same time, are looking for places where they can meet and share experiences with other travellers. By the other hand, the main target audience of suites corresponds to travellers from 25 to 35 years old, which in general prefer to spend more money as they look for more privacy and comfort. The restaurant is

⁷ Percentage of commission paid to the webstites

⁸ Source: <http://www.theindependente.pt/?lang=en>

mainly targeting customers from 25 to 50 years old who usually enjoy having dinner out with friends, and look for a fancy atmosphere, quality products but at a reasonable price.

The presence of different target markets at the same place provides a unique experience to its customers. By one hand, the older like to be surrounded by younger people because it makes them to feel younger and to forget about their real age. And by the other hand, the youngest also like to experience luxury products and services, because naturally these products have more quality and are usually allocated to adults as they have more money to spend.

Duarte said, “has been interesting to see how the generations mix. Once we saw a grandmother and her grandson meeting at the restaurant and we noticed by their reactions that they were not expecting that to happen.”

1.6 Financial values

Before starting the industry analysis, Duarte decided to analyze the business’s profitability and to compare costs and revenues regarding different products. He thought...”this analysis helps me to better plan the expansion strategy because if I know where the biggest expenses are, what investments were made and from where the highest revenues come from, I can rapidly define where should we invest more when furthering the company growth...Then I just have to check if what is more convenient in relation to profits matches with the market consumption!”

So, after Duarte receiving from his brother Bernardo, the responsible for the financial area, a small fold of papers including all the relevant financial values, he would now start to review them carefully:

1.6.1 Room’s investments 2011(1)

Dorms

Product	Quantity	Price	Total cost
Tripliche	90	197€	17,730€
Matresses	90	129€	11,610€
Candlelights	90	14,99€	1349,10€
Armchairs	11	59€	590€

⁹ <http://thedecadente.pt/>

Tables	11	19,99	219,89€
Chairs	11	12,99€	142,89€
Total investment in dorms		31,700,88€	

Product	Quantity	Price	Total cost
Double bed	4	549€	2196€
Mattresses	4	429€	1716€
Bedside tables	8	49,99	399,92
Candlelights	12	29,99€	359,88€
Tables	4	129€	516€
Balcony table	4	32,50€	130€
Balcony chairs	8	25€	200€
Sofa	4	99€	396€
Chairs	8	69,30€	554,40€
Carpets	8	109€	872€
Mirror	4	49,99€	199,96€

Total investment in suites 7540,20€

(1) Investments do not include bedclothes.

2012

1.6.2 Costs

Purchases of goods 319,000€

Purchases of services 500,000€

Staff salaries 190,000€

Other staff expenses 40,000€

Imports 22,800€

Total annual costs 1071,800€

1.6.3 Revenues

Services	Average price	Annual occupancy rates	Revenue per day	Total Annual Revenue
Dorms(90 beds)	16€	70%	1008€	362,880€
Suites (4 beds)	110€	95%	440€	150,480€

Service	Average price	Meals per day	Revenue per day	Annual revenue
Restaurant	17.5€	150	2625€	866,000€

Total Annual Revenue **1379,360€**

Total Annual Profit Before Tax **307,560**

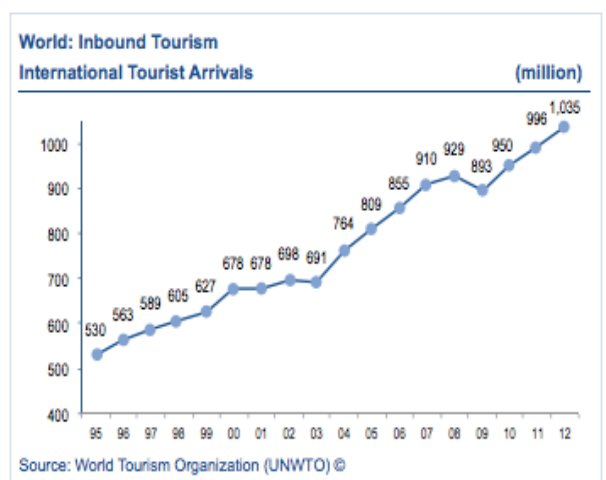
Total Annual profit After Tax **275,267€**

2. Tourism Industry Overview

2.1 International Tourism

International tourism faced over the past six decades a continued “(...) expansion and diversification, becoming one of the major and fastest-growing economic sectors in the world.” Apart from the presence of irregular shocks in the global market, international tourist arrivals have shown a continuous growth increasing from 25 million in 1950 to 1,035 million in 2012 and so, reaching the 1 billion mark for the first time ever in 2012

(see exhibit 13). With an increase in the number of destinations, which have invested in tourism, the global tourism became a key-driver of socio-economic development



through the creation of jobs and enterprises, exporting revenues and infrastructure expansion. Between 2000 and 2010, the direct contribution of the tourism sector to the global GDP grew by almost 10%. In exhibit 11 we can observe some key figures in regard to the global tourism in 2012, namely its contribution to the global GDP. In 2012, international tourism revenue increased from US\$1,042 billion (749 billion euros) to US\$1,075 billion worldwide (837 billion euros). The European continent was positioned after Americas (+7%), Asia and Pacific (+6%) and Africa (+5%), showing a growth of only 2% when compared to 2011. However, despite the decline observed over the years, Europe still remained the continent that hold the largest share of international tourism receipts, 43% (see exhibit 12) and was the most visited region in the world, holding more than the half of international tourists (51,6%) (see exhibit 12). From 2010 to 2030, the number of international tourists arrivals is expected to increase by 3.3% a year (see exhibit 13). In 2030 5 million people are expected to travel for leisure, business or other purposes everyday, and forecasts point out that in 2030, Southern Europe and Mediterranean will be the second region in terms of international arrivals, with 264 million.¹⁰

2.2 Portugal

The tourism in Portugal has been considered a strategic activity for the national economy and so in 2010, Portugal was the second country of OECD, positioned after Spain, where tourism contributed more to the GDP. In 2012 the total contribution of travel and tourism to the total GDP, including broader effects from investment, the supply chain and induced income impacts, was 15,9%, being that 5,2% was from direct contribution and was expected to grow by 1,6% in 2023 and to reach 17,1% of the total GDP (see exhibit 14). In 2012 the Portuguese tourism achieved its best result ever in terms of revenue, 8.6 billion euros, an increase of more than 5% over the previous year and 24,6% in the last three years (from direct contribution). Additionally, the sector represented big part of the country employment (see exhibit 15). The most exporting sector of the country represented in 2012 over 13% of the total exports and over 45% of services exports. Over the past three years the tourism in Portugal outperformed the worldwide tourism, South Mediterranean Europe and some of its competitors destinations.

¹⁰ Source: http://dtxq4w60xqpw.cloudfront.net/sites/all/files/pdf/annual_report_2012.pdf

The expansion of low cost airlines in the country – some of which settled airbases in national airports - and routes from some traditional airlines to high potential markets (TAP connections to Brazil) impacted significantly on international passenger arrivals in the national territory, that in the last seven years have grown at an average annual rate of 5%. The program Initiative.pt launched in April 2007, which has been supporting the growth sustained and new routes, had already been renovated and adjusted in January 2009 and was again renewed and adjusted in March 2012 for a period of 3 years. Based on this initiative it was made an investment of 15 million euros, participated by ANA, Tourism of Portugal and regions of tourism with the goals of growth (new business) and reinforcement of routes. From 2006 to 2012, the number of international arrivals increased from 9,398 to 12,559, respectively, being that traditional flights grew 4,6% and low cost flights 11,9%. The top five source markets - UK, Spain, France, Germany and Brazil - represented 64% on the total international arrivals, increasing by 0,8%, more 66, 5 thousands than in 2011.

In July 2012 existed in Portugal 2046 hotel units. Over the past three years the national hotel supply grew by 2,9%, more 58 hotel units. Hotels were the main responsible for the developments, assuming a growth of over 45% (311). The hotels of 4 or 5 stars represented almost 40% of the national offer and took about 30% of new openings in this period (over 92). In July 2012 the capacity of national accommodation amounted to almost 300,000 beds. Between 2007 to 2012, the national offer grew on average by 2,4% a year, having accelerated in the last three years, with a growth of over 9%, almost 25,000 beds. The hotels, more than 55% of the offer, were the main responsible for the growing, assuming a growth identical to the national in absolute terms. The hotels of 4 and 5 stars represent over 60% of national capacity and took over 57% added in the period (more 14,300 beds).

After the recovery seen in 2010, Portugal reached in 2011 14 million guests driven by the evolution of foreigners, which continued in 2012, surpassing the 7.7 million, the highest value of the last decade and which maintained the total number of guests substantially at the same level as the previous year (13,8 million guests). Over the last three years the foreign guests grew at an average annual rate of nearly 6%. In 2012 domestic overnight stays in hotels reached the 39,8 million.

The overnight stays of foreigners, which represented more than two thirds of the total, were responsible for developments over the previous year, registering an increase of 5% (18% in the last three years, over 4,1 million). In the last three years the overnight stays of non-residents grew at an average annual rate of 5%.

2.3 Lisbon

In 2012, 71% of the total of guests (9,8 million) stayed in hotels located in Lisbon, Algarve and in the North region. Lisbon, the Portuguese capital, was positioned in the first place, recording 4,1 millions of guests, being the majority foreign guests - 2,7 million - which represented 66% of the total.

The evolution of the region, more 2,6% than the year before, was due to the increase of 5,4% in the number of foreign guests (138,1 thousand), once the national market decreased by 2,3%, less 32,7 thousand. In 2012, the Lisbon hotels accounted to 9,5 million of overnight stays, showing an increase of 4,9%, more 444,9 thousand than the year before. Lisbon was the Portuguese region with the second biggest share of overnight stays (23, 8%), following Algarve that reached 36,1% of the total. Regarding the income spent by guests, Algarve was again the region with the highest share (31,6%), reaching a total of 558, 5 million of euros. Lisbon, was the second one (29,1%), with a total of 541,8 million euros.

Although previously Portugal mostly welcome tourists who came to enjoy the summer holidays in the sun of the Algarve, this trend has been changing and over the years the entire Portuguese territory has gained visibility to many foreigners. Tourists come no longer to only enjoy the beaches and the warmth. Consumers realized that there are a variety of places to visit and activities to experience along the Portuguese cities. This happened mainly due to the emergence of low-cost airlines in Lisbon and Oporto, which by offering accessible prices and cheaper than the mainstream air companies, allowed several traveling segments – namely youth travellers and “city breakers” - to visit these cities and its surrounding areas. In 2012 the Lisbon airport, represented 53% of the global air traffic of the country, with 6,7 million of passengers, more 2.2 million than in 2005. In 2012, passengers arrived in Lisbon

mainly through traditional flights, which represented 82% of share (5,5 million), followed by low-cost flights, which represented 16,1% of the total flights.¹¹

Lisbon is a very old city and it is through its various conquests and triumph in the “Discoveries” age that becomes a city rich in history and of a great interest to study for the rest of the world. Not only due to its historic and cultural value, but also because of its localization, the city turned out to be a reference point of tourism attraction. The river front – Tagus river, the historic neighborhoods, cultural facilities spaces for events and conferences, the Atlantic beaches, natural parks, golf courses, the hotel offer, the accessibility conditions, including low-cost calls, provide the city with the wealth of basic conditions that validate its strategic power within the European capitals, as one of the major tourist attractions. Furthermore, is known as the sunniest European city and is also famous for the hills, the “Fado” and the “Pastel de Nata” (custard tart), meaning that music and gastronomy also complete the experience of the tourist. The strategic complementary products of the tourist area of Lisbon are golf, nautical tourism, business tourism, cultural and scenic touring, sea and sun, positioning Lisbon as a resort city and reinforcing its unique character compared to competitive destinations.

Between 2005 and 2010, the business tourism in Lisbon had shown an annual growth of 3%, which is an important progress once the business travelling has a significant impact in the economic development of hospitality and other related activities. Tourism happens during the whole year and so it can reduce the seasonality usually experienced by the tourism sector. In 2012, Lisbon was the Portuguese city with the biggest international projection in terms of business tourism, concentrating half of the ICCA events¹² that occurred in the country and was positioned in the top 15 of European countries. Additionally, Lisbon was considered one of the cheapest capitals in the European Union, and adding that to the offer of a qualified network of both public and private universities, to its high level of security, become a very attractive

¹¹Source:<http://www.turismodeportugal.pt/Portugu%C3%AAs/ProTurismo/estat%C3%ADsticas/an%C3%AAlisesestat%C3%ADsticas/osresultadosdoturismo/Anexos/2012%20-%20Os%20resultados%20do%20Turismo.pdf>

¹² International Congress and Convention Association. There are considered meetings with more than 50 participants, regular and that have already covered at least 3 countries (excluding governmental meetings) - <http://www.bes.pt/SITEBES/cms.aspx?plg=dba7647a-5127-4302-ac33-45f01a93dae0>

city to the younger audience, namely students, not only to visit but also to live. In 2010 the city registered the presence of 2800 Erasmus students on its universities.¹³

In 2012, the city of Lisbon recorded 14% of growth, one of the biggest European developments, and reached 10% of the European city breaks.

The city break is considered a short stay to visit various attractions of the city, namely its monumental, architectural, cultural, commercial and gastronomic activities and it can be divided into three categories – city breaks standards; city breaks upscale; city breaks thematic. City breaks standard include the kind of tourists that decide to travel to a city with the goal of visiting specific attractions related to a theme (historical, cultural, or social) and that usually prefer to stay at comfortable hotels - 2 to 3 stars – and that look for products and services with accessible prices. Regarding the city breaks upscale, tourists travel for the same reasons of city breaks standard but instead of looking for low prices, they look for personalized and high quality services, preferring the accommodation on boutique hotels, 4 to 5 stars and charm hotels and also for degustation menus and wine tasting. Finally the city breaks thematic include tourists which travel with the goal of not only visiting attractions but also of living experiences related to a specific theme as watching a musical, a theatre, a sports event or to a fashion event.

According to the National Strategy Plan of Tourism (PENT), in 2006 the city break was one of the ten core strategy products for the development of the tourism in Portugal. In August 2013, the most prestigious tourism awards worldwide elected Lisbon as the best destination for a city break in Europe, a distinction that the Portuguese capital achieved for the 3rd time in five years from the World Travel Awards. By winning in the category of WTA's top destinations for city breaks in Europe, from a group of eight finalists cities, Lisbon overcame very prestigious destinations such as London, Madrid, Paris, Rome, Venice, Dublin and Istanbul. It was thus recognized the attractiveness and the quality offered by the capital, in regard to short stay, highlighting the affordable prices of essential elements as lodging and restaurants.¹⁴

Then, the continuous development of the city of Lisbon as a city break product and the observed increase in the number of visitors in the city, may explain the fact that in 2012, Lisbon was the Portuguese city with the biggest number of guests but that only

¹³ Source: *www.studyinportugal.net - Lisbon experience: Study in Lisbon*

comes on the second place, regarding the number of overnight stays and the income spent by guests.

2.3.1 Lisbon visitors

From a total of 7993 individuals - 4,636 foreigners and 3,357 nationals - who responded to the Motivational Survey (2012) about the Promotional Area of Lisbon, the foreign visitors were from Germany, Belgium, Netherlands, Brazil, Scandinavia (Denmark, Sweden, Norway and Finland), Spain, USA, France, Italy, UK and Ireland. Regarding the external market, the first motivational factor for visiting Lisbon was considered to be “holidays and leisure” with 61,6%, followed by the “professional motivation” with 23%. In regard to the product segmentation, from the 61,6%, 29,9%, said that the city break was their main reason for visiting Lisbon. In relation to the goals of the visit, there were considered four main goals, being that 48% answered that they were in Lisbon to rest and relax, 35,6% were in Lisbon to taste the Portuguese gastronomy, 34,5% were to visit monuments and museums, and 31,5% to know the Portuguese culture. In opposition to the foreign market, in the Portuguese market the main reason for visiting Lisbon were professional motivations, 37,8%. Holidays and leisure represented only 33,3%. So, the motivational segments were mainly because of particular business events (21,2%) and touring in the Lisbon region (16,9%). The main objectives for visiting the city were considered to be professional issues (35,5%), rest and relax (30,1%) and be with the family (16,1%).

According to the results, 40,7% of the interviewed was female and 59,3% was male. In relation do the age of the sample, only 4,7% were 18 to 25 years old, 20,4% were from 26 to 35, 29,7% were 36 to 45 and 23,9% were 46 to 55 years old. The remaining 20,9% was up to 55. The majority of the sample (67,5%), revealed to be married, and 18,2% was single. The remaining individuals were widower or divorced. Regarding academic qualifications, 77% of the foreigners interviewed had completed at least the bachelor degree. In the specific case of visits for professional reasons, the weight of those with higher education was greater than 91%, when compared to those who visited Lisbon for leisure. On average the percentage of the academic qualifications of the Portuguese was below the foreign, being that 62% showed to have at least the bachelor degree concluded.

¹⁴ Source: <http://expresso.sapo.pt/lisboa-eleita-melhor-cidade-europeia-para-escapadelas=f828491>

A large percentage of the foreign market (83,8%) used the airplane as mean of transportation to move to Lisbon and 11,2% came by car. From the 83,8%, 34,9% came by a traditional foreign air company, 42, 8% by a traditional national air company and finally 22, 4% travelled in a low cost company. As expected, in regard to the national market, the main used transport was the private car, with 52,9% of share.¹⁵

Analyzing the foreigner's results, 5,87 was the average number of overnights stays in Portugal 4,97 in Lisbon, being that travellers who came for holidays and leisure stayed longer than the ones who came for professional reasons. In the national market, the average number of overnight stays was 4,32 nights.

Regarding the type of company the travellers brought with them, almost half of the interviewed, 48,8% said that they were with a company, the second biggest share was travelling alone, 20,2%, and 18,4% were with friends.

In relation to the average spending, results showed that the foreign market increased significantly their expenses on accommodation and food, more 24,5% and 24,2% respectively, comparing to the year before. In opposition foreigners decreased 22,1% of the total expended on transportation, 5% on attractions, and 18,7% on movements Nationals increased their expenses on almost every aspect, mainly on the attractions, with 74,3% but decreased on food expenses, by 3,3%.

In global terms, half of the international market used the Internet to book their accommodation (50,8%) and 44,6% to book the transport. In regard to the national market, the Internet use was much smaller and served almost just to book accommodation (42,5%).

3. General market trends

The travel industry is undergoing rapid change. In the next future, it is expected that tourists will look more for individual and authentic experiences and that use more than ever, the technology to organize and enjoy their trips. In the short term, the factors influencing the travel and tourism will be similar to the ones of the last years. In general, the focus is on the personal financial situation, on prices and on value for money of the offer, with the image and stability of the destinies having a huge impact on the tourists' choices. The technology will extend its influence, with consumers

¹⁵ Source: <http://www.visitlisboa.com/getdoc/04409c0a-649d-43f2-b944-337a62c3ea0c/Inquerito->

taking full advantage of modern technology to obtain information and purchase products and services before and during the travelling experience.

In the medium term it is believed that important changes may arise either from the demand side and the supply side.

It is expected that demand for more authentic and new experiences, more physical experiences in authentic destinations and more interaction with local communities will increase. Regarding the suppliers, according to the UNTWO on *The Power of Youth Travel*¹⁶, “(...) traditional vertical distribution chains are giving way to a more complex value network involving a wide range of different suppliers from within and beyond the travel sector. Travel is no longer solely dependent on the infrastructure of the old economy – airline seats, hotel beds and travel agents’ shelves. We are entering a new, flexible, networked economy in which ICT, local culture and society, education, work and play become part of the tourism value chain. In fact, the inter-relationships between travel, other economic sectors and society as a whole have become so integrated that we might conceive of a “value web” rather than the old value chain.”¹⁷ (see exhibit 18)

Moreover, the preference for ecological, sustainable and socially responsible holidays/experiences is growing, becoming a key element in tourism. The demographic trend expected for the coming years, and millions of people around the world who want to travel, have money and time to do it, but cannot because they have any kind of disability, give importance the development and growing of accessible tourism for the coming years and decades. Bloggers and social media become the main conduct of travelers through opinions, facts and photographs.

3.1 Youth travelling

According to the annual report *The Power of Youth Travel* published by UNTWO, “although the youth sector was affected by the economic global crisis, it generally declined less and recovered faster than mainstream tourism (...)”¹⁸, as youth travellers

Motivacional-2012---Cidade-de-Lisboa.aspx

¹⁶ World Tourism Organization

¹⁷Source:http://floripaconvention.com.br/MyFiles/amreports_vol2_thepowerofyouthtourism_eng_lw.pdf

¹⁸Source:http://floripaconvention.com.br/MyFiles/amreports_vol2_thepowerofyouthtourism_eng_lw.pdf

stay longer, spend more and travel more frequently than the average tourist. As youngsters have access to higher education, it was expectable to watch to a best performance of the youth travel sector compared to the international tourism downsized, during the economic downturn. An example of that were the occupancy levels of youth travel accommodation, namely at hostels, which continued to be high during the global crisis period and overtaking hotel rates. The youth and student travelling are getting a higher level of importance regarding the global tourism. In the 90's, this segment represented 15% of the tourism market and forecasts predict that it would reach 25% in the near future. From 2000 to 2010, international arrivals of youth travel, "(...) rose from 136 million to 187 million (...), signifying more than 20% of international tourism and 18% of its revenue. In 2010 young travellers generated \$US 165 billion towards global tourism and \$US 183 billion at the end of 2012, affirming their financial value to the global tourism industry and global economies. According to UNTWO forecasts, is expected that by 2020 there will be almost 300 million international youth trips per year (see exhibit 19).

Unlike the elderly population, youth population is not expectable to grow during the next coming years. However, young trips will increase as youngsters will have access to a higher income, especially in the emerging economies such as India and China, and the price of travelling becomes increasingly accessible.¹⁹

In opposition to what used to be considered the traditional age of this market segment, between 18 and 24 years old (UNTWO), the Student Marketing Youth Travel Consultancy²⁰ defines "youth travel as independent trips of less than one year by people aged between 15 and 30 (...)" and also says that exist several motivations which encourage youngers to travel as - get to know and be in contact with other cultures, grow and reach more maturity and take learning opportunities experiences from other countries - that are in general opposite to the reasons of typical holidays – rest and relax. This shift happened for two main reasons. By one hand, kids are leaving home earlier to study and attending language courses abroad. This way they can follow the process of globalization and are better prepared for their future jobs. On the other hand, young adults are nowadays living ""younger" lifestyle for longer,

¹⁹Source:http://floripaconvention.com.br/MyFiles/amreports_vol2_thepowerofyouthtourism_eng_lw.pdf

²⁰ Source: <http://www.londremarketing.com/documents/NinePs12242009.pdf>

putting off the responsibilities of adulthood such as raising children or buying property until later, and continuing to travel as a youth traveller for longer.”²¹

Therefore, youth travellers should be highly considered regarding the tourism development and marketing of services and products as they increase not only the economic impact of tourism, but also combat the “(...) effects of seasonality, provide a steady and resilient tourism market, build future tourism business which can deliver high lifetime value and stimulates innovation.” (UNTWO)²²

3.1.2 Youth travel accommodation

According to the market statistics of Safe Travel Accommodation for Youth, in 2011 there were 200 million of overnight stays. Accommodation units showed an average capacity of 67 beds and 60% had less than 50 beds. From the total youth travelers, 60% of the clients were aged between 25-34 and 35% of the individual clients stayed at shared bedrooms and 34% in private bedrooms. The average stay was 2 to 3 nights, which represents 60% of the youth travel overnight stays. It was also recorded that 40% of guests make their reservations with one month or more before the arrival day. The average global occupancy rate was 59% and it was verified that units with the average price superior to 50€ reached higher occupancy rates than then ones with prices below 50€. Furthermore, in general, the main costs of this kind of accommodation were considered to be the staff (24%) and the rent of the space (21%). Each unit has on average 29 employees, which means 1 employee per bed.

3.2 Hostels²³

3.2.1 Supply

Many hostels still continue to give an image of run-down properties, having as main guests the called backpackers²⁴ and young people with very limited budgets. However, the concept of hostel in Europe has been changing and today appears in a more trendy and modern concept, with ample public areas and is usually located in a central area, appealing to a much broader clientele, in terms of age and reason of traveling.

²¹Source:http://floripaconvention.com.br/MyFiles/amreports_vol2_thepowerofyouthtourism_eng_lw.pdf

²²Source:http://floripaconvention.com.br/MyFiles/amreports_vol2_thepowerofyouthtourism_eng_lw.pdf

²³Source: <http://www.hotelnewsnow.com/Article/9325/Trendy-hostels-emerge-as-budget-busters>

The hostels offer quality and innovative products and are usually located in the city center, attracting several segments, from the young backpackers to families and young professionals looking for accommodation at affordable prices and that give importance to social interaction with various public facilities.

The management of hostels consists usually of both people with extensive experience operating in hostels and senior executives with experience in other industries. The ownership had shift from the traditional single owner to a professional hospitality segment.

3.2.2 Demand

The trend for the hostel demand is clearly moving to an older, more educated and intelligent clientele as shown in exhibit 15. Over 50% of the guests staying in hostels are included in the 25 to 34 years old segment, with the exception of Oceania (see exhibit 20). This can be partly explained by the emergence of flashpackers²⁵, which are replacing the former backpackers, who are now older and have the means to pay more for accommodation but that still prefer the atmosphere and the social interactions founded in hostels. Couples represent the largest proportion of guests staying in hostels, while backpackers represent the lowest percentage (see exhibit 21). Thus, the hostels demand clearly had shift in terms of age and purpose of travelling.

4. Players in the Hospitality Market

The new regulation 517/2008 comes to qualify accommodation typologies not recognized in the Portuguese law, in order to promote better criteria of quality, public security and oversight. This law emerges to integrate apartments, houses and lodging establishments, like hostels, as local accommodation units. In 2012, local accommodation represented 31,5% of the total hotel establishments in Portugal, 13,8% of the total of beds, 11,5% of the total of guests and 9,17% of the total of overnight stays.²⁶

4.1 Competition in the Low-Cost segment

The Independent's *Hostel and Suites* main competitors in regard to the dorms rooms were mainly considered the lodging units offering accessible accommodation prices

²⁵ Flashpackers: upmarket backpacker; older and with higher budget

²⁶ Source: INE – Estatísticas do Turismo 2012

and with similar features or services. Thus, there were considered small units as guesthouses, bed and breakfasts, pensions and youth and backpacker hostels.

4.1.1 Youth Hostels

The youth hostels²⁷ - increased two more units in 2010, reaching a total of 50 units and from which 8 are located in Lisbon. This kind of accommodation was considered one of the main competitors of the hostel as it also offered low-prices accommodation and provided common spaces – living room and kitchen - so that guests are able to meet and share experiences with each other. The main target of youth hostels was as the name suggests, young people, particularly those seeking for a central location and a wide range of activities where they can participate. Despite offering similar features and prices to the hostels in general, this kind of lodging had fallen into disuse since the emergence of hostels that offer a more variety of facilities and are more trendy and modern than the youth hostels.

4.1.2 Bed and Breakfasts, Guesthouses and Pensions

Bed and breakfasts, guesthouses and pensions were also considered as possible competitors as these units generally offer low cost prices. Even with small variances from one unit to another, the prices of these types of accommodation can be very similar. But on the other hand, since these kind of lodging offer mainly private rooms, double or single rooms, but rarely provide public spaces that allow guests for meeting each other, do not compete with hostels in regard to the atmosphere and the whole experience. A bed and breakfast, a pension or a guesthouse usually do not offer a common space where clients can share experiences or meet each other, in opposition to hostels where from the rooms to the cooking area, there are incentives for sharing – for example, 12 beds' dorms. Thus, B&B, pensions and guesthouses may target different kind of customers from the hostel's customers, namely from the guests which usually stay at the dorms. Their main customers may be more young adults or couples who value more privacy but just want to pay cheap prices, as customers that usually look for the hostel double private rooms. These customers probably value a more personalized and intimate service as the manager of these establishments usually also lives there.

²⁷ Pousadas de Juventude

It is important to add that pensions are becoming an old style of accommodation and that not provide the fancy atmosphere as hostels do. The environment is currently one of the main factors that make guests to decide about the best place to sleep.

4.1.3 Hostels

According to the information provided by the President of AHP²⁸, in 2010 there were 40 hostel units in Lisbon, corresponding to a capacity of 2500 beds, which accounted for 5% of the existent offer of beds of the total accommodation units in Lisbon. Moreover, the president also said that the demand levels have not followed the considerable growth of the hostels supply, contributing to a fall in prices and loss of profitability of the units.

According to the results of a study conducted about the hostel segment in Lisbon²⁹, which included a total of 20 hostels from these 50 integrated in the city, it was concluded that the hostels offer is very recent, being that all reported units started their operations after 2006 and 60% for less than three years. These 20 hostels reported a total of 1483 beds, being all showed to have a different capacity and characteristics (see exhibit 22).

4.1.3.1 The Independent Hostel & Suites main competitors

In the absence of official data to characterize the recent offer of hostels in Lisbon, there were followed some market trends already described, in order to better analyze the Independent main competitors. Thus, as we observed that big part of the travellers are nowadays booking their accommodation through the Internet and not anymore at travel agencies³⁰, there were considered hostels units registered on the Hostelworld and Hostelbookers websites³¹. In July 2013, there were 50 hostels located in Lisbon, registered on these websites³². From these 50 hostels, there were considered as the main competitors, the hostels that included similar facilities – Internet access; Wi-fi; Bar; Common room; Self-catering facilities; 24 hours reception; Breakfast included and Luggage storage - which offered prices from 13€, and also the ones with more than 100 reviews and that reached a superior score than 95% on the websites.

²⁸ Associação Hoteleira de Portugal – 87th magazine of ATL (Associação de Turismo de Lisboa)

²⁹ Ana Saraiva - *Master thesis: Independent hostels: the case of Lisbon*

³⁰ Source: <http://www.visitlisboa.com/getdoc/04409c0a-649d-43f2-b944-337a62c3ea0c/Inquerito-Motivacional-2012---Cidade-de-Lisboa.aspx>

³¹ Hostelworld – is the world's number one hostel booking website

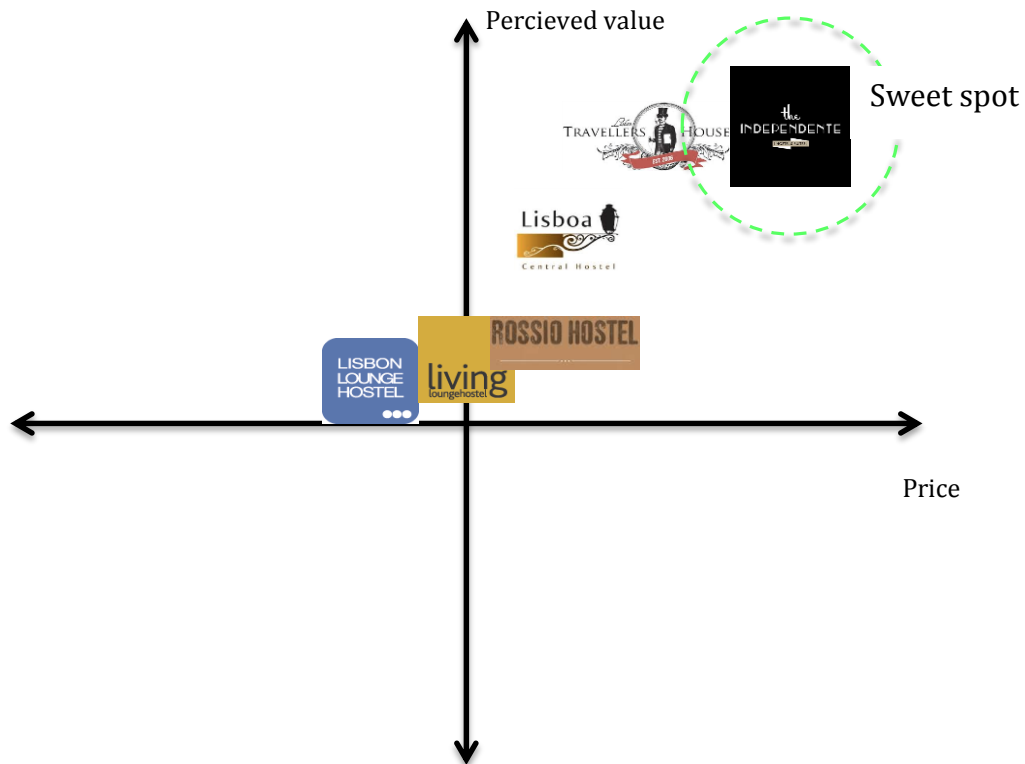
Moreover, as we have seen that the former backpackers are married or now shifting to flashpackers, and that big part of Lisbon travellers come in couples, there were selected hostels that included double or twin rooms and en-suites. Through this selection it was found that there were only 12 hostels that included all these characteristics – Lisbon Destination Hostel; Lisbon Central Hostel; Goodmorning Lisbon Hostel; Sunset Destination Hostel; We Love F. Tourists; Living Lounge Hostel; Lisbon Lounge Hostel; Alfama Patio Hostel; Stay Inn Lisbon Hostel; Yes! Lisbon Hostel the Travellers House; and the Rossio Hostel.

Although varying from year to year, between 2008 and 2012, the Travellers House, Rossio Hostel, Living Lounge Hostel, Lisbon Lounge Hostel and Lisbon Central Hostel had won successive awards on Hostelworld competitions, being each elected at least once, to be on the three top hostels of the world and some more than one time. Thus, these five hostels are probably the main competitors of the Independente, not only by the awards achieved but also by the engagement of customers reached on their Facebook page (the ones located in Lisbon with more than 2000 likes).³³

All the units are located in the city center and regarding to the hostels products, there were found dorms of 4, 6, 8, 10 and 12 beds and in relation to twin, double and en-suite rooms there were found from *basic twin private rooms with shared bathroom* at Rossio Hostel, to more luxury products, as the three *deluxe double bed private en-suite rooms* at Travellers House, with available prices from 22€ to 42.50€, respectively (see exhibit 23). Therefore as the majority of hostels, offered more dorms than double rooms with private bathrooms, it can be concluded that the supply of this kind of rooms might be below the demand considered through market trends described. Moreover, although having common kitchen and selling of snacks, none of these hostels include a restaurant service integrated on it.

³² Provided data through e-mail: customerservice@hostelworld.com

³³ The Independent was in the middle of 2013, the hostel in Lisbon reaching more “likes” on its Facebook page, around 10,000.



4.2 Competition in the premium segment

In regard to the premium segment the offer is larger than in relation to the low-cost segment, once this last appeared only very recently (2006).

As said before, the suites rooms of the Independente offer similar prices to four-stars hotels. Therefore, there were considered as its main competitors, some of these four-stars hotels located in Lisbon, offering not only similar prices but also located in a premium place, with a distinguish décor style and which are considered to provide an authentic experience to its guests. There were selected hotels from the 70 hotels founded on the Booking website³⁴ and some elected by the Guardian³⁵ as the bests to stay in Lisbon. It is important to add that the Independente is different from these

³⁴ The world leader in accommodation online

³⁵ British national daily newspaper; Elected the Independente *Hostel & Suites* as one of top 10 luxury hostels in Europe;

units, as it doesn't provide rooms service and so it might reach a slightly different clientele.

“Lisboa Carmo Hotel is located in the heart of the city and features luxury rooms with classic and contemporary décor. The upper floors of the hotel offer views of the Tagus River and Lisbon's old town.”³⁶ It includes free breakfast but there are no restaurant meals available for its guests. The prices vary from 150€ - single room – to 310€ - family suite, being that a double room with city and river view vary from 200 to 250€.

The Lx Boutique Hotel is a new and modern hotel, in the heart of Lisbon and it aims to provide to its guests the truly experience of living in Lisbon. The “hotel offers themed rooms with unique views over Lisbon and Tejo River”³⁷, with prices varying from 115€ - standard double room - to 350€ - Grand Suite with River view, being the Superior Double Rooms with river view around 220€.

The hotel also includes a sushi restaurant - Confraria - opened to guests and to the general public.

Inspira Santa Marta Hotel & SPA is located 80 meters from the one of the main Avenues of Lisbon, Avenida da Liberdade, and it includes a stylish restaurant with Mediterranean dishes and is equipped with a SPA. It includes luxurious rooms decorated according to the principles of Feng Shui, costing from 120€ - superior double room to grand suite - 319€, being that the double rooms and suites vary from 150€ to 200€. In opposition to the other mentioned hotels there are no rooms available with view over the city and the Tagus River.

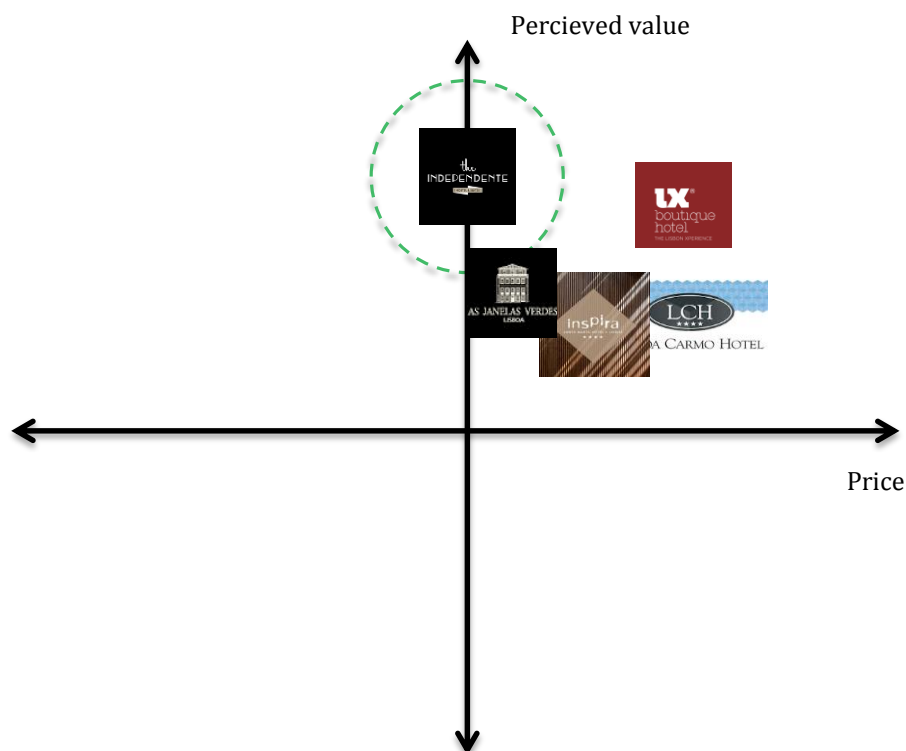
As Janelas Verdes is situated next to the Ancient Art Museum and features a rooftop library with a terrace and views over the Tagus river. The hotel is decorated with photo, books and art objects. It also offers a terrace where guests can take the breakfast during the spring and summer, a dining room with antique decorations and a living room where guests can relax. The prices vary from 120€ - classic rooms – to 180€ - Bairro rooms.

A part from the hotelier market, there were found apartments that might be competitors of the Independente suites. Some of these units offer similar prices, the luxury and decoration similar to the Independente and are located in the city center.

³⁶ Source: <http://hotellisboa.co.uk/?AltLang=Yes&idioma=fr>

Moreover are units, which in general provide a more personalized service and that attend to its guests specific needs as hostels do. These apartments are different from the Independente in regard to the price, which is slightly above, and also in regard to the features.

The apartment usually provide a private kitchen for its guests use – different from shared kitchen - so that they can save money on restaurants meals and also do not provide a common room where guests mingle and meet.



5. Projecting the future growth

The presence of three features on the market - the hostel, suites and restaurant – have allowed Duarte to test different concepts and to evaluate the customer’s response to each of the services. Thus, from the previous experience and by having explored the future market trends, he should be able to decide what scenario to choose regarding the expansion plan – (1) Fold the model that already exists since it has been constantly growing and that is different from the market competitors or (2) focus on the extension of the premium segment by increasing the number of suites and restaurants?

³⁷ Source: http://www.triptake.com/Hotels-in-Lisbon-43782/4_star/

6. Appendix

Exhibits 1 – Tripliches – triple bunk bed with 100% recycle wood



Source: the Independente Hostel & Suites facebook

Exhibit 2 – the Independente hall: art deco



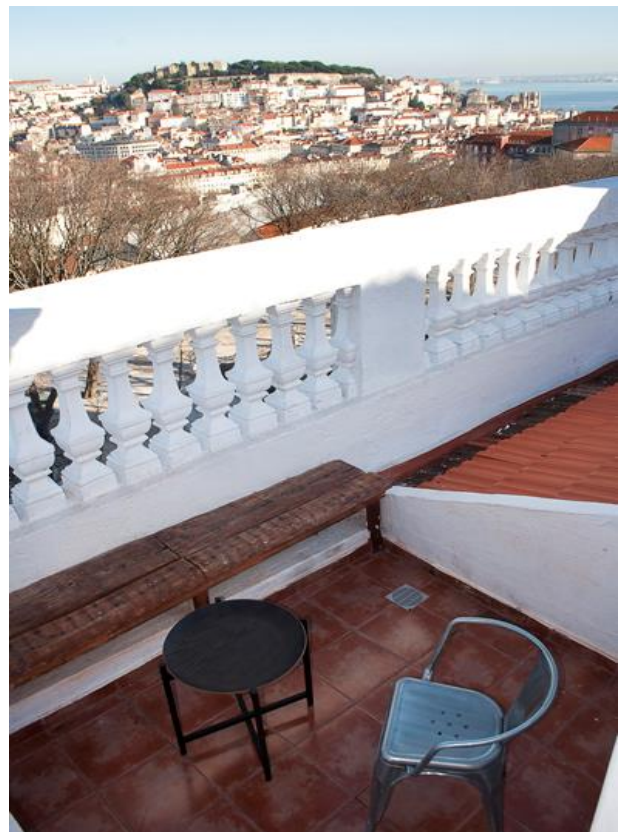
Source: the Independente Hostel & Suites facebook

Exhibit 3 and 4 – the Independente dorms and guest’s living room



Source: the Independente Hostel & Suites facebook

Exhibit 5 and 6 - the Independente suites and suites terrace



Source: the Independente Hostel & Suites facebook

Exhibit 7, 8 and 9 – the Decadente; the terrace and lounge



Source: the Independente Hostel & Suites facebook

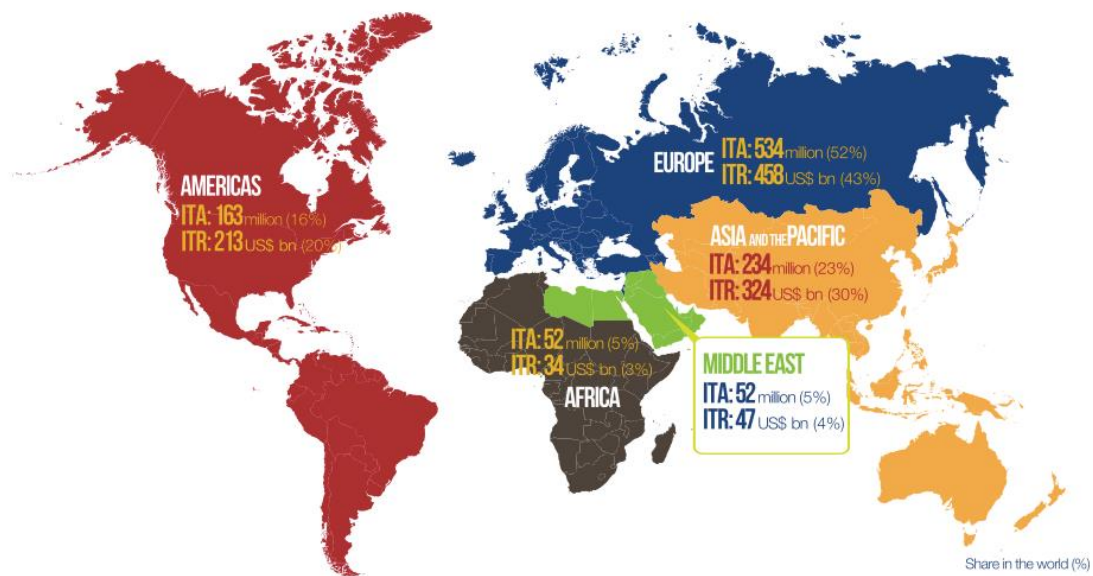
Exhibit 11 – Tourism in the world: key figures



Source: World Tourism Organization – UNTWO Tourism Highlights, 2013 Edition

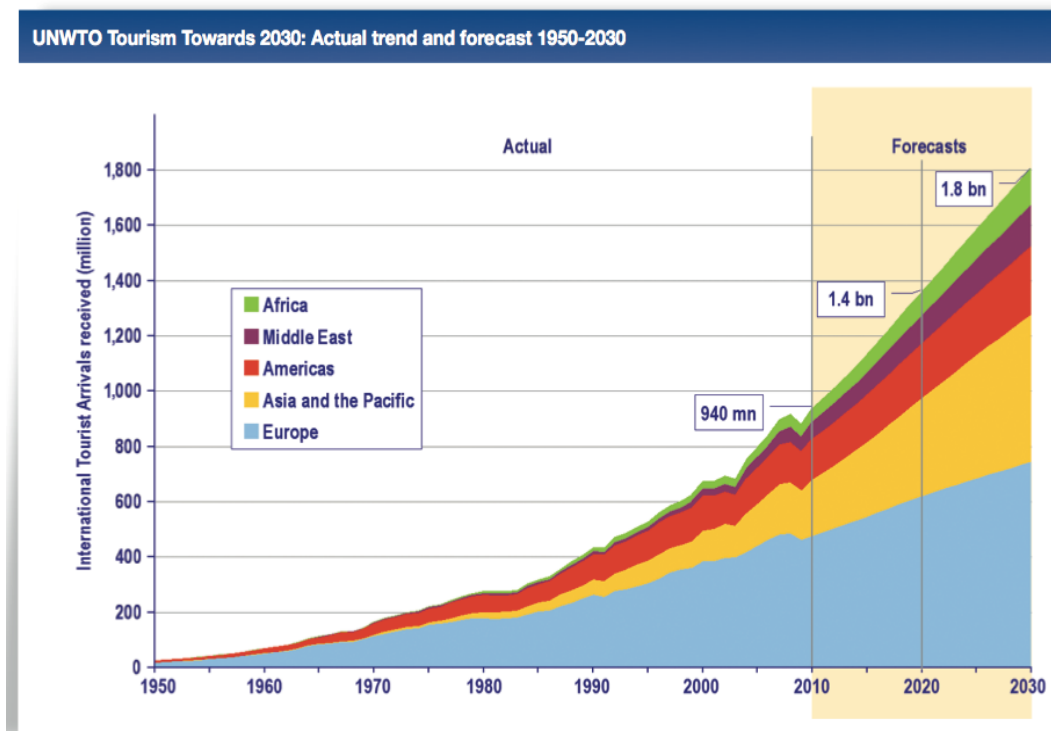
Exhibit 12 – International tourist arrivals and International tourism receipts by Continent in 2012

INTERNATIONAL TOURISM 2012 International tourist arrivals (ITA): 1,035 million
International tourism receipts (ITR): US\$ 1,075 billion (bn)



Source: World Tourism Organization – UNTWO Tourism Highlights, 2013 Edition

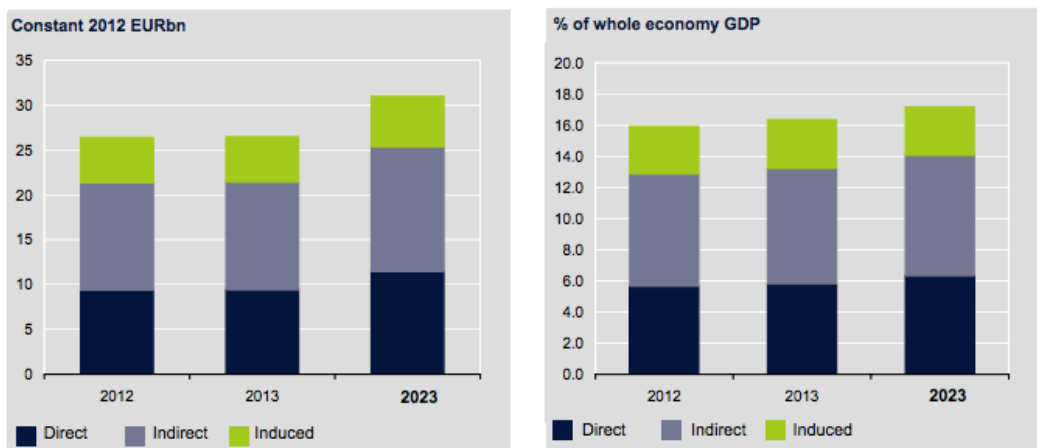
Exhibit 13 - International tourists arrivals by regions – Actual and forecast 2030



Source: World Tourism Organization – UNTWO Tourism Highlights, 2013 Edition

Exhibit 14 – Portugal: Total contribution of travel and tourism to GDP

PORTUGAL: TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO GDP

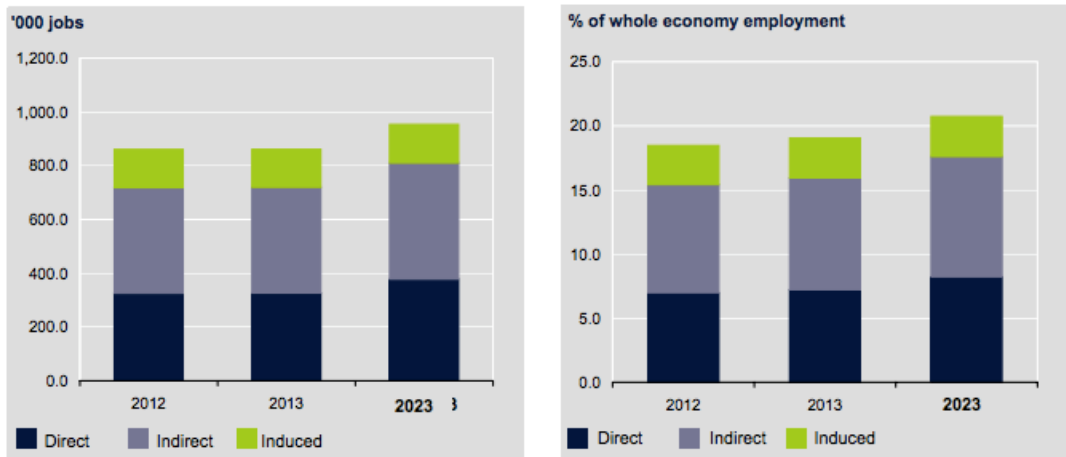


¹ All values are in constant 2012 prices & exchange rates

Source: World Travel & Tourism Council – Economic impact 2013 Portugal

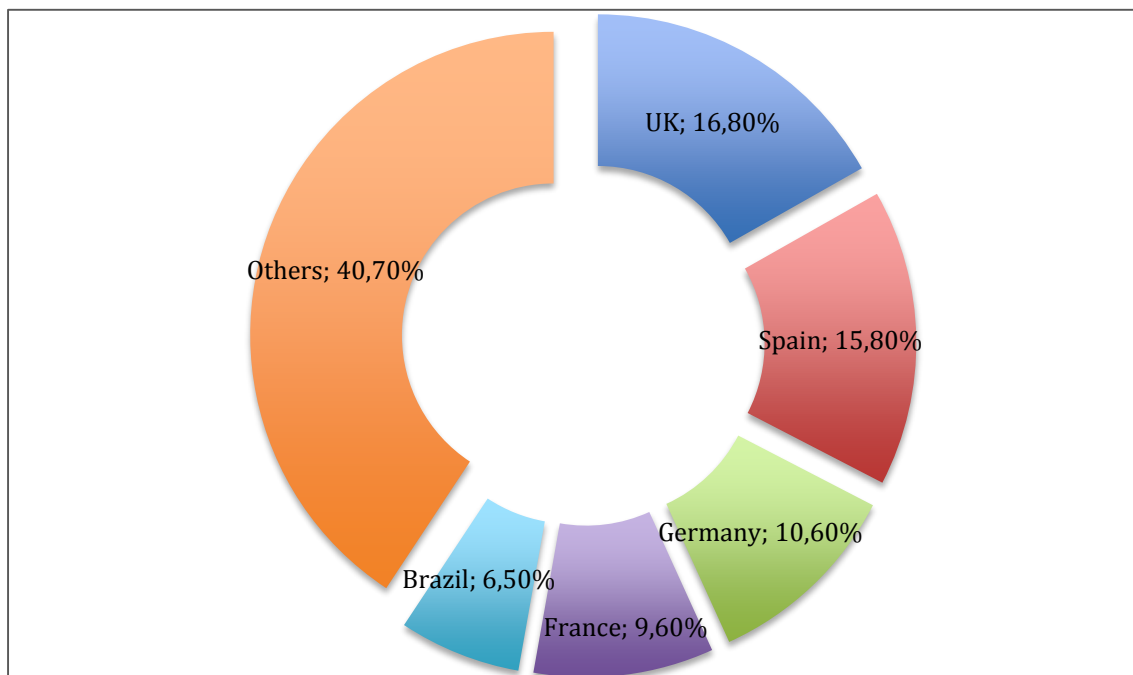
Exhibit 15 – Portugal: Total contribution of travel and tourism to employment

PORTUGAL: TOTAL CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT



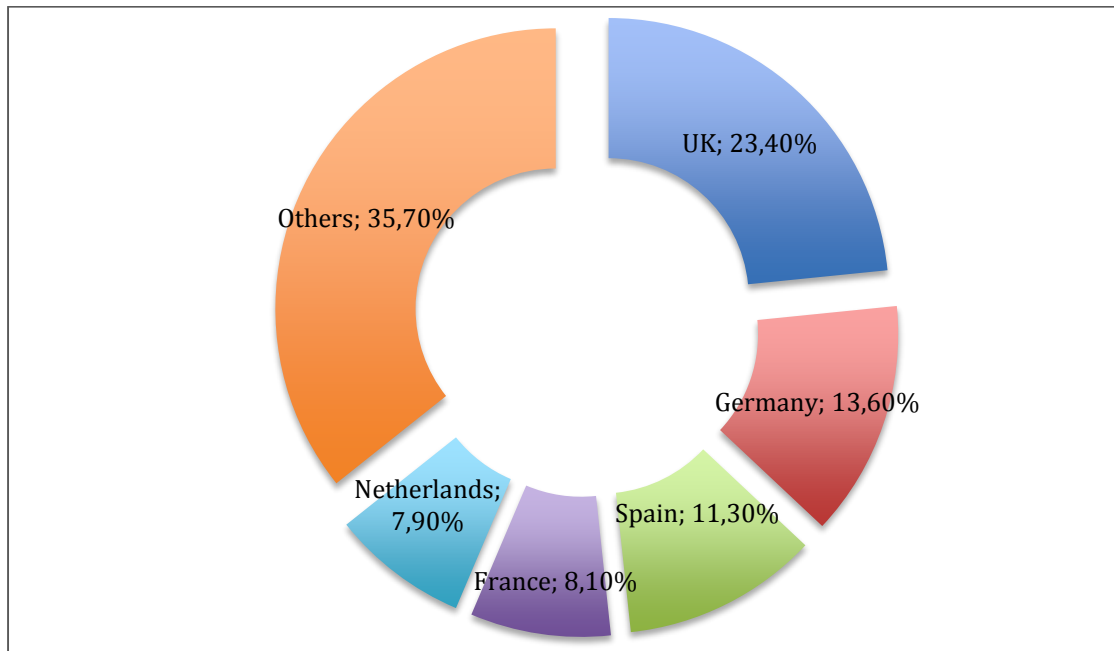
Source: World Travel & Tourism Council – Economic impact 2013 Portugal

Exhibit 16 – International guests - TOP 5 source markets – share 2012



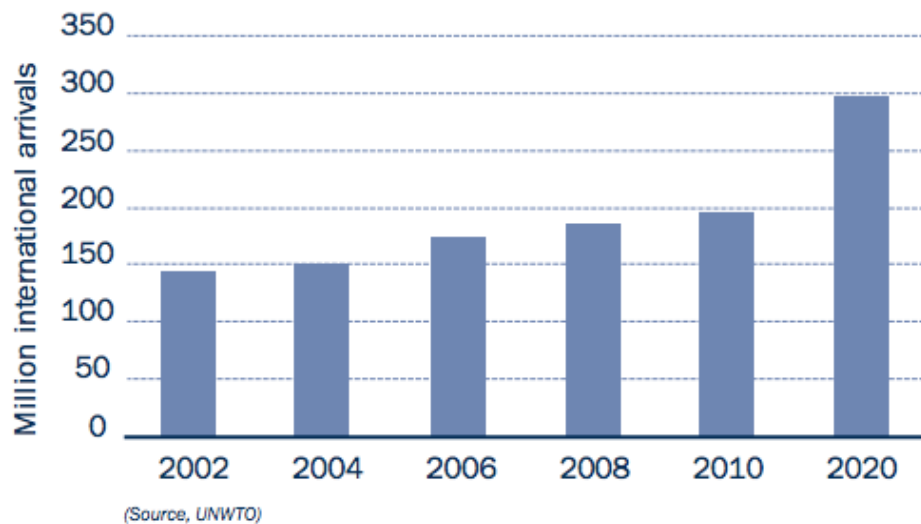
Source: Turismo de Portugal: Os resultados do turismo 2012

Exhibit 17 - Overnight stays of international guests –TOP 5 source markets – share 2012



Source: Turismo de Portugal: Os resultados do turismo 2012

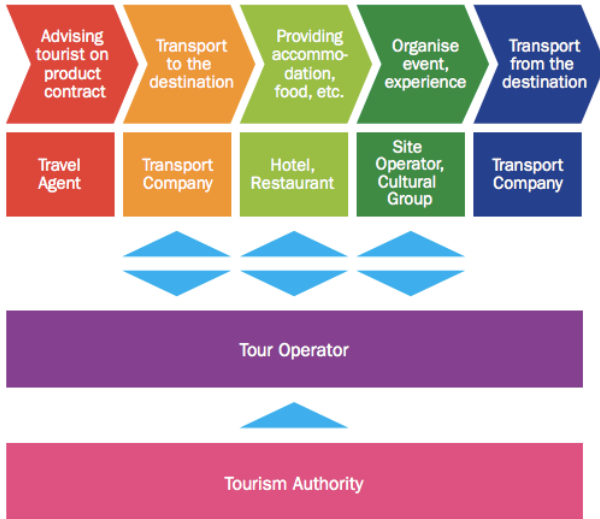
Exhibit 18 – Youth travelling: International tourist arrivals – forecast 2020



Source: UNTWO - Annual Report 2010: The power of youth travel

Exhibit 19 – Current value web chain of travelling industry

TRADITIONAL TOURISM VALUE CHAIN

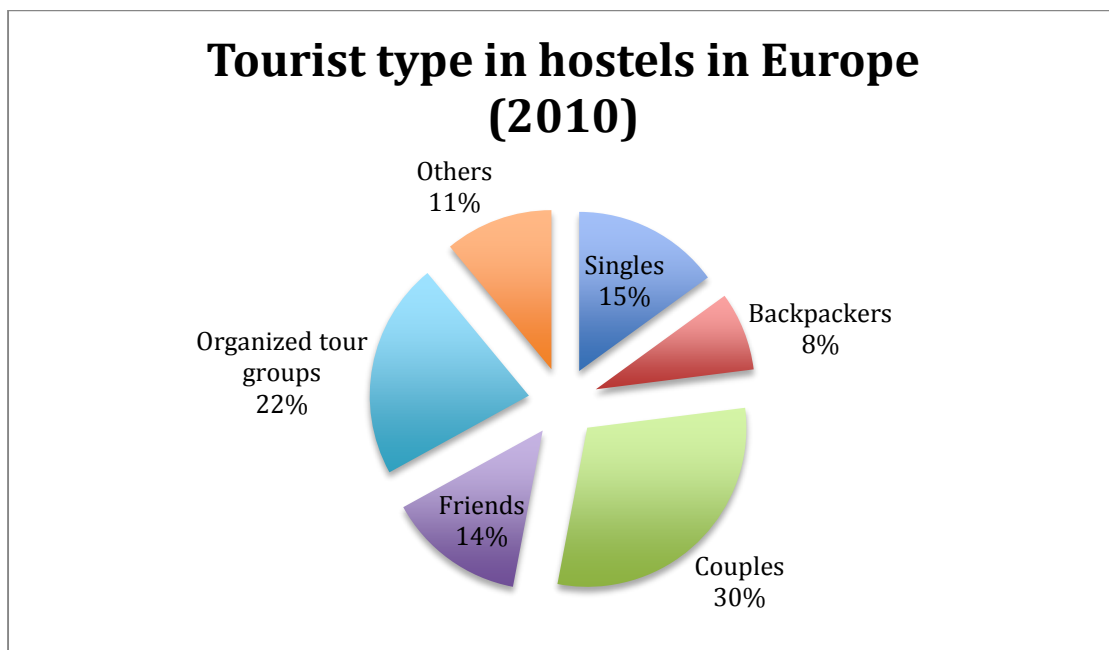


NEW VALUE WEB



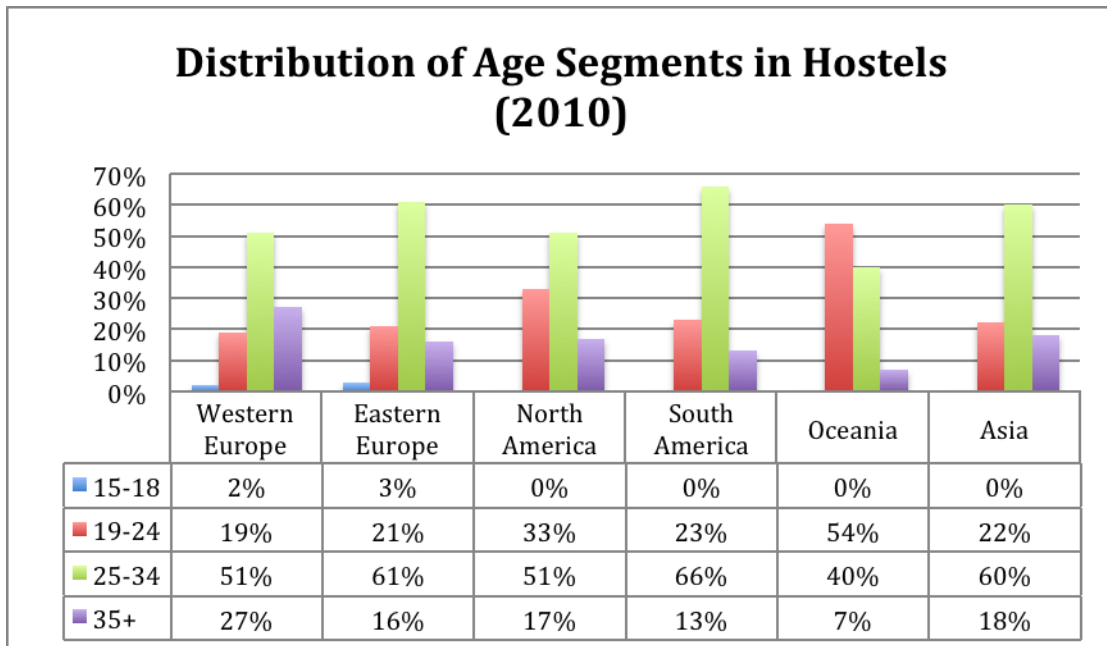
Source: UNTWO - Annual Report 2010: The power of youth travel

Exhibit 20 – Hostels demand



Source: hotelsnow.com

Exhibit 21 – Hostels demand



Source: hotelsnow.com

Exhibit 22 – Lisbon Hostels characteristics overview

<u>1.</u> <u>Total beds</u> <u>per hostel</u>	<u>2.</u> <u>Type of room</u>	<u>3.</u> <u># of beds</u> <u>per room</u>	<u>4.</u> <u>Facilities &</u> <u>other</u> <u>components</u>	<u>5. Bathroom</u>	<u>6.</u> <u>Price</u>	<u>7.</u> <u>Communication</u>
a. X=71	a. 79% dorms	a. 66% 4 to 6 beds	a. 100% 1.kitchen 2.wi-fi 3.computers	a. 76% separated bathroom by gender	a. 76% 15-19€	a. 95% Own websites
b. Min= 141	b. 21% private room	b. 18% 8 beds	b. 60% 1.snacks	b. 65% included en-suite rooms	b. 14% 7-14€	b. 95% Social networks
c. Max=29	c. 84% of total capacity were dorms	c. 12% 10 beds	c. 52% 1.Meal services	c. 38% only dorms	c. 10% 20-30€	90% Other websites
			d. 50% 1. Terrace		d. Private rooms 1. 50%(55- 79€) 3. 25%(40- 54€9	

Exhibit 23 – Competition in the Low cost segment

Hostel	Type of room	Nr of rooms	Average price	Private or shared Bathroom
Lisbon Central Hostel	4,6,10 mixed dorms	6	16€-22€	Shared
	Twin private	3	25€-30€	Shared and en-suite
Living Lounge Hostel	4,6,8 mixed dorms	5	10€-14€	Shared
	Twin private	4	22€	Shared
	Single private	4	25€	Shared
Lisbon Lounge Hostel	4,6,8 mixed dorms	4	12€-16€	Shared
	Twin private	1	25€	Shared
Travellers House	3,4,6 private and mixed	8	16€-25€	Shared bathroom
	Single room	2	40€	Shared bathroom
	Twin room	1	32.50€	Shared bathroom
	Double room en-suite	2	42.50€	Private bathroom
	Double room	4	32.50€	Shared bathroom
	Budget small double room	2	37.50	Private bathroom
Rossio Hostel	3 (private),4,6 mixed	3	14€-16€	Shared
	Basic twin private	4	18€	Shared
	Double bed private	4	22.50€	Shared
The Independent Hostel & Suites	6,9(fem and mixed),12	11	16€	Shared
	Superior Twin Private	4	110€	Private

II. Teaching Note

1. Synopsis

The case study is about the Independent *Hostel & Suites* and the Decadent *Restaurant & Bar*, that opened in September 2011, in an old palace located in Lisbon.

Since its opening, the business has reached successive awards, being the Independente one of the rare cases recommended by the exclusive travel guide of *Louis Vuitton* and also recently nominated as the most luxury hostel of Europe by the journal *the Guardian* (Jan 2013). Also, the Decadente has been target of several awards and critical praises, having been nominated in December 2012 by Time Out Lisboa to integrate the guide of the twenty best restaurants in Lisbon.

By offering two, different but complementary, services, at the same space – hostel and restaurant - is distinguished by its innovative character and serves as a meeting point, where “travellers as well as locals can come together”. Not only by the development of low-cost and premium products “under the same roof” – Hostel versus Suites and Restaurant – but also by the prices charged, it was considered a different hostel and positioned in a different level from the others existent in the market.

Duarte D’Eça Leal was now considering the expansion strategy of the business in order to ensure its continuous success, but before he would have to look at the tourism industry and the current market trends. On one hand, the total arrivals in Lisbon showed to increase during the past seven years and are expected to increase through the implementation of new low-cost airline routes, meaning that probably more young travellers were coming. But on the other hand, the hotel and hostels occupancy rates, where already suffering from an oversupply compared to the demand, meaning that tourists were probably not staying at these kind of lodging. So the challenge was to understand how to expand the business following these market trends – what segments are coming and what do they value during the travelling experience. Also, he would analyze the profitability of the services.

Duarte could proceed with one of two possible scenarios: (1) following the same model as the Independente Hostel & Suites or (2) focus on the premium segment by positioning the new hostel in a different level from the existent one.

2. Teaching objectives

The case study focuses on the following teaching objectives:

1. Understand the market trends of supply and demand of the Lisbon market
2. Apply the marketing mix model (product, place, price and promotion) considering the Independente Hostel & Suites
3. Learn about how to target different markets through bundling of services
4. Understand how to be more profitable within the business by generating economies of scale
5. Understanding of “ from commodity to differentiation”: high value; high margins
6. Apply the STP marketing model (Segmentation, Targeting, Positioning)
7. Help students to understand what are the key issues to consider when defining about the expansion strategy of the firm

3. Class Plan

This section it is composed by key assignments, which instructors may follow when analyzing the case in class. It is recommended that the discussion of the case be supported by relevant theories presented on the literature review. Moreover, questions and frameworks must be completed and improved by instructor's own experience, in order to ensure the analysis if the case is totally well understood by students.

Key assignments:

1. Characterize the Lisbon industry/market consumption. Analyze how consumer behavior can have an impact on company sales.
2. What are the Independente's main competitive advantages over competition?
3. What is the unique selling proposition of the Independente Hostel & Suites?
4. Identify the strategy followed by the Independent since its opening until now.
5. Analyze the pricing process adopted by the company until the moment.
6. Imagine that you were the responsible for the Independente's future expansion and you will have to decide now how best to expand the company. What strategy would you follow?

Time (in minutes)	
15	Question 1
15	Question 2
5-10	Question 3
15-20	Question 4
10	Question 5
20	Question 6

4. Use of the case

The Independente Hostel & Suites case can be applied in a marketing course or used to address some topics of the strategy course. It will help students to understand how to develop a new business through using the marketing mix model, namely the pricing process. Moreover it provides students with tools so that they know how to identify consumer's preferences and market trends, and helps them in understanding how to use that information to prepare a business expansion strategy.

5. Literature review

The marketing strategy concept is a vast process that has several definitions with different meanings. It is not possible to cover all the relevant theories regarding this concept so I will focus essentially on the areas that can be more directly linked to the case study. The goal is to provide and explain the frameworks and tools that students should use when preparing, analyzing and discussing in class the current Case Study.

5.1 Product Mix Pricing

Some firms apply the product mix pricing when the product is part of a product mix. Managers use this strategy when the present company looks for a set of prices that maximizes profits on the total mix. Setting a price is a not an easy task because the different selling products or services have demand and cost interrelationships and are subject to various degrees of competition. Kotler and Keller (2012) defined six situations for product-mix pricing.

The first one is the *product line pricing*, which is applicable to companies that prefer to develop product lines than single products. In these cases the firm introduce price steps that can be perceived as different levels of quality for example.

The second situation is the *optional-feature pricing*. Many firms offer optional products, services and features additional to the main product. Sometimes this situation can turn the pricing process even more difficult because companies have to decide which to include in the standard price and which to offer independently.

Thirdly, there is the captive-product pricing situation, which consists on the adding of captive products to the standard product. For example, promotions or discounts can be offered to the product or service that is being sold.

Two-part pricing, by-product pricing and product bundling pricing are the last three possible situations a firm can use when applying the product-mix pricing.

Two-part pricing consists on a fixed fee plus a variable usage fee, which is chosen by the customer. This situation is commonly applied to guarantee customer's loyalty to at least one of the products or services offered. Managers usually see it as way to capture clients to buy other products. The problem firms might face is in regard to this pricing process is "how much to charge for the basic service and how much for the variable usage fee" (Kotler & Keller, 2012).

The by-product pricing is the situation where the by-products resultant from the production of certain goods, make the pricing process easier for the company to charge a lower price on its main product if competition forces it to do so.

Finally, there is the product-bundling pricing when products and features are sold in bundles. There are two different types of bundling: pure bundling and mixed bundling. Pure bundling consists on products sold only as a bundle. This means one product or feature is not sold without other component(s). Mixed bundling occurs when the seller gives the alternative to buy products both individually and in bundles, commonly charging less for the bundle than if things were purchased separately.³⁸

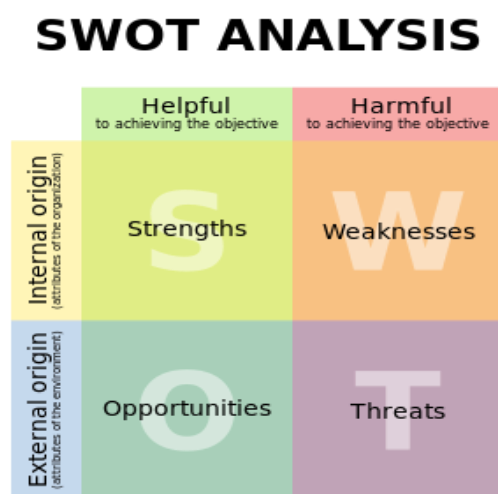
5.2 SWOT Analysis

According to Kotler & Keller (2012), a useful and practical framework that helps a manager to analyze the company main's strengths, weaknesses, opportunities and threats is the SWOT analysis. By evaluating these forces we become able to understand the external and internal marketing environment.

³⁸ Keller, Kevin L. and Kotler Philip (2012), *Marketing Management*, 14th Edition

For the External Environment analysis – opportunities and threats – Kotler & Keller (2012) defends that “a business unit must monitor key macroenvironment forces and significant microenvironment factors that affect its ability to earn profits”(…) Managers must be aware of customers trends as well as to any important market developments that may impact on the business growth. “Good marketing is the art of finding, developing, and profiting from these opportunities”, stated Kotler & Keller (2012). By evaluating the company through the SWOT analysis framework, the manager should understand where the marketing opportunity is. This means, what area should the manager explore in order to satisfy the buyer need and consequently reach the maximum possible profit. The authors also defend that there are three main sources of market opportunities. The first is to provide customers with some product or service, which is little in the current market. The second is to supply something in a new or superior way by asking consumers for their recommendations. And the last one is to offer a completely new product or service. ³⁹

Exhibit 2 – Swot analysis framework



5.3. Unique Selling Proposition

Many marketers feel that companies should aggressively promote particular product or service benefits through the use and strategy of Unique Selling Proposition. According to Kotler, the Unique Selling Proposition concept represents what makes a product or a service different from its competitors. The U.S.P. is a marketing concept

³⁹ Keller, Kevin L. and Kotler Philip (2012), *Marketing Management*, 14th Edition

that was first suggested as a theory to explain a pattern among successful advertising campaigns of the early 1940s. The U.S.P states that such campaigns made unique propositions to customers and that it convinces them to switch brands. Today is used in other fields or just informally to refer to any aspect of an object that differentiates it from competitors. Businesses and organizations use USPs as a basis for their marketing and advertising campaigns.⁴⁰

The concept is composed by three different words unique, selling and proposition that if analyzed separately provide us with a more clear understanding of the whole concept. The word unique clearly sets the customer apart from the product or service's competitors, positioning the client the more logical choice. "Selling means that one persuades another to exchange money for a product or service. Proposition means that is a proposal or offer suggested for acceptance".⁴¹ The major advantages of the USP strategy are to improve the positioning and marketability of any company once USP differentiates the business in the current and potential customers or client's perspectives. Also, it helps to improve the company's internal performance because the team becomes focus on delivering the promise, as the USP is a force that drives the business and sales success. The essential elements of the USP concept are: external focus; to target a specific group or niche; to be easily understood and retained; to offer an obvious benefit and to be easily integrated with marketing materials.

5.4 Strategic Solutions

5.4.1 Generic Competitive Strategies

Porter (1980)⁴² suggests three generic competitive strategies that one company may develop in order to outperform other companies in an industry: overall cost leadership, differentiation and focus.

Cost leadership happens when a company gets the most considerable lowest price in an industry, which is generally achieved by assuming an enormous cost control in relation to different aspects. The costs are minimized by the company in diverse dimensions and areas such as advertising, R&D, sales force, and so on.

⁴⁰ Keller, Kevin L. and Kotler Philip(2012), *Marketing Management*, 14th Edition

⁴¹ Source: http://www.slideshare.net/gar_dev/unique-selling-proposition-tagline

The second competitive generic strategy is differentiation. It occurs when a company tries to create a product or service that is seen as unique inside its industry. This product or service has unique features and consumers perceive it as being different from the ones that already exist in that market. By offering unique products and services the company can charge higher prices, thus taking higher margins. This differentiation provides isolation against its competitors due to two main factors: customers are more loyal towards the brand and they are less sensitive to price. However, in order to differentiate a product, Porter stated that the company is required to sustain additional costs, for example, to advertise a brand and thus being able to differentiate it from its competitors. According to Lynch (2003)⁴³, there are two main problems regarding the differentiation strategy. First, it is difficult to estimate whether the additional costs incurred in differentiation can be recovered by setting a higher price to customers. Second, the successful differentiation strategy may consequently attract competitors to copy the unique product or service and enter the same market segment. Additionally, this generic strategy requires an exclusivity perception that is usually not well matched with reaching a high market share because not every client will be willing or able to pay those higher prices.

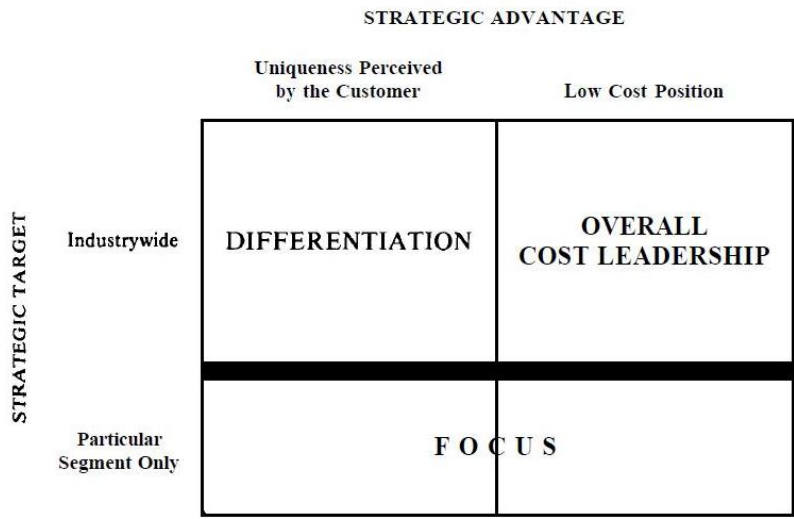
The final generic competitive strategy rests on the choice to focus on a tight competitive scope within a specific industry (Porter, 1985)⁴⁴. Companies that decide to follow this strategy may choose between three particular focuses. They may determine to focus on a certain product segment, on a specific group of clients or to plan their business according to a particular geographic market. By following this generic competitive strategy companies become probably more efficient in targeting than its competitors.

⁴² Porter, Michael E. (1980), *Competitive Strategy: Techniques for analysing Industries and Competitors*

⁴³ Lynch, Richard (2003), *Corporate Strategy*, 3rd., Prentice-Hall

⁴⁴ Porter, Michael E. (1985), *Competitive Advantage*

Exhibit 3 – Generic Competitive Strategies



5.4.2. From Commodity to Product Differentiation

Theodore Levitt (1980)⁴⁵ states: “There is no such thing as a commodity. All goods and services are differentiable. Though the usual presumption is that this is more true of consumer goods than of industrial goods and services, the opposite is the actual case. In the marketplace, differentiation is everywhere. Everybody – producer, fabricator, seller, broker, agent, merchant – tries constantly to distinguish his offering from all others.”

The author stated the characteristics of the products through which the marketing responsible can reach customers from competition and consequently retain them in his company.

Products are not merely tangible offers. “To the potential buyer, a product is a complex cluster of value satisfactions”. Each customer gives value to a product in proportion to its perceived capacity to meet his needs.

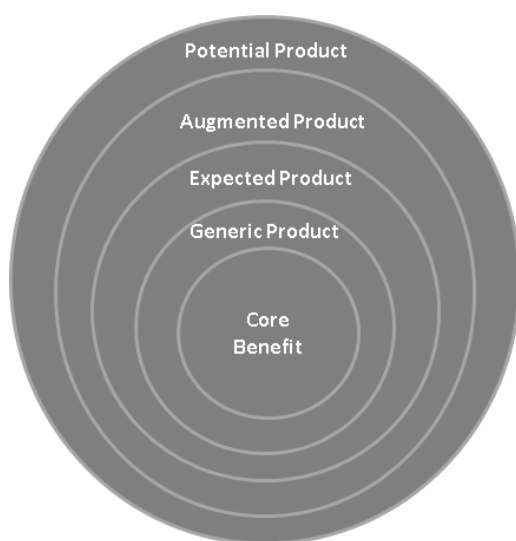
Levitt describes four different product levels. The first is the generic product, which consists in satisfying the customers’ basic needs with the product basic components. The second one is the expected product, which includes the expected components or elements of a product that the customer believes he is going to obtain when he purchases the product. Levitt defends that the customers will only acquire the product if it meets its broader expectations and there are different means that can be used in

⁴⁵ Levitt, Theodore (1980), “Marketing Success through differentiation - of Anything”

order to meet those expectations. Thus, differentiation assumes a crucial role at this product level. The third level is the augmented product. Differentiation is not restricted to offering consumers what they are already expecting. What each customer expects can be augmented in several different ways by other things that he has never imagined. For example when a manufacturer of health and beauty aids provides warehouse management assistance and training programs for the employees of its distributors, that company has augmented its product by offering one additional component that was not previously expected by the buyers. The product offered by this company is besides what was required by the buyers. The last level is the potential product. This level consists on everything that the product might include to attract and keep customers from competition.

Later on Philip Kotler (2006) presented a new product level that complements the previous total product concept defended by Levitt. The added level presented by Kotler is the fundamental level, known as the core benefit of the product. The core benefit is the first level of the product and it lies on the product or service that the customer is actually buying. A customer that buys a camera is purchasing more than just a camera, he is actually buying moments and memories.

Exhibit 4 – Total Product Concept



5.4.3 Four Basic Growth Alternatives

As stated by Igor Ansoff ⁴⁶ (1957),

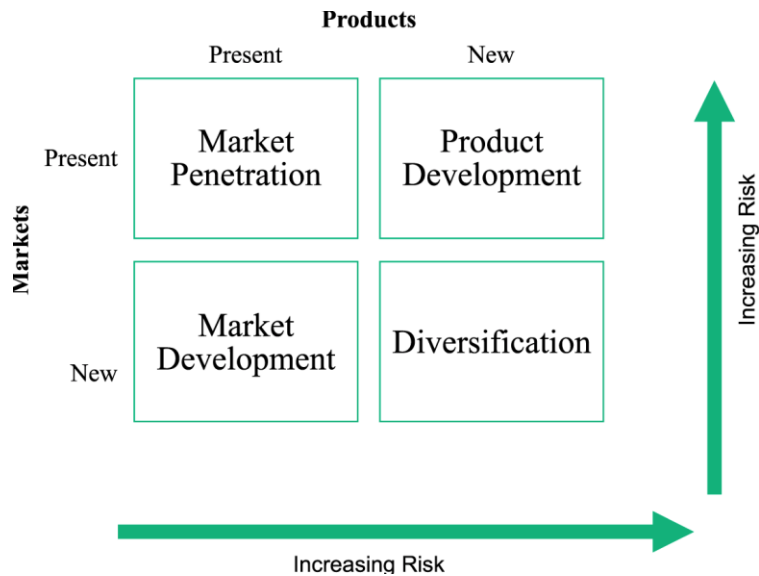
“Just to retain its relative position, a business firm must go through continuous growth and change. To improve its position, it must grow and change at least twice as fast as that”.

This author created a matrix where he defines four basic alternatives for a company to grow. The company can grow by following the market penetration, market development, product development or diversification alternative.

Market penetration happens when a company reaches a growth in sales but maintains the primary product-market strategy. A better performance of the firm can be accomplished through increasing sales to its current clients or by looking for new customers to sell the products it presently sells. Market development it is strategy adopted by certain companies, which consists on the adaptation of the product line segment to reach more clientele than the captured until the moment. The third alternative, product development, can be defined as a strategy in which the company creates new products but retaining its current mission. The diversification strategy requires a simultaneous change in the company’s current product line and in its present market structure.

Exhibit 5 – Ansoff Matrix

⁴⁶ Ansoff, I. H. (1957), *Strategies for diversification*



6. Analysis

1. Characterize the Lisbon industry/market consumption. Analyze how consumer behavior can have an impact on company sales.

What happened?

- Airlines started to charge cheap flights to Lisbon; low-cost routes to Lisbon allowed more tourists to come and explore the city (p.20)

Facts:

- In 2012 Lisbon was the most visited city in Portugal in terms of the total number of guests serviced by its accommodation (irrespective of the number of nights stayed); and (p.20)
- Lisbon came second only to Algarve in terms of total guest spend and the average number of nights stayed by each guest (p.20)
- These facts may be explained by City breakers; Business professionals. Although, a lot of people visit Lisbon, because they tend to only stay for short periods of time it is not surprising that the aggregate spend of these visitor is less than that of cities, such as Algarve, where visitors on average stay for longer.
- As Foreigners become more aware of large number of the tourist attraction Lisbon had to offer its popularity grew as it was promoted through word of

mouth; Because Lisbon is relatively cheap compared to other European cities tourist are more easily able to afford to try the vast array of activities on offer including golf, sea, city attractions, river, historic buildings, museums and churches. Lisbon is also the sunniest city in Europe (p.20)

- Lisbon won for the third time the award of best city break city in Europe (p.21) and a large percentage of international tourists has said this was the main reason they visited the city (p.22)
- Lisbon had "...the biggest projections for international business tourism events, making up half of the ICCA events..." (p.22)
- In 2010 there were 50 hostels in Lisbon. According to the president of AHP the demand levels have not followed the considerable growth in hostels supply (p.30)
- The growth in Lisbon's hotel market is mainly attributable to the development of 4 and 5 star hotels (p.19)

Consumers:

- The majority of visitors are young adults and adults and come in couples
- Because accommodation expenses are increasing and transportation is becoming more affordable, there is likely to be a greater demand for low-cost flights.
- Visitors want to understand and become a part of the Portuguese culture for the duration of their stay. They want an authentic experience.
- A large proportion of visitors are city breakers. City breakers upscale "(...) look for more personalized and quality services, preferring the quality accommodation provided by four or five star boutique hotels (...)" (p. 21-22). Lisbon's premium local accommodation provides for these types of visitors.
- Approximately 50% of Lisbon visitors are aged between 26 and 45 years old. Only a small proportion of visitors fall into the age 26 years and younger age bracket (p.23).
- Foreign visitors tended to be well educated with – "(...) 62% having at least a bachelor degree."

Based on these characteristics of the Lisbon market, it is expected that dorm sales will decrease while suites continuous to enjoy a high occupancy rates. Although it is expected that young travels will continue to come to Lisbon, namely students, who tend to prefer dorms type accommodation, there is already an excess supply of this type of accommodation relative to the current demand. Moreover, younger visitors are choosing to spend more during their travels, especially on accommodation.

2.What are the Independente’s main competitive advantages over competition?

Students should apply the SWOT analysis in order to evaluate the Independente’s major competitive advantage. By using this tool students can better compare the current position of the company and its future situation.

One of the main strengths of the Independente is the novelty of the place where it operates – location and building. The Independente is located in the city center, set on the boarder of the well-known Principe Real and Bairro Alto districts. It is close to one of Lisbon's main tourism centers – Chiado – and it is in front of the Miradouro de São Pedro de Alcantara that provides a stunning view of the downtown, the Tagus River and the iconic St. George’s Castle. The hostel is a converted palace from the 19th century with a history and charm that fascinates the customers and journalists. The hostels historical architectural exterior that is contrasted with contemporary and vintage décor also captivates the customers.

The Independente has also established a reputable brand with the quality service it provides coupled with its unique product. The Independente has found a niche market having branded itself in a very different way to its competitors not only in terms of price but also the product offered. Though its positioning in the market the Independente has been able to reach a wider and slightly different market from competition. Although the Independente provides similar dorm accommodation in terms of features and price as its competitors, it also provides for guests who want to stay in more up market suites and dine on site at the Independente's restaurant (the Decadente).

The Independente’s suites are double private rooms that include private bathrooms and balconies with a view overlooking the Tagus River. The Independent charges

between 70€ and 120€ a night for the suites, which puts it in the highest hostel price bracket available on the Hostelworld and Hostelookers websites. The Independente is positioning itself as a premium hostel provider, very different to many of its competitors. The suite's prices are similar to that of a room in a four-stars hotel, illustrating that the product provides the luxury and the comfort of a hotel room. However, the atmosphere and service provided are different to that of a hotel. Although the suites service the premium segment of the market, the Independente is different from a hotel because it does not provide room service or other common night services, that are usually available during the day. Instead the Independente provides a higher level of personalized services than that which would be expected from a hotel. That is, the hotel staff takes more care of its guests by trying to understand their needs and tailoring their service accordingly. The guests staying in the Independente's suites also benefit from the hostels vibrant atmosphere created by young travelers and the availability of the restaurant. In addition, the suites are the only accommodation in Lisbon with a view of the Tagus river that cost below 100€ at certain times of year and never cost more than 120€. The Independente is able to provide hotel quality suites at a cheaper price because it does not have the overhead costs associated with providing room service and night staff.

The restaurant can be considered the main strength of the business. It creates a unique atmosphere, as it brings together both Portuguese and foreign visitors, from both old and young generations. Furthermore, it is more profitable to use the space as a restaurant than to create further accommodation. The restaurant sells many meals a day, providing different prices for the general public and for its guests. The restaurant is open all year which helps combat the seasonal nature of the tourism industry. Also, the Independente and the Decadente provide a true Portuguese cultural experience either by the meals served - Portuguese food - or because almost all the products featured or sold in the building are from Portugal.

Another main strength of The Independente is the financial position it has accomplished. According to Duarte, its financial position is much "healthier" than other hostels and even more so than other small Portuguese firms. This was possible because the Independente used its resources efficiently. They sold the largest number of products and services they could from a single place of business. Also, the margins

that come from the suites are similar to that of a four stars hotel room. However, the initial investment required and the cost of maintenance is much less.

In terms of weaknesses, The Independente only offer two different forms of accommodation while some of its competitors offer a greater variety. The Independent's two options are to either sleep in a big dorm room (6, 9 or 12 beds) or stay in one of the suites. Other hostels provide medium-size dorms of 3 or 4 beds, with a private or shared bathroom. These rooms may be the most desirable to small groups of friends or couples traveling together as it provides some privacy but is still cheaper than a suite or hotel. This means, the Independente may lose a small percentage of its potential customers that belong to this group to its competitors.

Another weakness is the lack of social activities the Independent is able to provide to its younger client (teenagers and young adults) compared to some of its competitors, for example parties. This happens because the Independente customers come from a range of age groups. Even though attracting different aged customers may be a good strategy, the brand can lose to competitors that have specifically targeted a particular age bracket, for example the young independent traveler. These customers may feel more comfortable at hostels that are exclusively created for them.

Finally, although the brand provides a unique atmosphere and its prices are cheaper than that of four stars hotels, many customers still prefer well-known hotels chains. These customers are happy to pay a little more in order to have access to 24 hours hotel service and that they know they will be happy with from previous experience.

The Independente's opportunities include the ability to be able to enter into new markets. It has the ability to open more units in different Portuguese territories and abroad, creating a national or international hostel chain. Also there is scope for more restaurants to be opened. As we have seen from foreigners coming to Lisbon, they have been increasing their expenditure of fine dining and none of the Independente's competitors provide a restaurant service. The business can either expanded using the same model by implementing more dorms, suites and a restaurant at a single location or by implementing the market segmentation strategy, thus opening separate spaces that offer products focused in just one of the segments. Also, a product development

strategy would help see the brand grow. Innovative development in the hostels sector by adding for example a spa, a low cost gym, a nightclub/bar or a conference and workshop room would improve customer experience with the likely effect being an increased market share.

As for threats to the Independente's success, although the Portuguese economic and social environment is recovering, it is still a concern. During this period of crisis consumers have seen a reduction in their purchasing power and because travelling is not considered a primary necessity, its consumption has decreased. A poor performing Portuguese economy can severely affect the local hospitality and foodservice providers sectors. Consumers will be on stricter budgets with limited money to spend on visits to other cities and dining at foodservices establishments. Another threat to the brands future growth is the increased supply of four and five star hotel accommodation over the last three years. This means that the premium segment of the accommodation market may already be suffering from an oversupply relative to the demand. Moreover, the Independente brand does not yet have the same visibility enjoyed by the brands of some hotel chains. With regard to competition from other hostels, as this market is still in its early stages of growth, new competitors may be attracted by its potential and enter the market. Therefore, competition may become more concentrated and each player will have to more actively compete for its market share. There are already hostels following the Independente model and opening en-suites double rooms and positioning them at a similar level by charging similar prices. The fact that more types of local accommodation units, such as apartments and guesthouses, are opening also threatens the Indendepente's future success.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Location • Building value • Offer – suites, dorms, restaurant and bar • Atmosphere – youngers and older generations; Portuguese and foreigners • Brand 	<ul style="list-style-type: none"> • Less variety of dorms rooms in comparison with competition • Few activities for the youngest travellers
Opportunities	Threats
<ul style="list-style-type: none"> • Entrance in new markets – by expanding the hostel, the restaurant or both • Develop new products – ex: a spa, conference room; low-cost gym 	<ul style="list-style-type: none"> • Economic and social crisis can affect the tourism consumption • Strong competition in the premium segment • Local accommodation is growing and competition is becoming very intense

3. What is the unique selling proposition of the Independente Hostel & Suites?

Students should be able to identify what is the most differentiable characteristic of the brand in comparison to the competition. This main difference is perceived as the unique selling proposition of the Independente Hostel & Suites. By applying the U.S.P to the Independente students should develop a better understanding of how to apply the concept to any other service or product offered in the market.

The Unique Selling Proposition of the Independente Hostel & Suites is the unique atmosphere accomplished. This atmosphere is achieved through the features that surround it (the dorms, suites, restaurant, building and location combination). The mixture of consumers attracted to this combination creates the unique atmosphere. The brand intends to reach three different segments – teenagers, young adults and older generations who visit the palace, share experiences and interact seamlessly. The idea is that one segment attracts the others. The older generations like to be surrounded by young travelers, as they are more active and cheerful (in essence they make them feel young again). In the alternative, younger generations will feel more mature and sophisticated when interacting with the older generations. Furthermore the restaurant space, encourage both guests and locals to interact with each other. This gives both locals and tourists the opportunity to experience and understand each other's different cultures. Specifically guests are attracted to the Independente because they want meet people from Portugal and experience the Portuguese culture. The locals enjoy being with new people that they would not usually spend time with in their day to day lives.. Thus, the restaurant is an escape for both locals and tourists from their daily routines.

4. Identify the strategy followed by the Independente since its opening until now.

At this point students should be able to identify the current strategy implemented by the firm. In order to prepare the discussion in class, students should follow some of the strategies previously described in the literature review: the three generic competitive strategies - overall cost leadership, differentiation and focus - or the product differentiation strategy.

The Independente tries to be unique in its chosen market segment, hostels, in order to be able to charge a higher price than the industry average. By complementing the dorms and suites offer with the restaurant service, the Independente created an innovative product and appeared as a different concept from every hostels operating in the same market. This is the only hostel having a restaurant opened to its guests and also to the general public. Moreover, the Independente is practically the sole hostel within the market offering suites rooms. Thus, the restaurant and the suites are the main responsible for the differentiation of the company. Having a wide offer of

services and products, the brand can reach several segments, namely the premium segment which complements the low-cost segment. As the presence of the premium segment is rarely observed at the hostels market, the Independente is also distinct regarding this aspect. So, the company used the differentiation strategy through the implementation of the bundling of services strategy. Consequently, the Independente positioning was defined as an upper market hostel and so it was able to charge higher prices regarding some products. Although this strategy required higher costs than its competition may have, the business model used is considered to be more profitable than many of others hostels.

Regarding the product differentiation strategy the Independente attempts to reach all the five levels of the total product concept in order to don't limit the brand as a mere commodity. The case of the Independente is different from rivalry competition. What could be a commodity turned into a unique product with high value and achieving higher margins than expectable. If we think about the hostels market, we immediately think about many beds included in a big dorm room, which are charged for cheap and low-cost prices. This is what Kotler defended to be the core benefit of the product. When consumers book accommodation on hostels the minimum required is to have a bed for cheap. When they are buying the bed they are in fact buying more than a bed. They are buying a comfortable place where they can sleep, rest and relax.

In regard to the second level of the product, the generic product, the Independente provides many beds (90) for cheap prices. So we can assume the brand is satisfying the consumer's basic needs and giving them the appropriate product in relation to what they paid for. Furthermore, the Independente respond to the customers's expectations because there are provided all the components they expect when booking accommodation at a hostel place – the expected product. Customers are provided with beds, bathrooms, a shared kitchen and wi-fi. Until this point the hostel was described as a mere commodity. The fourth level of the product, the augmented product, is what in fact differentiates the hostel from the other ones. The Independente offers more than what is expected by its customers when booking a hostel. For example there is a guest relation's manager that tries to identify what guests enjoy doing during their holidays and that advises them about activities to experience in the city. There is also the restaurant where customers can try the Portuguese gastronomy. Moreover there is a bar and the surrounding atmosphere is unique. Guests can take the opportunity to

meet other travellers as well as locals, much older or younger than them. Regarding the last product, the potential product, the Independente is considered to reach also this level. By differentiating in the market, the kind of customers the brand attracts is slightly different from its competition. There are founded at the hostel several segments of consumers and not only young travellers, as it is usually observed at hostels. They may welcome also young adults and older generations – 60 years old.

5. Analyze the pricing process adopted by the company until the moment.

To answer to this question, students should apply the product-mix pricing described on the literature review chapter.

Managers understood that through selling a wide variety of products and services within the same space they could not only test the attractiveness of each product to the consumers market – dorms, suites, restaurant meals, snacks and drinks – but also to maximize the company's profits. This maximization of profits would come from the huge offer of products but also by selling them through the product mix pricing strategy.

So, having this in mind, the company opted to offer a bundling-product pricing in regard to accommodation and meals. By giving customers the alternative to buy accommodation and meals in bundle ⁴⁷ the company is satisfying its clients more because they are eating for cheaper, and at the same time is maximizing profits from food that would probably be food waste at the end of the day.

In opposition to all the other hostels available in the Portuguese market, this is the only hostel offering a restaurant service opened to the general public and so reaching a much wider market than other hostels in the city. The availability of this service makes it easier for the company to charge cheaper prices in regard to guest's meals, as large quantities are produced anyway. This strategy allows the company to maximize profits from all produced meals in the restaurant.

⁴⁷ Guests can buy staff meals for 5 euros.

Additionally the company also adopted the *product line pricing*, which Kotler and Keller defended as applicable to companies that prefer to develop product lines than single products. This means, when the firm introduce price steps that can be perceived as different levels of quality for example. We can observe this in regard to dorms and suites prices.

The offering of two totally different types of rooms - low-cost and premium rooms - in the same place, also allow the company to maximize its profits. When deciding about the prices charged for both types of rooms, managers understood that the perceived value of the superior suites could be much higher in comparison to dorms. The hostel' location, the balcony view from each suite and the luxury decoration were enough to increase suites prices. Although the cost of building suites is lower than implementing dorms, more profits can be reached from that kind of room (suites). Moreover, different concepts are being tested in the market, which is useful when planning the business expansion.

6.Imagine that you were the responsible for the Independente's future expansion and you will have to decide now how best to expand the company. What strategy would you follow?

Students should be able to compare both scenarios so that they can decide which one to follow – hostel upper market or hostel premium segment.

Hostel upper market – current model

Advantages:

- Unique model in the market as there is no other hostel offering to its guests a complementary restaurant space and suites rooms offering a kind of comfort similar to 4 stars hotels but at a lower price
- Unique atmosphere gathered by the presence of three very different targets of the market. One target attracts the others. The Portuguese target attracts foreigners and vice-versa.
- Larger offer as customers can try very different types of rooms during their accommodation time in the hostel – suites and dorms

- The restaurant charges medium prices and offers excellent quality food. Also it captures different types of targets which helps to create the unique atmosphere
- Dorms required a bigger initial investment than suites rooms - 2881,90€ (per dorm) vs. 1885,05€ (per suite) – but dorm's capacity is bigger than suit's capacity (6, 9 or 12 people).
- Shorter investment in bathrooms – no need to have so many bathrooms available for guests that are sleeping in dorms when comparing to suites rooms
- Youth travelling happens during the whole year which allow the business combat the seasonality effects.
- Erasmus students are coming more and more to Lisbon and usually they stay at dorms in hostels when looking for a room to stay during their first days in Lisbon

Premium hostel segment

Advantages

- Backpackers turned into Flashpackers – older guests, with more money, looking for more comfort and privacy
- More business professionals coming – older and generally with money to spend on accommodation and in restaurants (business lunches or dinners)
- More people coming in couples which prefer to stay in doubles rooms
- Following the trends, nowadays customers prefer to try more authentic experiences – local accommodation offers more intimate experiences to its guests than hotels, by establishing closer relations between staff and guests.
- More people booking through internet - booking local accommodation - instead of booking through travel agencies, which usually book for hotels.
- The presence of the restaurant also allows to have the Portuguese and foreigners in the same place and so still creates an unique atmosphere
- Young adults are living homes later and travelling more. Because they do not have house bills to pay, they spend more in travelling
- Mix of people in regard to older people – young couples; city breakers; business professionals; couples visiting their families; couples travelling

- City breakers look for boutique and charm hotels – the Independent suites offer hotels comfort and at the same time provide customers with authentic experiences
- Bigger revenues from suites because the prices charged to sleep in this kind of rooms are higher than in dorms. A full dorm room that accommodates 9 people generates 144€ per night. A suite room generates 110€ per night. Revenues from suites are shorter if comparing revenues from only one night and by assuming that rooms are both full. Nevertheless occupancy rates are usually higher in regard to suites than the ones relative to dorms and it is very difficult to fulfill an entire dorm with guests. Suites are occupied during the whole year and dorms are generally full during the summer season.

By analyzing both scenarios, students should be led to conclude that the premium hostel segment would be the best option to focus when deciding about the future expansion of the company. By following this strategy the firm is applying the market penetration strategy, which means, once the volume of one existent product will increase and consequently a growth in sales will occur. At the same time this strategy will allow the firm to reach some different clientele from the existing one. Until the moment the Independent has probably been reaching only some young couples, city breakers and sporadically some business professionals for its suits. With the implementation of more suits and another restaurant, the business will solidify its positioning in the premium segment and become a more trustful accommodation spot for that specific target.

After gathering all the relevant information, which can impact the company success – hostel market trends; type of consumers entering in the Lisbon Market; investments; revenues and competition in both scenarios – it can be clearly understood that following the premium hostel segment would be a more successful strategy for the growth of the company. Although the competition in the premium segment is becoming very intense, once the 4 stars hotels are the main responsible for hotel's growth offer in Lisbon, it is expectable that this kind of accommodation meets more the current customers needs. By observing the market trends, we can see that

consumers are looking for more privacy and comfort. Consumers are also willing to spend more money during their travelling experiences than before. Moreover, guests also prefer to try authentic experiences and to live the culture of the country they are visiting. The Independente would reach these customers, which are slightly different from 4 stars hotels guests. The Independente intends to offer the comfort and luxury style of a 4 stars hotel but to differentiate its offered experienced and prices from this kind of hotels. A part from that, although the occupancy rates of suites are expectable to decrease (approximately from 95% to 70%), when offering more than only 4 suites rooms, it is believed that revenues will surpass the revenues of the current hostel model as suits prices are much higher than dorms. Moreover, the restaurant prices should be higher according to the segment the company intends to target, which means also bigger revenues from the restaurant space.

Service	Average price	Annual occupancy rates	Revenue per day	Total Annual Revenue
Suites (25 beds)	110€	70%	1540€	635,250€

Service	Average price	Meals per day	Revenue per day	Annual revenue
Restaurant	25€	150	3750€	1237,500€

III. Conclusion

This dissertation gave me the chance to be in contact with one Portuguese entrepreneur and to get involved in a real business situation. It allowed me to deepen my knowledge of the accommodation industry and its main players, as well to explore the different kinds of accommodation and to study the main trends in consumption patterns in the Lisbon market.

While writing this dissertation I understood how this company works and that managing a business demands a continuous problem-solving effort, especially in a business early stages, when problems and dilemmas can emerge.

It was an excellent experience to work directly with Independente's owners, namely Duarte, through whom I learned how the company started and how it began its expansion process.

The Independente may choose to follow different strategic directions – hostel upper market - maintaining its single position in the market or - hostel premium segment - positioning the unit in a more high-class level and competing with a larger market. After that, it should also decide about its marketing plan so that the brand is promoted according to the positioning level they choose to follow. Furthermore new players can now enter this market and try to imitate the Independente's concept, so Duarte has to make some crucial decisions regarding their company's future expansion as soon as possible.

In a future research it would be interesting to explore the alternative paths that this company could follow in order to internationalize the Independente's brand or to expand it through the creation of a small national hostel chain.

VI. References

Books and Articles:

Ansoff, Igor H. (1957), “Strategies for diversification”, *Harvard Business Review*, 35 (59). pp.113-124

Keller, Kevin L. and Kotler Philip (2006), *Marketing Management*, 12th ed., Prentice-Hall, pp. 370-373

Keller, Kevin and Kotler Philip (2012), *Marketing Management*, 14th ed. Prentice-Hall, p. 48; p. 334; pp.342-344

Levitt, Theodore (1980), “Marketing Success Through Differentiation – of Anything”, *Harvard Business Review*

Lynch, Richard (2003), *Corporate Strategy*, 3rd., Prentice-Hall

Porter, Michael E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, pp.35-39

Porter, Michael E. (1985), *Competitive Advantage*, The Free Press

Other Sources:

As Janelas Verdes – website:

<http://www.asjanelasverdes.com/>

Associação do Turismo de Lisboa – Plano Estratégico 2011-2014 (2010), *Getting ready for the Future? Present decisions future impacts:*

http://www.visitlisboa.com/getdoc/2d96a472-47a7-408c-a606-977c0f7ab032/ATL-Plano_Estrategico-2011-2014.aspx

BES, *Evolução do Turismo de Portugal (2012)*

<http://www.bes.pt/SITEBES/cms.aspx?plg=dba7647a-5127-4302-ac33-45f01a93dae0>

Budget Traveller, *Independente Hostel, Lisbon review:*

<http://budgettraveller.org/independente-hostel-lisbon-review/>

Deloitte, *Hospitality 2015: Game changers or spectators?*

<http://www.deloitte.com/assets/Dcom->

Uruguay/Local%20Assets/Documents/Industrias/Uy_Hospitality_2015.pdf

Estatísticas de Turismo 2012:

<http://www.turismodeportugal.pt/Portugu%C3%AAs/ProTurismo/estat%C3%ADsticas/Pages/Estat%C3%ADsticas.aspx>

Hostelbookers – website:

http://www.hostelbookers.com/?&gclid=CjwKEAjwp7WgBRcRxMCLx8mMnDMSJADncxS2CPFVMRGJ9YGEdw3LV4OuT3XB8s6qCljGrM4oc52ooRoCZFbw_wcB

Hostelworld – website:

http://www.hostelworld.com/?source=adwordseneurbrand&sub_keyword=www-hostel-world-com&sub_ad=b&sub_publisher=ADW&gclid=CjwKEAjwp7WgBRcRxMCLx8mMnDMSJADncxS2qOPV0MgfLRA8nJVj5L4EJMkyZrOrs6kGPTnQRJW2yxocDqfw_wcB

INE - Estatísticas do Turismo 2012:

http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOE_Spub_boui=143016657&PUBLICACOESmodo=2

Inspira Santa Marta Hotel – website:

<http://www.inspirahotels.com/hotel-overview.html#.VBDAd42wJX8>

Lisboa Central Hostel – website:

<http://www.lisboacentralhostel.com/>

Lisboa Carmo Hotel – website:

<http://www.lisboacarmohotel.com/en/>

Lisbon Lounge Hostel – website:

<http://www.lisbonloungehostel.com/lisbon.html>

Living Lounge Hostel – website:

<http://www.lisbonloungehostel.com/lisbon.html>

Lx Boutique Hotel – website:

<http://www.lxboutiquehotel.com/pt/>

PWC, *Desafios do Turismo em Portugal 2014*:

http://www.pwc.pt/pt_PT/pt/publicacoes/imagens/2014/pwc_desafios_do_turismo.pdf

Rossio Hostel – website:

<http://www.rossiohostel.com/#!/>

World Tourism Organization, *The Power of Youth Travel*, AM Reports, Volume 2.

http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/the_power_of_youth_travel.pdf

http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/annual_report_2011.pdf

Skyscanner, *The 'luxury hostel' revolution: are hostels the new hotels?*

<http://www.skyscanner.net/news/luxury-hostel-revolution-are-hostels-new-hotels>

The Decadente – facebook page:

<https://www.facebook.com/thedecadente?fref=ts>

The Decadente – website:

<http://thedecadente.pt/>

The Economist, *Unique Selling Proposition*

<http://www.economist.com/node/14301696>

The Independente Hostel & Suites – facebook page:

<https://www.facebook.com/theindependente?fref=ts>

The Independente Hostel & Suites - website:

<http://www.theindependente.pt/>

Tese de Mestrado em Turismo, *Hostels independentes: o caso de Lisboa*:

http://comum.rcaap.pt/bitstream/123456789/4425/1/2013.04.002_.pdf

Travellers house – website:

<http://www.travellershouse.com/th/home.html>

Turismo de Portugal

Observatório, *Inquérito Motivacional da cidade de Lisboa 2012:*

<http://www.visitlisboa.com/Observatorio.aspx>

10 Produtos Estratégicos para o Desenvolvimento em Portugal - City Breaks:

<http://www.turismodeportugal.pt/Portugu%C3%AAs/turismodeportugal/publicacoes/Documents/City%20Break%202006.pdf>

Os Resultados do Turismo 2012:

<http://www.turismodeportugal.pt/Portugu%C3%AAs/ProTurismo/estat%C3%ADsticas/an%C3%A1lisesestat%C3%ADsticas/osresultadosdoturismo/Anexos/2012%20-%20Os%20resultados%20do%20Turismo.pdf>