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Pousadas de Portugal
A Repositioning and Differentiation Strategy

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Abstract

Founded in the 40s by the Portuguese Government and with an innovative concept of providing a hospitality service in historic locations such as castles, monasteries and forts, Pousadas de Portugal was a group of 37 inns properties located from North to South of the country. Managed by the Pestana Group since 2003, it offered unique and innovative experiences.

From 2010, with the worsening of the economic and financial crisis in Portugal and due to the low awareness of the Pousadas de Portugal particularly abroad, the sales level decreased considerably.

Thus, Dr. Miguel Velez decided to revolutionize the company and set a new strategic plan to increase and strengthen the brand image of Pousadas de Portugal, attract foreign customers, with the main objective to increase sales and reverse the company's results.

The strategy of the Pousadas de Portugal is the main topic of the case study and includes themes such as the external factors that affect the industry, product differentiation, positioning and sustainable competitive advantages.

A Literature Review of subjects related to the Case Study is provided, followed by a Teaching Note that addresses the viability of the new strategy adopted to capture foreign markets and consequently increase the company's sales. Throughout the analysis, it is possible to verify that the differentiation strategy combined with a greater investment in Marketing and the creation of new services and units may be a viable alternative to the sustainability and success of the company.

Resumo

Fundada nos anos 40 pelo Governo Português e com o conceito inovador de providenciar um serviço de alojamento em localizações históricas como castelos, conventos e fortes, as Pousadas de Portugal eram um grupo de 37 unidades hoteleiras localizadas de Norte a Sul do país. Geridas pelo Grupo Pestana desde 2003, ofereciam experiências únicas e inovadoras.

A partir de 2010, com o agravamento da crise económica e financeira em Portugal e devida à baixa notoriedade das Pousadas de Portugal particularmente no estrangeiro, as vendas diminuíram consideravelmente.

Assim, o Dr. Miguel Velez decidiu revolucionar a empresa e definir um novo plano estratégico para aumentar e fortalecer a imagem das Pousadas de Portugal, atrair clientes estrangeiros, com o principal objetivo de aumentar as vendas e inverter os resultados da empresa.

A estratégia das Pousadas de Portugal é o tema principal do caso e inclui temas de estratégia, como a envolvente externa que afeta a indústria, a diferenciação do produto, o posicionamento e vantagens competitivas sustentáveis.

A *Literature Review* relacionada com o *Case Study* providenciado, seguido da *Teaching Note* assenta na viabilidade da nova estratégia adotada para capturar mercado externo e consequentemente aumentar as vendas da empresa. Através da análise do caso, verifica-se que a estratégia de diferenciação alinhada com uma maior aposta no Marketing e criação de novos serviços e unidades, poderá ser uma alternativa viável à sustentabilidade e sucesso da empresa.

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1. Introduction

This dissertation focuses on the repositioning and differentiation strategy of Pousadas de Portugal, a company managed by the largest Portuguese hotel company, the Pestana Group.

Pousadas de Portugal is a chain of 37 units that is located in castles, convents, fortresses and places of rare landscape beauty since 1940. The main project of Pousadas de Portugal included the regeneration of the national architectural heritage and its fit to modern demands of comfort and style.

Nevertheless, management considered that the brand had little recognition both in the national and international markets. Since 2010, the results of the group decreased and Miguel Velez, the general director, had decided to revolutionize the company in order to improve sales. He knew that the only way to succeed would be to differentiate the products and services from competitors, strengthen the brand image of Pousadas de Portugal and capture external customers as they were the main contributors for tourism in Portugal.

The aim of this dissertation is to provide an analysis for an instructor that uses the case in a class discussion in strategy or marketing courses. This report is divided in three main parts: Case Study, Literature Review and Teaching Note. The first part – Case Study - will describe the company throughout the years and the strategy adopted to achieve the established objectives.

The second part - Literature Review - provides theoretical concepts and tools that will be used to analyze the case study. The central idea of this theory exploration is to support the teaching note.

Finally, the Teaching Note includes a detailed examination of the past of Pousadas de Portugal, the strategy adopted and future challenges, with the aim of helping instructors to prepare their classes and enhance the class discussion experience.

Only with time we will know if Pousadas de Portugal remains successful. So far, with the information provided, students would be able to discuss and suggest future strategies for the company.

2. Case Study

“When a customer is not known by his/her name but only by his/her room number, we will be far from the Pousadas’s spirit.” (António Ferro – 1942)

By July of 2014, Miguel Velez, member of the board of directors and general manager of Pousadas de Portugal, had completely changed the business strategy of the hotel chain.

With a degree in Business Administration from Católica Lisbon School of Business and Economics and with a high experience and background in hotel management, Miguel Velez had decided to revolutionize the strategy of the Pestana Group owned company.

Following the international crisis that started in 2008, the performance of Pousadas de Portugal was disappointing, with a decrease in the financial results throughout the years. Thus, something had to be done in order to invert the results. According to Miguel Velez, it was necessary to change those bad results caused by a 50% break in the domestic market since 2010.

With the first signs of the economic recovery and taking advantage of the recent increase in foreign demand, the hotel chain led by Dionísio Pestana launched a new strategic plan of action. Miguel Velez considered Pousadas de Portugal to have little recognition in the international market and to be strongly dependent on the national market. It was necessary to promote it in foreign markets in order to attract more international customers since they were the main contributors to the hotel revenues in Portugal.

This plan aimed at doubling the operational results by 2018, to acquire external customers, and to strengthen the brand image of Pousadas de Portugal not only in Portugal but especially abroad. Those were the main three goals to achieve in the medium-term.

Company Description

Pestana Group

The Pestana Group, Portugal’s largest international tourism and leisure group, ranked 25th in Europe.¹

There were eight business divisions operating under the Pestana brand that included: Hotels & Resorts, Pousadas de Portugal, Holiday Ownership, Gaming, Travel, Golf and Residence,

¹ Grupo Pestana, S.G.P.S, S.A. – Consolidated Annual Report 2013

Industry and International Business Centre of Madeira. Born in 1972 with a hotel with 300 bedrooms in the Portuguese island of Madeira, the family owned Pestana Group had grown to include in its portfolio nearly 90 four and five star hotels divided into two brands: Pestana Hotels & Resorts and Pousadas de Portugal. The Pestana Group had more than ten thousand bedrooms in Europe, Africa and America. It was one of the strongest tourism brands in Portugal known for the excellence of its services and facilities.

In 1985, the Pestana Group began an expansion drive in mainland Portugal that was then followed by Africa and South America.

Later on, in 2010, the Pestana Group opened its first hotel in a European capital, in London: the Pestana Chelsea Bridge Hotel & Spa. In May of 2011, it reached Berlin with the Pestana Berlin Tiergarten. In 2012, Pousada de Cascais was inaugurated and also 3 new hotels: in Miami, Colombia and Morocco, continuing its ongoing global expansion process that had taken the Pestana hotels to 3 continents and 13 countries in the world. (See **Exhibit I**).

In the leisure area the Group currently owns and manages, besides the 47 hotels, 37 Pousadas de Portugal, 15 Holiday Ownership units, 6 golf courses, 3 real estate ventures, two casinos, an air charter company and one tour operator. In 2003 the group won an international tender to manage the state-owned Pousadas de Portugal chain.

In 2005, the Pestana Group internationalized the Pousadas de Portugal brand with the opening of the Pestana Convento do Carmo, by Pousadas de Portugal, a Leading Hotel of the World property in S.Salvador da Bahia, in Brazil.

The concession was agreed until 2017 with the possibility of extending it until 2022 if new investments were made in addition to those already completed. At the end of the contract or if some conditions were not fulfilled, the State would assume again the management of “Pousadas de Portugal”.

In 2013, the Pestana Group had revenues of 201 million Euros, which were 10% higher than in the previous year.²

² Grupo Pestana, S.G.P.S, S.A. – Consolidated Annual Report 2013

Pousadas de Portugal

Pousadas de Portugal was a chain of 37 units located from North to South of the country (see **Exhibit IIA and Exhibit IIB**) with its origin going back to the 1940's. It was created for tourism and culture, enjoying the rich diversity of tradition of the regions where its units located.

The name of Pousadas de Portugal was associated to quality accommodation, where a warm welcome and personal service awaited every guest. The creation of the first regional Pousada intended to provide visitors with board and accommodation respecting the style and tradition of each region. In the 1950's a new concept of Pousadas was created: the historical inns located in carefully restored monuments. They were located from north to south of the country, in the Azores and later on in Brazil, in castles, convents, fortresses and places of rare landscape beauty. The main objective was always to respect the recuperation of the national architectural heritage, adapted to modern demands of comfort and well-being.

In all Pousadas de Portugal there was always a restaurant where people could enjoy the best of the regional gastronomy and the exclusive aroma of Portuguese wines.

Type of clients

The target of Pousadas de Portugal was leisure-seeking customers, usually more individual than groups.

The main target of Pousadas de Portugal were 50 year old people with purchasing power capacity that were looking for historical and cultural experiences, such as spending a night in a refuge of charm like a castle or a monastery, with a strong connection to local and culture cuisine, with personalized service in a privilege location. Besides this, some people had an interest in places that combined the cultural heritage with contemporary design.

In the top 4 customer nationalities in Pousadas de Portugal, the Portuguese were those who continued to dominate, followed by the UK, Germany and Spain.

A disappointing performance

Management considered the brand to have little recognition in the international market and so Pousadas de Portugal was strongly dependent on the Portuguese market. Due to the financial crisis, the Portuguese market sales were decreasing since 2010. With the enormous potential that the brand had, it was necessary to promote it in foreign markets in order to attract more tourists from all over the world, with the main objective of improving sales.

Miguel Velez felt the need to define a new strategy to not only recover sales but also to attract foreign people.

According to the general director, increasing the number of foreign tourists was one of the goals of the new strategy of Pousadas de Portugal, which sought to reverse the decrease in 50% in the financial results from 2008 to 2012.

The new strategy

“Brand”, “Portugality” and “Geographical Spread” were the main strategic pillars of the new approach that intended to combine tradition and modernity in the experiences provided by Pousadas de Portugal.

Initially, the Pousadas de Portugal brand was presented as a new way to promote its offer, having in mind the domestic market, but also investing in an international growth, which was to be short-term and accelerated.

“When results decrease, it is necessary to do something innovative”, said Miguel Velez. According to him, the strategy was to pick the DNA of each inn and tell the history of Portugal, because when we talked of hotels more than one thousand years old that were castles or convents, effectively it was a unique heritage.

New Repositioning of Pousadas de Portugal: Monument, Historic and Charming

The units were grouped according to three different experiences from the location to the type of service. There were three concepts that Pousadas de Portugal started to develop:

Monument Hotel

This concept of “Monument Hotel” was the showcase of the new strategy of Pousadas de Portugal. With prime locations, discerning standards of quality and comfort, personalized service and wealth of small details, they were the representation of luxury hospitality at the highest level of quality and service. This category had 4 units – Mosteiro de Amares, Mosteiro do Crato, Palácio de Estoi and Mosteiro de Guimarães. In June 2015 they would be joined by Pousada de Lisboa. (See Exhibit III A)

Historic Hotel

The Historic Hotel was the essence of Pousadas de Portugal. These were located in convents, palaces, castles and they were a living testimony to the history of Portugal. These were

perfectly distinct, occupying historic buildings. Some of them went through interventions by great names in contemporary architecture, somehow enriching buildings of historical features. (See Exhibit III B)

Charming Hotel

These were exclusively located and installed in iconic environments such as Sagres. They were integrated into lush landscapes and unique places where it was no longer possible to build anything around them. In this group are the Pousadas da Caniçada and Marvão, among others. (See Exhibit III C)

The concept of story-telling

In all Pousadas de Portugal, in addition to several objects that told the history of the place, the region and the country, staff would also tell the story in the first person and in different moments of contact with the customer: at check-in, check-out, in the restaurant, bar and bedrooms. All occasions would be useful to enforce the differentiating elements of the Pousadas de Portugal. It would also be in the details that Pousadas de Portugal would distinguish themselves for the relationship with guests and customers. Thus, in the off-season the directors of Pousadas de Portugal would invite guests for tea and a conversation where the theme was the history, legends and curiosities. In the high season they would organize cocktails and other events. These moments served to create ties with customers and were intended to be an identification channel that guests would continue to enjoy.

Gastronomy

Each of the restaurants of the network – the largest network of regional restaurants in the country – would provide a journey through the best of Portuguese regional cuisine.

Recognized and acclaimed for the superior quality of its products and the refined atmosphere they offered, the restaurants guaranteed unique moments and an opportunity for the discovery of regional secrets.

From Minho to the Algarve, through the Azores, the *menu* of the restaurants in Pousadas de Portugal proposed “pan kitchen”³, made from local produce, and included the story of each of the dishes. Many themed culinary events were organized, such as gastronomic weeks in order

³ Pan kitchen means to cook in a traditional pan, in which the food is homemade and presented in rustic pans.

to promote the different regions. According to Miguel Velez, more than 50 events were planned for 2015.

Pousadas de Portugal had more than 30 restaurants where people could have an unforgettable experience of the best of the Portuguese cuisine. The average price for meal was around 30 Euros with no beverages included and the average number of places in the restaurants was around 140 seats.

Cross-selling (regional interactivity)

Pousadas de Portugal intended to position itself as one of the most influential offerings of each region. In order to meet the objective and to bring life into the region, a unique calendar of initiatives was developed that would include exhibitions of artists from various regions, exhibition of local products, local group concerts.

According to Miguel Velez, the new strategy for Pousadas de Portugal in the following three years was to explore the traditional values that made the offer of Pousadas de Portugal unique.

The entrance in the Small Luxury Hotels of the world – An open window for the foreign market

The hospitality, care of detail, customized service and the exquisite luxury were requirements for the Pousadas de Portugal to be accepted by this prestigious network of luxury hotels. The Small Luxury Hotels of the World was one of the largest premium chains in the world, with more than 25 years of existence and presence in 70 countries.

Four units of the network, classified as Monument Hotels, were distinguished and included in the Small Luxury Hotels of the World: Pousada de Lisboa in Terreiro do Paço, Pousada Mosteiro de Amares, Pousada Mosteiro do Crato and Pousada Palácio de Estói.

It positioned these hotels in a premium level and opened international channels that so far they did not have access to.

Financial Investment of the strategic plan

The total amount of investment of this new plan was around 13.5 million Euros to be completed in the following 6 to 9 months: about 500 thousand Euros in the promotion and communication, 9 million Euros in the construction of Pousada de Lisboa (at that moment under construction, would have about 90 rooms and was expected to open in June 2015), and

4 million Euros for the renovation and opening of new facilities in several units, specifically in the Alentejo region where around two million Euros would be invested.

“The goal is to double the operating results from 3 million in 2015 to 6 million in 2018”, said the financial manager of the Pestana Group, José Theotónio.

In order to achieve these results, the company outlined a business strategy to attract not only more domestic tourists – whose weight on revenue had grown from 27% to 29% in 2014 – but also to attract even more international visitors, which accounted for over 70% of the total revenues of the hotel chain.

However, according to the sales director, Isabel Froufe, in 2014 the growth rates were different among the different nationalities. The hotel network had recovered in the national market with an increase of 26% in sales. In the international market, the French market grew 19%, the British 12%, the Spanish 11,5%, and finally the German 4,5%.

The Communication/Marketing Plan of Pousadas de Portugal.

With the implementation of the new concept, the group had to develop a new communication strategy. Thus, according to Isabel Froufe, they developed a project that would give Pousadas de Portugal a high profile in the media. “The aim was to promote the offer of Pousadas de Portugal through media channels, offering original content announcing the brand and the product”, said Isabel Froufe. They also had developed partnerships and promoted goodwill actions. The group developed different action plans per month for each of their segments: couples, families, groups and corporate, all created by an agency specialized on media communication.

Financial Statement of the Group

The Group revenues in 2013 were 321 million Euros, which represented one of the best margins in Europe.⁴

The revenues of the Pestana Hotels and Resorts and Pousadas de Portugal were around 216 Million Euros, corresponding to 68% of the total group revenues. (See Exhibit IV). The Gross Operating Profit was also led by Hotels with 66% of the total GOP. (See Exhibit V). The 2013 detail of sales and services of the Hotel Business by country of origin related to the number of customers were led by Portugal (27,5%). (See Exhibit VI)

⁴ Pestana International Holdings, S.A. – Consolidated Annual Report, 31 December 2013

The number of employees of the Pestana Group in 2013 was 5.475. The personnel expenses in 2013 were around 83 Million for the Staff of the units (See **Exhibit VII**). The weight of the restaurant and rooms on each inn was 60% and 40%, respectively.

The hospitality market in Pestana Group

The hospitality market included Pestana Hotels & Resorts and Pousadas de Portugal. In Portugal, an increase in occupancy had been achieved with a very positive evolution of both British and German markets. Besides this, it also contributed to potentiate growth the exclusivity long-term agreements with major tour operators, especially in the Algarve and Madeira. Pousadas de Portugal recovered slightly, due to a different feeder market diversification approach by reducing dependence on Portugal and Spain, which made it possible to improve 3% in EBITDA in 2013.

Occupancy Rates and Prices

In 2013, more than 3 million people stayed in a Pestana hotel or inn in the 15 countries where the group was present. The main markets were mainly in Europe but with a strong presence in Latin America and in some countries in Africa. Moreover, although almost 63% of the assets were located in Portugal, the local demand did not account for more than approximately 20% in the overall hotel revenue, which meant that Pestana was one of the leading groups supporting the Portuguese trade balance. (See **Exhibit VIII**).⁵

The ARR⁶ decreased in 2013 from 77 to 73 Euros in Portugal. Globally, taking into account all countries, the Pestana Hotels & Resort and Pousadas de Portugal average room rate was 82 Euros in 2013, comparing to 89 Euros in the previous years; so there was a decrease of 8%. Furthermore, the occupancy rate was 59% and 55%, in 2013 and 2012 respectively. (See **Exhibit IX**).

The rack rates⁷ of each Pousada de Portugal had a certain price that depended on three different factors: season (High, Low or Special), type of bedroom (Single or Double) and type of Inn (Monument Hotel, Historic Hotel and Charming Hotel).

The rack rate price tended to be more expensive than the rate that the customer could have received if the customer used a travel agency or other type of booking. Rack rates could vary

⁵ Pestana International Holdings, S.A. – Consolidated Annual Report, 31 December 2013

⁶ Average Room Revenue

⁷ A Rack Rate is a term used in the hotel industry to describe a cost to a customer that request accommodations for the same day without previous booking arrangements.

based on the day that the room was requested. For example, the rack rate could be more expensive on weekends, because those were high travel days.

The prices varied according to season and type of bedroom (single or double bedroom). A double bedroom was always 10 Euros more expensive than a single bedroom. (See **Exhibit X**)

Example of Pousada de Palmela

Low Season		High Season		Special Season	
DBL Room	SGL Room	DBL Room	SGL Room	DBL Room	SGL Room
180€	170€	220€	210€	250€	240€

The sales management

The sales management team was always concerned to establish the best ways to attract customers in order to improve sales. For this reason, there were loyalty cards, partnerships and several discounts offered by the Group. Furthermore, different repeating buying patterns could be identified in different times of the year: Valentine’s Day (for couples), Easter and summer (for families).

Sales structure

The sales of the inns were structured through different ways:

- Direct (*website* of Pousadas de Portugal and voice); Contracted – via Online (*Booking, Tripadvisor*) and via Offline (travel agencies); Corporate and Groups.

The Pestana Priority Guest Program

The Pestana Priority Guest card could be used without restriction and throughout the year in all Pestana hotels and Pousadas de Portugal. With this card, people could benefit from exclusive benefits for members such as discounts in restaurants and bars or other exclusive services.

The Pestana Priority Guest was divided in three types of cards: Platinum, Gold and Silver (See **Exhibit XI**). It offered points and discounts accordingly to the type of card (See **Exhibit XII**).

The Pestana Group had also created a set of exclusive benefits for companies. By joining the Pestana Priority Guest Corporate, members would have access to a world of advantages in more than 90 hotels and Pousadas de Portugal. In addition to exclusive preferential rates, this card offered all the benefits of the Gold level and even discounts on massages, laundry, room upgrades and parking. Points accumulated in the card could be redeemed for free nights or preferential rates. (See **Exhibit XIII**).

Partnerships

The Pestana Guest Priority Clients had also other advantages regarding the options to exchange the Pestana Priority Guest Points.

The Pestana Group had established partnerships with TAP and AVIS. By being a member of the TAP Victoria Program it was possible to exchange the Pestana Priority Guest Points for TAP Miles (5.000 Pestana Priority Guest Point worth 500 Miles in TAP Victoria Program). Or, by renting a car through Avis Portugal it could be possible to use the Pestana Priority Guest points (rent a car from 18.000 points per day).

Promotions and Discounts

There were always different promotions offered by Pousadas de Portugal that were divided into different types: by a special occasion (Easter Special Offer), by age (Golden Age), by the time of booking (Early Booking), by seasons (Spring Promotion), by time of the week (weekend deal promotion) and also a stay with meal included promotion, healthy breaks in *spas* or history breaks combining the stay with free entrances in museums. (See **Exhibit XIV**)

Vouchers

Pousadas de Portugal offered different types of *vouchers* with different characteristics to clients: Gourmet, Check-In, Premium Check-In and Luxury. (See **Exhibit XV**). The *Gourmet* voucher offered a dinner for two with a selected menu at participating units for a price of 49.90 Euros. The *Check-In voucher* offered a night for two people in a standard double room with breakfast for a price of 79.90 Euros. The *Premium Check-In* offered a night or two consecutive nights for two people in a standard double room with breakfast for a price of 139.90 Euros. And finally, the *Luxury* voucher offered a night or two consecutive nights for two people with breakfast for a price of 179.90 in luxury inns selected by the Group.

Information Systems of Pousadas de Portugal

João Machado, the Information Systems Director of The Pestana Group invested in technologies to increase sales. According to him, a high level of automation was essential to manage a hotel group.

The main objective of recent investments in information technology was to create an integrated platform that would bring greater efficiency in customer relationship management (CRM).

In 2008, with the launch of the Pestana Priority Guest, it introduced new tools for CRM, which helped to explore and process information in an integrated manner. In 2009, the group incorporated another system – Dynamics, Microsoft – to the management of Pousadas de Portugal vouchers. These solutions brought efficiency and integrated the vouchers system tool for the international market, allowing the entire pre-sales operations of Pestana Hotels and Pousadas de Portugal to be generated from a single system.

According to João Machado, “the group sites are now a channel that generates 18 million Euros in annual sales”.

Competition

All the alternative ways of accommodation and gastronomy with a similar location and type of services were considered as competitors. According to the sales director of Pousadas de Portugal, each inn had its direct competitors in its respective region. Resorts, hostels, motels, bed & breakfast, outdoor accommodation, rentals were considered indirect competitors. The direct competitors were hotels with a similar offer to Pousadas de Portugal with a location close to a specific inn of the region. Some of the competitors had better infrastructure, better price/quality relationship or special conditions for specific segments. To compete against those hotels, Pousadas de Portugal had developed different differentiation actions based on the range of services it offered, the quality of infrastructure, the excellent service it provided to clients, the differentiated offer of different types of inns for the different needs of customers, the quality of the restaurants and finally many promotions for several occasions.

Challenges for the future

Pousadas de Portugal was facing a challenge related to its strategy of capturing foreign markets and strengthening its image abroad in order to increase demand. In the previous

winter the results were very positive and supported by the domestic market that had previously fallen 50%. There was an increase of about 30% in the inns with the implementation of this new strategy. Regarding future investments, there were no plans to open any unit in the network of Pousadas de Portugal, beyond the Pousada de Lisboa in June of 2015. However, the Pestana Group wanted to increase its international presence through the Pestana Hotels. To Miguel Velez, Pousadas de Portugal would have to keep doing what it had been doing by keeping the customers happy, giving the customers what they wanted by satisfying their needs and by differentiating the inns from competitors.

Castles, convents, monasteries, palaces and forts were the starting point to create genuine and unique products. Sleeping where kings, queens and monks slept for over a thousand years of history was already a totally distinctive experience and these were just part of the differentiation factors that Miguel Velez wanted to further develop in order to attract even more customers.

Exhibit I – Pestana Hotels – by name and region

PESTANA HOTELS		
 EUROPE 30 Hotels	 NORTH AMERICA 1 Hotel	 AFRICA 9 Hotels
SPAIN 1 Hotel Barcelona Hotel  Pestana Arena Barcelona	UNITED STATES 1 Hotel Miami Hotel Pestana South Beach Art Deco Hotel	MOZAMBIQUE 3 Hotels Maputo Hotel Pestana Rovuma
PORTUGAL 27 Hotels Algarve Hotels Pestana Alvor Atlântico Residences Pestana Alvor Park Pestana Alvor Praia Pestana Delfim ALL INCLUSIVE Pestana Dom João II Pestana Dom João Villas Pestana Palm Gardens Pestana Viking Resort Pestana Vila Sol Pestana Carvoeiro Golf	 CARIBBEAN 1 Hotel CUBA 1 Hotel Cayo Coco Hotel  Pestana Cayo Coco ALL INCLUSIVE	Bazaruto Hotel Pestana Bazaruto ALL INCLUSIVE Inhaca Hotel Pestana Inhaca Lodge
Lisbon Hotels Pestana Cascais Pestana Palace Pestana Sintra Golf Pousada de Cascais - Cidadela Historic Hotel & Art District	 SOUTH AMERICA 12 Hotels BRAZIL 9 Hotels Angra dos Reis Hotel Pestana Angra	SOUTH AFRICA 1 Hotel Kruger Park Hotel Pestana Kruger Lodge
Madeira Hotels Pestana Bay ALL INCLUSIVE Pestana Carlton Madeira Pestana Casino Park Pestana Colombos ALL INCLUSIVE Pestana Grand Pestana Miramar Aparthotel Pestana Palms Pestana Porto Santo ALL INCLUSIVE Pestana Promenade Pestana Village Aparthotel	Bahia Hotels Pestana Bahia Pestana Bahia Lodge Pestana Convento do Carmo	MOROCCO 1 Hotel Casablanca Hotel Pestana Casablanca
Porto e Norte Hotels Pestana Porto Pousada do Porto, Palacio do Freixo	Curitiba Hotel Pestana Curitiba	CAPE VERDE 1 Hotel Cidade da Praia Hotel Pestana Tropic
Alentejo Hotel Pestana Tróia Eco-Resort	Natal Hotel Pestana Natal ALL INCLUSIVE	SAO TOME AND PRINCIPE 3 Hotels São Tome Hotels Miramar by Pestana Pestana Equador Pestana São Tomé
UNITED KINGDOM 1 Hotel London Hotel Pestana Chelsea Bridge	Rio de Janeiro Hotel Pestana Rio Atlantica	
GERMANY 1 Hotel Berlin Hotel Pestana Berlin Tiergarten	São Luis Hotel Pestana São Luis	
	São Paulo Hotel Pestana São Paulo	
	ARGENTINA 1 Hotel Buenos Aires Hotel Pestana Buenos Aires	
	COLOMBIA 1 Hotel Bogota Hotel Pestana Bogota 100	
	VENEZUELA 1 Hotel Caracas Hotel Pestana Caracas	

Exhibit II A - Pousadas de Portugal – by Region

Alentejo Pousada Castelo de Alcácer do Sal Pousada Castelo de Alviço Pousada Castelo de Estremoz Pousada Convento de Arraiolos Pousada Convento de Beja Pousada Convento de Évora Pousada Convento de Vila Viçosa Pousada de Marvão Pousada Mosteiro do Crato - SLH	Azores Pousada de Angra do Heroísmo Pousada Forte da Horta Center Pousada Convento de Belmonte Pousada Convento de Vila Pouca da Beira Pousada da Ria Pousada da Serra da Estrela Pousada de Condeixa – Coimbra Pousada de Viseu	North Pousada de Alijó Pousada de Bragança Pousada de Valença Pousada de Viana do Castelo Pousada do Marão Pousada do Porto, Palácio do Freixo Pousada Gerês-Caniçada Pousada Mosteiro de Amares - SLH Pousada Mosteiro de Guimarães
Algarve Pousada Convento de Tavira Pousada de Sagres Pousada Palácio de Estoi - SLH	Lisbon Pousada Castelo de Óbidos Pousada Castelo de Palmela Pousada de Cascais - Cidadela Historic Hotel & Art District Pousada de Lisboa - Terreiro do Paço - SLH Pousada de Ourém Pousada de Setúbal Pousada Palácio de Queluz	

Exhibit II B - Pousadas de Portugal – by Segment




 A Charming Hotel	 A Monument Hotel
Pousada Convento de Belmonte	Pousada de Cascais - Cidadela Historic Hotel & Art District
Pousada da Ria	Pousada de Lisboa - Terreiro do Paço - SLH
Pousada de Aljô	Pousada do Porto, Palácio do Freixo
Pousada de Bragança	Pousada Mosteiro de Amares - SLH
Pousada de Condeixa – Coimbra	Pousada Mosteiro de Guimarães
Pousada de Marvão	Pousada Mosteiro do Crato - SLH
Pousada de Ourém	Pousada Palácio de Estoi - SLH
Pousada de Sagres	
Pousada de Valença	
Pousada do Marão	
Pousada Gerês-Caniçada	
 A Historic Hotel	
Pousada Castelo de Alcácer do Sal	
Pousada Castelo de Alvito	
Pousada Castelo de Estremoz	
Pousada Castelo de Óbidos	
Pousada Castelo de Palmela	
Pousada Convento de Arraiolos	
Pousada Convento de Beja	
Pousada Convento de Évora	
Pousada Convento de Tavira	
Pousada Convento de Vila Pouca da Beira	
Pousada Convento de Vila Viçosa	
Pousada da Serra da Estrela	
Pousada de Angra do Heroísmo	
Pousada de Setúbal	
Pousada de Viana do Castelo	
Pousada de Viseu	
Pousada Forte da Horta	
Pousada Palácio de Queluz	

Exhibit III A - Pousada de Amares, Pousada de Estói and Pousada do Crato

Pousada de Amares



Pousada de Estói



Pousada do Crato



Exhibit III B - Pousada de Palmela, Pousada de Alcácer do Sal, Pousada de Viseu and Pousada de Queluz

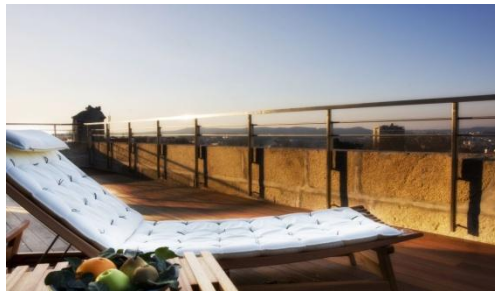
Pousada de Palmela



Pousada de Alcácer do Sal



Pousada de Viseu



Pousada de Queluz



Exhibit III C - Pousada de Belmonte, Pousada de Sagres and Pousada do Gerês

Pousada de Belmonte



Pousada de Sagres



Pousada do Gerês



Exhibit IV – Total Revenues 2013 and 2012 by business area

	2013	2012
Hotel business	216.578.737	1.250.058
Timeshare	27.278.921	-
Drinks (industry)	23.089.183	24.432.484
Real state (i)	19.803.493	-
Entertainment	9.857.919	-
Golf	9.746.955	409.403
Others	14.477.106	8.417.341
	320.832.314	34.509.286

Exhibit V – Revenue and GOP 2013 by business area

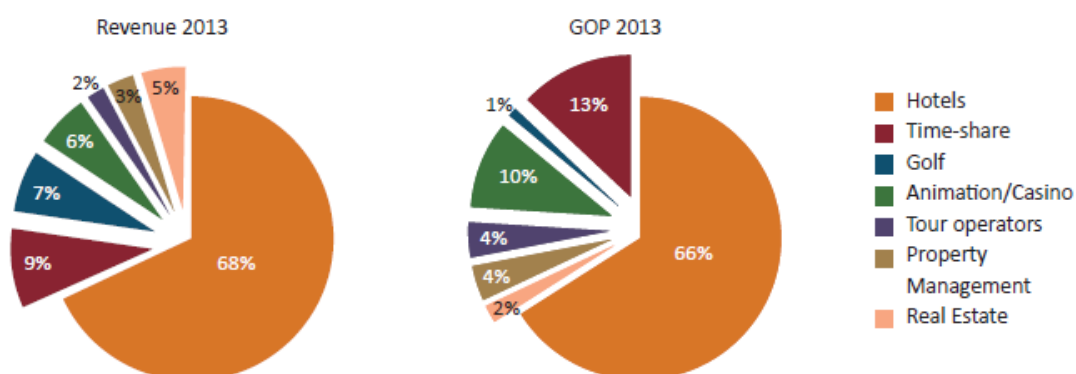


Exhibit VI - Sales and services rendered in Hotel business by country of origin related to the number of costumers

Country	Hotel business
Portugal	27,5%
United Kingdom	23,1%
Germany	12,0%
France	4,8%
Spain	3,9%
United States	2,8%
Brazil	2,7%
Russia	2,7%
Netherlands	2,3%
Switzerland	2,3%
Ireland	2,1%
Norway	1,8%
Belgium	1,7%
Others	10,4%
	100%

Exhibit VII – Personnel expenses

	2013	2012
Board of Directors		
Wages and salaries	3.544.091	-
Social security contributions	370.183	-
	3.914.274	-
Staff		
Wages and salaries	64.321.184	5.045.529
Social security contributions	13.594.351	1.014.495
Others	5.188.949	810.322
	83.104.484	6.870.345

Exhibit VIII –Hotel Group feeder market (by country)

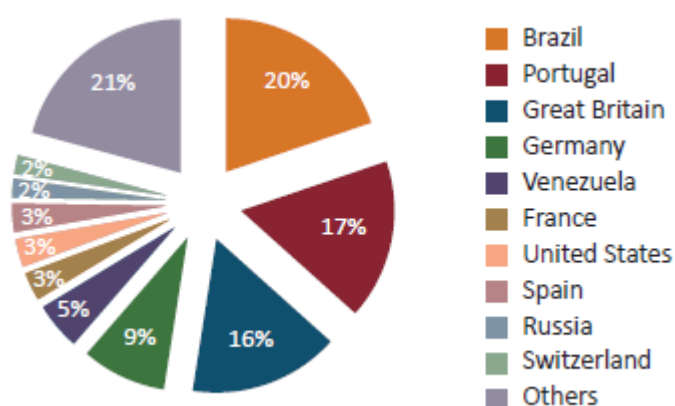


Exhibit IX – ARR and Occupancy by main country

Hotel Country	Currency	ARR in local currency			ARR in Euros			Occupancy		
		2013	2012	Var	2013	2012	Var	2013	2012	Var
Portugal	EUR	73	77	-5%	73	77	-5%	58%	51%	15%
Germany	EUR	81	85	-5%	81	85	-5%	84%	77%	9%
UK	GBP	114	119	-4%	137	145	-6%	90%	79%	14%
USA	USD	159	N/A	N/A	116	N/A	N/A	66%	N/A	N/A
Argentina	ARS	617	594	4%	69	92	-25%	71%	68%	4%
Venezuela	VEF	1.797	1.235	45%	115	218	-47%	69%	73%	-5%
Brazil	BRL	294	255	15%	90	94	-4%	56%	60%	-7%
Cape Verde	EUR	97	95	2%	97	95	2%	68%	69%	-2%
Sao Tomé	EUR	73	75	-3%	73	75	-3%	38%	33%	16%
Mozambique	MZN	3.372	2.984	13%	82	77	6%	61%	64%	-5%
South Africa	ZAR	874	798	10%	60	71	-16%	48%	47%	1%
AVERAGE				2%	82	89	-8%	59%	55%	8%

Exhibit X – Rack rates per room for each Pousada 2013

ÉPOCAS/SEASONS	BAIXA/LOW		ALTA/HIGH		ESPECIAL/SPECIAL	
	01.11.12 – 28.12.12 + 01.01.13 – 27.03.13 + 31.03.13 – 31.03.13		01.04.13 – 31.07.13 + 15.09.13 – 31.10.13		29.12.12 – 31.12.12 + 28.03.13 – 30.03.13 + 01.08.13 – 14.09.13	
NORTE / NORTH	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
AMARES	200,00 €	190,00 €	250,00 €	240,00 €	300,00 €	290,00 €
BRAGANÇA	160,00 €	150,00 €	190,00 €	180,00 €	190,00 €	180,00 €
GERÊS-CANIÇADA	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
GUIMARÃES	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
MARÃO	160,00 €	150,00 €	190,00 €	180,00 €	250,00 €	240,00 €
PORTO	220,00 €	210,00 €	250,00 €	240,00 €	300,00 €	290,00 €
VALENÇA DO MINHO	160,00 €	150,00 €	190,00 €	180,00 €	220,00 €	210,00 €
VIANA DO CASTELO	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
CENTRO / CENTER	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
BELMONTE	200,00 €	190,00 €	250,00 €	240,00 €	300,00 €	290,00 €
CONDEIXA-A-NOVA	160,00 €	150,00 €	190,00 €	180,00 €	190,00 €	180,00 €
MANTEIGAS	190,00 €	180,00 €	190,00 €	180,00 €	190,00 €	180,00 €
TORREIRA-MURTOSA	160,00 €	150,00 €	190,00 €	180,00 €	250,00 €	240,00 €
VILA POUCA DA BEIRA	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
VISEU	160,00 €	150,00 €	190,00 €	180,00 €	190,00 €	180,00 €
LISBOA E VALE DO TEJO / LISBON	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
CASCAIS						
ÓBIDOS	240,00 €	230,00 €	290,00 €	280,00 €	330,00 €	320,00 €
OURÉM-FÁTIMA	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
PALMELA	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
QUELUZ	180,00 €	170,00 €	220,00 €	210,00 €	220,00 €	210,00 €
SETÚBAL	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
ALENTEJO	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
ALCÁÇER DO SAL	180,00 €	170,00 €	250,00 €	240,00 €	300,00 €	290,00 €
ALVITO	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
ARRAIÓLOS	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
BEJA	160,00 €	150,00 €	190,00 €	180,00 €	190,00 €	180,00 €
CRATO	190,00 €	200,00 €	250,00 €	240,00 €	300,00 €	290,00 €
ESTREMOZ	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
ÉVORA	200,00 €	190,00 €	250,00 €	240,00 €	300,00 €	290,00 €
MARVÃO	160,00 €	150,00 €	190,00 €	180,00 €	190,00 €	180,00 €
VILA VIÇOSA	180,00 €	170,00 €	220,00 €	210,00 €	250,00 €	240,00 €
ALGARVE	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
ESTOI	200,00 €	190,00 €	250,00 €	240,00 €	300,00 €	290,00 €
SAGRES	160,00 €	150,00 €	190,00 €	180,00 €	250,00 €	240,00 €
TAVIRA	200,00 €	190,00 €	250,00 €	240,00 €	300,00 €	290,00 €
AÇORES / AZORES	DBL BB	SGL BB	DBL BB	SGL BB	DBL BB	SGL BB
	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY	SÁBADO/SATURDAY
HORTA	160,00 €	150,00 €	220,00 €	210,00 €	250,00 €	240,00 €

Condições/Conditions:
 Tarifas por quarto, por noite, válidas exclusivamente até 9 quartos; Prices per room, per night, valid up to 9 rooms;
 Camas Extra/Extra Beds: Crianças/Children (0-2) - Grátis/ Free // 3-12 (+ 15% sobre o preço do quarto // +15% on room rates)
 Suplemento cama extra para crianças com idade superior a 12 anos(+ 30% sobre o preço do quarto) // Extra bed for children above 12 YO (+30% on room rates);
 Suplemento para Suites presidenciais +50%; Suites + 35%; Quartos Superiores+ 20% sobre o preço do quarto standard // Supplement for presidential Suites +50%; Suites + 35%; Superior rooms+ 20%;
 As categorias dos quartos podem ser alteradas sem aviso prévio // Rooms category may be changed without advice.

Exhibit XI – Pestana Priority Guest Card



Exhibit XII- Pestana Priority Guest Program – Benefits Associated

	<i>Silver</i>	<i>Gold</i>	<i>Platinum</i>
BECOME A MEMBER	Open to anyone aged 18 or older	€2.000 spent or 10 stays in 12 months	€5.000 spent or 30 stays in 12 months
POINTS ACCUMULATED P/ EURO SPENT (VAT EXCLUDED)	10 Pts	12 Pts	15 Pts
SPECIAL ROOM RATE	-	-	15% discount off the best available rate
DISCOUNTS IN RESTAURANTS AND BARS	5%	10%	10%
SPECIAL OFFERS	Yes after registration at the site	Yes after registration at the site	Yes after registration at the site
WATER BOTTLE	One bottle per stay	One bottle per stay	One bottle per stay
ROOM SERVICE	-	VIP	VIP
UPGRADE	-	20% discount in check-in requests	20% discount in check-in requests
EARLY CHECK-IN	-	12h subject to availability	12h subject to availability
LATE CHECK-OUT	-	14h subject to availability	14h subject to availability
WI-FI INTERNET DISCOUNTS	-	50%	50%
DEDICATED RESERVATIONS LINE	-	Yes	Yes
NO DATE RESTRICTIONS	Yes	Yes	Yes

Points are valid for 24 months from the credit date.

Exhibit XIII - Pestana Priority Guest Card – Corporate



Exhibit XIV – Special Offers

Home Promotions

Special Offers | Pousadas de Portugal

Like Share 29 people like this. +1

HOLY EASTER FOR THE PARENTS, DEVILISH FOR THE CHILDREN.

Easter in Family
Easter Special Offer
From 89€ per room/night. Stays until April 6th!

[Learn more](#)

Golden Age
If you are 55 years or more, from 52€!

[Learn more](#)

Early Booking
From 36€ per room/night for 2 people

[Learn more](#)

More promotions

LUXURY HOTELS

Luxury and Refinement
The most luxurious Pousadas await you! From 173€/Night Spend an unforgettable moments!

[Learn more](#)

WEEKEND SALE -10%

Weekend Deal
Enjoy this Last Minute Offer and book until March, 8th! From 58 € per room/night with breakfast included.

[Learn more](#)

Spring Emotions
Celebrate Spring! From 129 € per room/night with breakfast included.

[Learn more](#)

Experiences

Healthy Breaks
Revitalize your body and mind From 170€ per room/night.

[Learn more](#)

Stay with Meal included
For those looking for an unforgettable experience! From 127€/night for 2 people with Meal.

[Learn more](#)

History Short Breaks
Enjoy a getaway to Viseu and visit the Museum of Caramulo! From 90€ per room/night. Visit to the Caramulo Museum and Dinner at the Pousada!

[Learn more](#)

Exhibit XV – Vouchers



3. Literature Review

The main objective of the Literature Review is to provide theoretical concepts and management frameworks that will be applied in the Teaching Note in order to analyze the new strategy of Pousadas de Portugal.

This section is divided in four parts: 1) The Hotel Business, offering an overall overview of how the hotel business is classified and its main components; 2) The focus on service, explaining how service can be improved in the hotel business; 3) Strategic Analysis of the environment of the hospitality industry: offering tools that examine the external factors that affects the dynamics of the hotel industry and finally, 4) The positioning, explaining different company positioning strategies.

Definition of Hospitality Industry

The hospitality and tourism industry is the largest and fastest growing industry in the world (John R. Walker, 2004). This industry is made up of many professions. According to The World Travel and Tourism Council in 2013, Travel & Tourism's total contribution to the global economy rose to 9.5% of global GDP. In total, around 266 million jobs were supported by Travel & Tourism in 2013.

The hospitality industry is divided in four pillars: Lodging, Foodservice, Recreation and Travel. (See **Figure I**).

Classification of Hotels

Lodging properties can be divided according to different criteria. It can include price, function, location, market segment and distinctiveness of style or offerings.

Hotels classified by price

Limited-Service Hotels: They are associated to "budget" hotels that only offer guest rooms. They have little public space and sometimes they also have meeting rooms. Room rates are low when comparing to other type of lodging property.

Select-Service Hotels: "These properties appeal to both consumers looking for a nice room associated to a good price and business travelers who have to manage their expenses and spend less than they would at a full-service hotel. It normally offers 100 to 200 guest rooms on average, provides limited food service operations and small meeting spaces." (Barrows, Clayton; Powers, Tom; Reynolds, Dennis; Introduction to the Hospitality Industry, 2012)

Full-Service Hotels: This type of hotels offers a wide range of facilities and amenities. It offers more public spaces and meeting rooms when comparing to budget/economy propriety and it has at least one food and beverage facility. These properties had, on average 272 rooms.

Luxury Hotels: At the top of the price categories are the luxury hotels which offer rooms that can vary from 150 to 500 in number. These properties offer a full range of services and amenities and are featured with an upscale décor and furnishing that may be unique to a particular hotel. It is common to have a concierge service and several food and beverage operations, including a gourmet or fine-dining restaurant, banquet facilities and full room service (24 hours per day).

Hotels classified by function

Convention Hotels: This type of hotels focuses on meeting and conferences and overnight accommodation for meeting purposes. Normally, these hotels provide high quality audiovisual equipments, business services, flexible seating arrangements, etc. “Convention hotels are often in close proximity to convention centers and other convention hotels, providing facilities for citywide conventions and trade shows”. (Clayton et al., op. cit., 2012)

Commercial Hotels: When compared with convention hotels, commercial hotels are “small, with 100 to 500 guest rooms. There is less public space, smaller meeting and function space, fewer food and beverage facilities and limited recreational amenities. The location of these hotels tends to be in downtown areas because they are near the large office complexes and retail stores”. (Clayton et al., ibid, 2012)

Hotels classified by location

Location is a criteria for categorizing lodging properties. “Types of hotels under this categorization include downtown hotels, suburban hotels, highway/interstate hotels, and airport hotels. Suburban hotels tend to be small, offering 200 to 350 guest rooms and involve low to midrise structures. Highway/interstate hotels are even smaller, with 100 to 250 rooms and are low-rise properties. Suburban hotels have interior corridors and meeting and banquet facilities whereas highway/interstate properties most likely have exterior corridors leading to guest rooms, minimal banquet and meeting space, and some food and beverage facilities.” (Clayton et al., ibid, 2012). The airport hotels normally target business clients, airline passengers and overnight travel layovers or cancelled flights and airline personnel.

Hotels classified by market segment

Executive Conference Hotels: Executive conference hotels are “often located in suburban areas and have fewer than 300 guest rooms. These facilities offer well-designed learning environments, provide a variety of small meeting rooms and classrooms featuring full audiovisual and technological support”. (Clayton et al., ibid, 2012)

Resorts: A resort can be defined as a full-service lodging facility that provides access to a range of amenities and recreation facilities to emphasize a leisure experience. Resorts are typically located in charming settings and have 200 to 500 guest rooms. A variety of food and beverage outlets is provided, ranging from informal to fine-dining restaurants.

Casino Hotels: hotels that offer gambling facilities may also be named as Casino Hotels. Although the food and beverage operations in casinos are luxurious their function is secondary to and supportive of casino operations. These hotels tend to attract guests by promoting gambling and other entertainment like concerts and shows.

Health Spas: Health spas are often located in “resort-type settings or as a part of a larger resort, provide additional amenities focusing on needs ranging from losing weight, to reducing stress, to pampering oneself”. (Clayton et al., ibid, 2012)

Vacation Ownership: It is also referred to as timeshares and vacation intervals. Within this concept, guests purchase the ownership of accommodations for a specific period. There owners may also have the unit rented out by the management company that operates the hotel.

Boutique Hotels: Boutique hotels span all price segments and are different in look and feel from traditional lodging properties. Interior-design styles in boutique hotels range from postmodern to homey. Soft attributes such as image and atmosphere, typically distinguish these properties. Travelers’ desires to be perceived as trendy, affluent and artistic tie into boutique themes.

Hotels classified by distinctiveness of style or offerings

All-Suite Hotels: “All-suite hotels have guest rooms larger than a normal hotel room. A living area is typically separated from the bedroom, with some properties offering kitchen areas. All-suite hotels can be found in urban, suburban, and even residential locations. The amenities and services can vary widely in this type of hotel.” (Clayton et al., ibid, 2012)

Extended-Stay Hotels: “It provides many of the same features and amenities as all-suite properties however the extended-stay room rates are often significantly lower, with daily, weekly, and monthly rates quoted. Restaurants may be located nearby and typically there are no on-site food and beverage outlets in extended-stay hotels.” (Clayton et al., ibid, 2012)

Historic Conversions: “Some hotel properties have historic significance and have been renovated to their original splendor. These classic hotels have great appeal for those wishing to experience some of the grandeur and elegance of earlier days with the comforts of modern-day features.” (Clayton et al., ibid, 2012)

Bed-and-breakfast Inns: “A typical bed-and-breakfast inn has five to ten rooms with the average size being eight rooms. Breakfast is served and included in the room rate for these properties. Most B&B’s are outside of urban areas.” (Clayton et al., ibid, 2012)

Type of travelers

Normally, travelers are divided in two categories: business and leisure. “Business travelers can be further characterized according to more specific profiles. The corporate market segments consists of for-profit companies and therefore may have more money to spend compared to nonprofit or other business segments. Corporate tends to pay higher rates with the expectation of quality service and facilities.” (Clayton et al., ibid, 2012)

Leisure travelers are considered as everyone that travels with a leisure-specific purpose, such as relaxing, skiing, sightseeing, discovering a new city, visiting amusement attraction or even having a learning experience such as Erasmus, and therefore, search and book accommodation offers that allow them to make the best of that experience.

Service as a Sustainable Competitive Advantage⁸

Service is becoming the differentiating factor between companies. The products sold in hospitality are strongly familiar. One hotel room is very much like another. Although there are important differences among food service segments, within each segment there is considerable similarity. Service offers the most important opportunity to differentiate one product from another. When a service system is established at the chain level, the ability to operate multiple units across a wide territory successfully gives the company an advantage over newcomers to the field. The company’s reputation, its sustainable competitive advantage, is most likely based on its service which means its service employees.

⁸ Clayton W. Barrows, Tom Powers, Dennis Reynolds; Introduction to the Hospitality Industry, 2006

Strategic Analysis of the environment of the hotel industry

PEST Analysis

Marketers in hospitality companies need to understand and adapt to changes in the business environment. The macro-environment includes political, economic, socio-cultural and technological forces and is therefore known as the PEST environment. PEST factors are constantly changing and major changes in any one PEST factor can significantly impact on the business.

Porter's 5 Forces

In 1979, Michael E. Porter of Harvard Business School identified five forces that determined the fundamental attractiveness of a market in the long term. The model became known as Porter's Five Forces Analysis and provides a framework that enables companies to analyze their industry, taking into account competitors' activities. The model created by Porter considers that those five forces determine the attractiveness of a market by analyzing the competitive intensity. The five key factors that the framework uses to identify and evaluate potential opportunities and threats are competitive rivalry, threat of new entrants, threat of substitutes, bargaining power of suppliers and bargaining power of customers. (See **Figure II**)

Value Chain

Value Chain is defined as a sequence of activities found to be common to a wide range of firms (Porter, 1985). The Value Chain provides a systematic means of displaying and categorizing activities. The activities performed by a firm in any industry can be grouped into nine categories. (Svend Hollensen, 2011). (See **Figure III**)

The value chain activities are a link between the main company resources and the strategic position in the global market. The company resources are only valuable when they are transformed into activities, which generate lower cost or higher value than rivals (Sheehan and Foss, 2009).

According to Michael Porter, value activities can be divided into two main types: primary activities and support activities. Primary activities are those involved in the physical creation of the product, its sale and transfer to the buyer. Support activities support the primary activities and each other by providing purchased inputs, technology, human resources and various firm-wide functions.

The Product Life Cycle

Most products pass through a life cycle that charts their sales and profit behavior from the beginning, through different stages, to decline and extinction (See **Figure IV**).

The product life cycle is one of the most well known concepts in marketing theory (McDonald, 1999), and hotel managers are conscious of its importance when they want to develop a new marketing strategy for their company. The product life cycle includes the following stages: Product Development: the new product is conceived, researched, assessed and test-marketed prior to introduction in the marketplace; Introduction: this happens when a product is launched and introduced in the market; Growth: this is the moment when the product becomes more widely accepted in the market; Maturity: the product has reached its potential and growth slows, and finally, Decline: the product no longer satisfies the needs of its customers, as alternative products provide better benefits to consumers.

Sustainable Competitive Advantage

The value chain is a strategy tool that is used to analyze internal firm activities. Its main objective is to identify which activities are the most valuable to the firm and which ones could be improved to provide competitive advantage.

The VRIO framework is a tool used to analyze the internal resources and capabilities of a firm in order to find out if they can be a source of sustained competitive advantage. The tool was developed by Barney, J.B in 1991 in his work “Firm Resources and Sustained Competitive Advantage”. According to the author, the resources of a company must be Valuable, Rare, Inimitable and Non-substitutable in order to become a source of sustained competitive advantage.

According to Barney (1991), a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors⁹.

The Positioning

Positioning refers to the market position that firms aim to create. Strategic positioning is defined as “based on customers’ needs, customers’ accessibility, or a variety of a company’s products and services”. (Porter, 1996)

⁹ Journal of Management 1991, Vol. 17, No. 1, 99-120

Generic Strategies

Business-level strategies are pointed out as generic strategies, as firms based in any industry, regardless of the products and services they produce and the product-markets they serve are able to pursue them. These strategies consist of cost leadership, differentiation and focus. Porter (1980, 1985) derived these types that are closely linked to a framework that uses customer needs, customer groups, and distinctive competencies developed by Abell (1980). (See **Figure V**)

Cost leadership strategy: Firms derive this strategy by maintaining a low-cost position. Low cost refers to the overall cost of producing products and services when compared to competing firms in the same market. If a firm is successful in achieving lower costs as compared to competition over a sustained period of time, it is said to have a competitive advantage.

Differentiation strategy: This strategy comes from a firm's objective of providing unique and distinctiveness products and services to its customers as compared to competition. Porter (1985) states that differentiator firms are able to "gain equivalent benefits such as greater buyer loyalty during cyclical or seasonal downturns". There are several approaches to differentiating from competitors: design or brand image; customer service, dealer network, or other dimensions. Ideally, the firm differentiates itself along several dimensions. For clients, this strategy attempts to inspire a sense of client loyalty toward the company and its products and services, making the demand less sensitive to price fluctuations. The value chain is equally useful in the differentiation strategy and in this case an analysis should be made of all the activities in order to determine which of their basic characteristics can be modified to differentiate the company from its competitors.

Focus strategy: The final generic strategic is focusing on a particular buyer group, segment of the product line, or geographic market. This strategy is narrow in scope in terms of the market segment and the product-service offerings. The firm targets a market segment with the sole objective of serving only that particular segment. The firm either develops a cost advantage or it can differentiate itself. Therefore, focus strategies is divided in two types: cost focus and differentiation focus. Cost focus pertains to seeking a cost advantage in the target market segments. Differentiation focus is about differentiating the firm's products and services in the target market segments. The difference between overall cost leadership/differentiation and cost/differentiation focus strategies is that in this case of the former, the firm tries to achieve market wide cost leadership or differentiation, whereas in the latter, the strategy is limited only to the target market segment.

Growth (Ansoff Matrix) – Achieving growth to product development

The Ansoff Product-Market Growth Matrix is a marketing tool created by Igor Ansoff in 1957 and published in his article “Strategies for Diversification” in the Harvard Business Review.

The Ansoff Matrix allows considering different ways to grow the business via existing and/or new products, in existing and/or new markets. There are four possible product/market combinations. (See **Figure VI**)

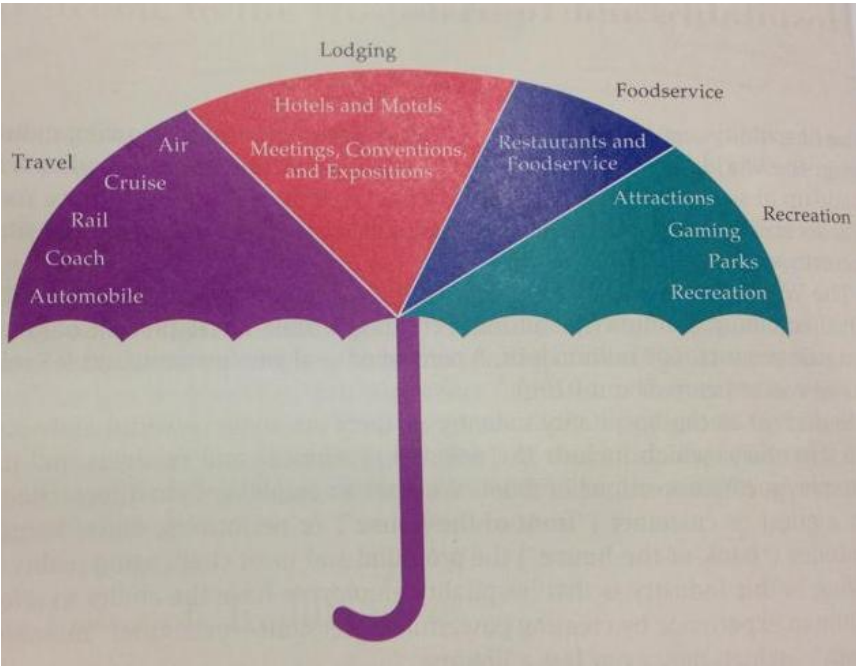
Market Penetration (existing markets, existing products): It occurs when a company enters a market with existing products. The best way to achieve this is by gaining competitors’ customers. Other ways to achieve is by attracting non-users of the product or convincing current clients to use more the competitive product, with advertising or other promotions. This strategy may enable the firm to gain market share but will be dependent on the nature of the market and the position of the competition.

Product Development (existing markets, new products): A company may decide on the search for alternatives that build upon the company’s present knowledge and skills. Firms need to follow the changing needs of their customers by a policy of continually introducing new product lines. (Tim Knowles, 1996). New product development can be a crucial business development strategy for firms to stay competitive. (Jefferson & Associates Inc., 2009).

Market Development (new markets, existing products): It occurs when companies develop existing products into new markets. An established product in the marketplace can be targeted to a different customer segment, as a strategy to earn more revenue to the firm.

Diversification (new markets, new products): Diversification occurs only when a company attempts to grow by introducing a new product to a new market, i.e., fulfilling a new mission. It therefore means the incorporation of a new product-market pair or of an activity or activities different from the existing one(s).

Figure I - 4 Pillares of the Hospitality Industry



Source: Scope of the Hospitality and Tourism Industry by Walker, J. – Introduction to the hospitality management, 2004

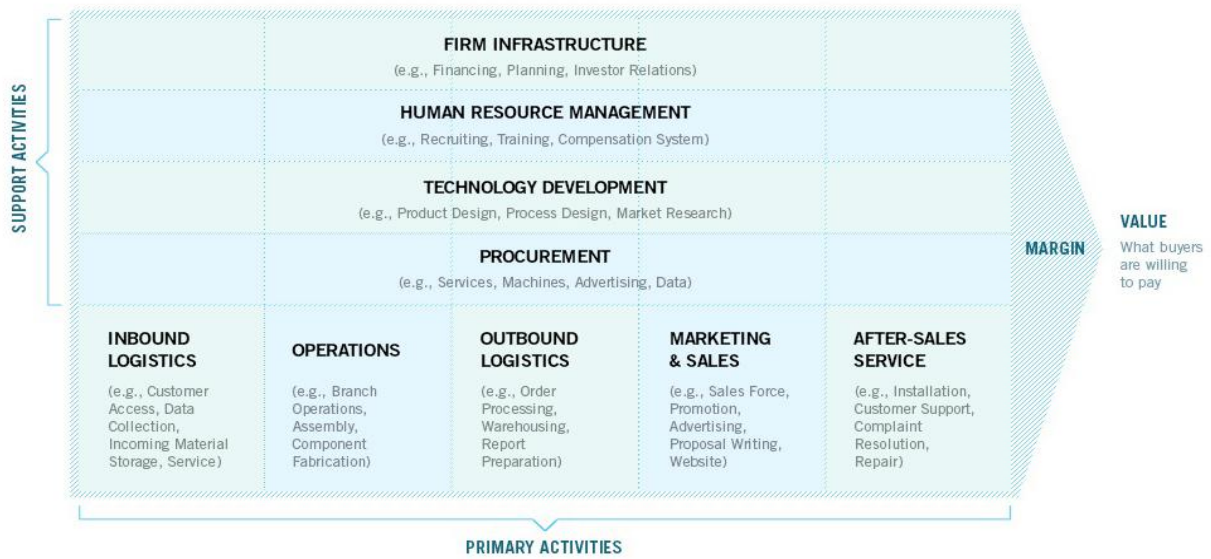
Figure II – Porter’s 5 forces

The Five Forces That Shape Industry Competition



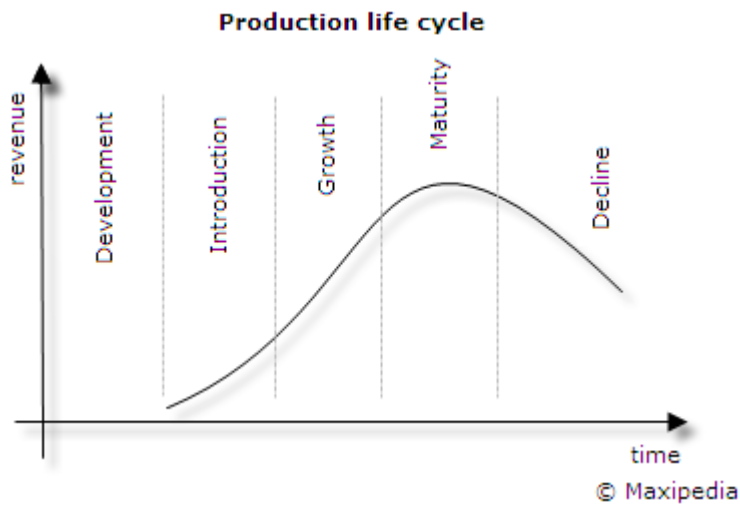
Source: The Five Forces that shape industry competition (Porter, Michael 1979 – The Five Competitive Forces that shape strategy, Harvard Business Review)

Figure III - Value Chain



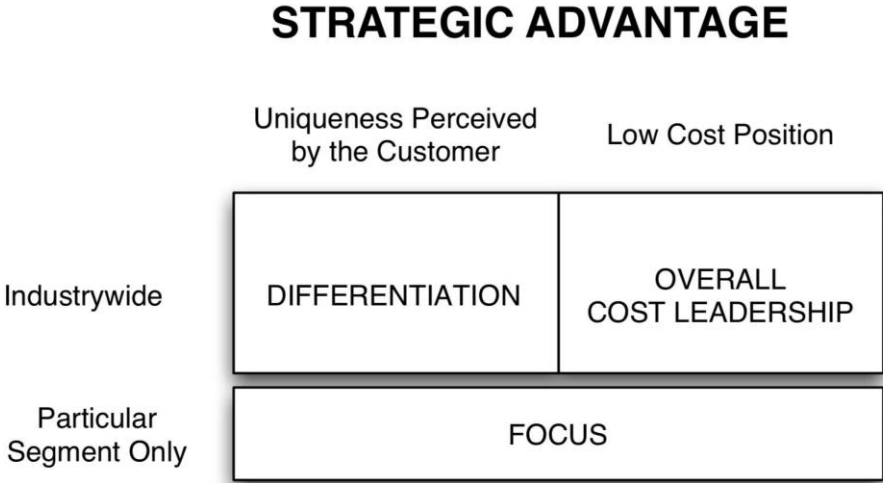
Source: The Value Chain, Porter, M. - Harvard Business Review

Figure IV – The Product Life Cycle



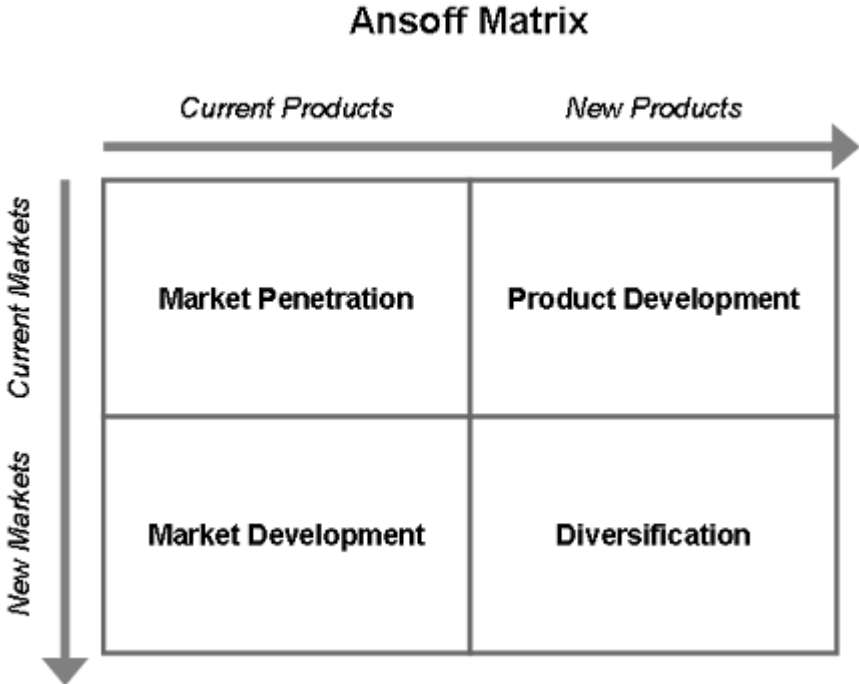
Source: Industry Life Cycle (Levitt, T 1965 – “Exploit the Product Life Cycle”, Harvard Business Review)

Figure V – Generic Strategies of Michael Porter



Source: Porter, Michael: *Competitive Advantage: Creating and Sustaining Superior Performance*, NY, The Free Press, 1985

Figure VI – Ansoff Matrix



Source: Ansoff Matrix (Johnson, G., Scholes R. Whittington: *Exploring Corporate Strategy*, 2008)

4. Teaching Note

Teaching Objectives

The case relies on the repositioning strategy of a group of inns located in castles, palaces and monasteries across Portugal that were not known internationally and with a poor financial performance during previous years.

The main learning objective of the case study is to understand how a company was able to reposition its brand and achieve positive results, in a saturated market. After analyzing this case study about Pousadas de Portugal, students should be able:

- To recognize the difficulties that Portuguese companies, in this case in the hotel industry, faced during the financial crisis.
- To identify the strengths and weaknesses of Pousadas de Portugal before and after the implementation of the new strategy of repositioning and brand awareness;
- To understand the impact of the business environment in the organization;
- To become more familiar with concepts of new brand positioning, strategic approaches such as differentiation, market segmentation and external factors.
- To understand the positioning of the company and how to differentiate in a saturated market.
- To provide several strategic and marketing recommendations for *Pousadas de Portugal* future management

Assignment questions

1. What external factors affected the performance of *Pousadas de Portugal* and what was the adopted strategy to change its weak performance?
2. What are the main problems that *Pousadas de Portugal* is facing?
3. What kind of recommendation would you give to Miguel Velez in order to face those problems?

Class Plan

1. What external factors of the business environment affected Pousadas de Portugal new strategy in the Portuguese market?
2. How do you classify Pousadas de Portugal in terms of price, function, location, market segment and distinctiveness of style or offerings?
3. How do you define Pousadas de Portugal type of travelers? What are their main motivations?
4. What is the main problem of Pousadas de Portugal and what are the main strengths and weaknesses of the company?
5. What kind of strategy is been followed by *Pousadas de Portugal* since the adoption of this new positioning?
6. Does *Pousadas de Portugal* have a sustainable competitive advantage?
7. In which product life stage is Pousadas de Portugal positioned?
8. What recommendations would you make for Pousadas de Portugal future strategy?

Analysis

1st Question) What external factors of the business environment affected Pousadas de Portugal new strategy in the Portuguese market?

To properly answer this question, the use of **5 Porter Forces** and **PEST Analysis** will help to understand what external factors of the business environment affected Pousadas de Portugal which is inserted in the hotel industry.

Threat of new entrants – MEDIUM

Although in general there are many entry barriers that are possible to find in the hospitality industry in Portugal, the number of hotels in Portugal almost doubled in the last 10 years, with an increase of 87% compared to 2005.¹⁰ However, a barrier to entry that has strong influence in Portugal is product differentiation. Established firms enjoy a loyal customer base, which comes from many years of past advertising, customer service, loyalty programs, word of mouth, or simply being one of the first competitors in a particular market. The two crucial factors that enable hotels to differentiate themselves are good location for the relative target market and quality of service. Finally, the capital requirements are the main entry barrier in this industry because the hotel industry on a global basis is characterized by high capital costs. The threat of new entrants is considered to be medium since the industry presents some entry barriers restricting new entrants but in the last years it was possible to observe a substantial increase of hotel units in Portugal.

Bargaining Power of suppliers – MEDIUM

In the hotel industry, examples of suppliers are property owners, interior design and furnishing companies, architects, management and training service providers, marketing companies, food and beverage area, industry consultants and information and computer technology manufacturers.

In Portugal, there are many options when a company wants to choose a supplier for a specific function, in terms of food and beverage for example there are a lot of options. In this case suppliers are large in number and hotels can negotiate better prices. However, in the hospitality industry is normally to find dependent customers which means that the buying industry must have what the suppliers provide in order to provide its own services. For example, products that are costly to switch suppliers such as a reservation service to handle

¹⁰ Altas Hospitality 2015, Deloitte

the bookings. If the company later chooses to purchase these services from different suppliers, it must remove the reservation systems, purchase or contract for a new system and retrain employees to use it. So, the bargaining power of suppliers is medium.

Bargaining Power of buyers – HIGH

In the hospitality industry, the number of customers is large which means that customers tend to exhibit greater bargaining power. In some hotels, it is possible to find customers that make high-volume and regular purchases and it can often define contract terms, force price concessions, or demand special services, for example, when a corporate client books many room nights per year. Normally, the hotel industry is selling a standard or undifferentiated service which is accommodation. However, in Portugal is possibly to find many differentiated options to stay in and customers can find alternative suppliers. Pousadas de Portugal tend to focus on creating differentiated elements to retain guests.

Threat of Substitutes – MEDIUM

There are many substitutes in the hotel industry in Portugal. Although renting an apartment, staying with friends or relatives, hostels, motels, bed and breakfasts or camping are a mild threat for hotels, because many people will not accept less than the convenience and comfort level of an hotel, there are many hospitality options for customers in their decision buying process. The main strategy that should be used for Pousadas de Portugal to minimize its threats imposed by substitute products is to improve the excellence regarding the needs and desires of clients, provide the best service possible and try to differentiate among competitors.

Rivalry among competitors – HIGH

One of the factors that contribute for high rivalry in this industry is that there are many competitors and none of them possess a dominant position. In Pousadas de Portugal, the main threat is the luxury or high-end hotels that can offer the same services and prices are similar. However, the Pestana Group is very well-known so it has strengths to compete against rivals. Rivalry among competitors also exists when there is a lack of product differentiation and Pousadas de Portugal tries to differentiate, although it offers similar products and services in accommodation which can lead to pricing pressure.

The attractiveness of the hotel industry appears to be medium. The rivalry among competitors and the bargaining power of buyers is considered to be high but the other forces are considered to be medium. Although there are many players entering this market, there are

other limitations that are a constraint to enter such as the high rivalry among competitors, the necessity to differentiate in the accommodation service and the high capital costs of entry.

The **PEST Analysis** can be described as the following:

Political Factors: In terms of political and governmental factors, the European Debt crisis not only had an impact in countries at the economic level but also at a political level. In Portugal, the austerity measures led to an instability that conducted to a decrease in consumption and increased difficulties for hotels.

Economics Factors: The Economic global crisis started with the United States financial situation, European sovereign debt crisis and the austerity policies. This conducted to lower revenues and lower investments that resulted in a demand contraction. These are factors that affect the hotel industry since consumers are more prices sensitive and have less money to spend in the hotel industry. However, it is forecasted growth in emerging markets such as BRICS, the Middle East and other Asian countries and a demand expansion with new customers from different cultures is expected.

Social Factors: At the social level, Portuguese had become more price-sensitive and were used to comparing prices more. Besides this, people were demanding more for products and services diversification and differentiation. It is also worth mentioning that the increasing numbers of young consumers from emerging markets from Asia visiting Portugal for different purposes can be an important social factor that impacts the Portuguese hotel industry. Finally, society has becoming more environmental responsible. This leads to higher costs and increases maintenance and investment in environmental friendly initiatives for hotels.

Technology Factors: Regarding technology, hotel bookings have become very sophisticated. Anyone can book a hotel room in a simple step in the internet. The communication factor has become easier through more channels, mainly internet based. The increasing number of social media such as Facebook and Instagram help both the customers and the hotels. So, it is important for hotels and specifically for Pousadas de Portugal to be active in social media and investments in technology and information systems are crucial to succeed.

2nd question) How do you classify Pousadas de Portugal in terms of price, function, location, market segment and distinctiveness of style or offerings?

Pousadas de Portugal is distinguished into three different segments, so each segment will be analyzed separately.

	Price	Function	Location	Market Segment	Distinctiveness of style or offerings
Charming Hotel	Selected-Service Hotels	Commercial Hotels	Suburban Hotels	Boutique Hotel	Historic Conversions Inns
Historic Hotel	Full-Service Hotels	Commercial Hotels	Suburban Hotels	Boutique Hotel	Historic Conversions Inns
Monument Hotel	Luxury Hotels	Commercial Hotels	Downtown/Suburban Hotels	Boutique Hotel	All-Suite Hotels

First of all, there are two classifications - function and market segment- that are equal for all the different three segments.

In terms of function, all Pousadas de Portugal are classified as commercial hotels. Commercial Hotels offer a small public space, small meeting and function space, limited food and beverage area and some recreational amenities. The majority of the inns are located in suburban and countryside areas but some Monument Hotels can be found in downtown areas such as Pousada do Porto – Palácio do Freixo and Pousada de Lisboa – Terreiro do Paço.

The market segment of all the different segments is boutique hotels. All of the inns offer luxury facilities in unique buildings and environment. The hotel chain also offers different price segments and is noticeably different in look and feel from traditional lodging properties. The interior-design style of the inns varies from postmodern to classic. As boutique hotels, Pousadas de Portugal is focused in offering its services in a comfortable, intimate and welcoming setting.

Starting by analyzing the Charming Hotel segment; it is classified as selected-service hotels in terms of price. The Charming Hotel category offers a wide range of facilities and amenities. These properties appeal to consumers looking for a nice room at a good value that have to

manage their expenses closely. These hotels offer limited food service operations and the meeting space is small but it is possible to find lounge areas for socializing, hot breakfast service and swimming pool in these inns. Regarding location, the majority of charming hotels are located in Suburban areas, far away from city centers. Finally, in terms of distinctiveness of style or offering, Charming hotels are classified as historic conversion inns since they have historic significance. These classic hotels have great appeal for those wishing to experience some of the grandeur and elegance of earlier days with the comfort of modern-day features.

Regarding the Historic Hotels, the characteristics are equal to the charming hotels except in price. The inns inserted in Historic Hotels are considered as full-service hotels since a wide range of facilities and amenities is offered. Besides this, in this category there are more public and meeting/function space, with one food and beverage facility. The room rates in Historic Hotels tend to be equal to or slightly above market-area average.

Finally, Monument Hotels are considered to be luxury hotels in terms of price since it is above the market-area average. These properties offer an upscale décor and furnishings, besides a full range of services and amenities. The guestrooms are oversized and have a concierge service, a business center and several food and beverage operations, including a gourmet restaurant with typical cuisine in a palace style. The staff is multilingual and a full room service 24 hours per day is offered.

3rd question) How do you define Pousadas de Portugal type of travelers? What are their main motivations?

Pousadas de Portugal type of travelers is individual leisure-seeking customers, with 50 years old and with medium/high purchasing power capacity. This type of travelers is looking for some historical and cultural experiences such as spending a night in a castle or a monastery, with a strong connection to local and culture cuisine. They also desire to refuge to a charm place, with personalized service in a privileged location.

Regarding the main motivations that lead people to choose Pousadas de Portugal as a destination, McIntosh and Goeldner (1995) suggest that basic travel motivations can be divided into four categories: physical motivator, cultural motivator, interpersonal motivator and status and prestige motivator.¹¹ In this case, the main travel motivations to go to Pousadas de Portugal is the physical motivator which is related to physical rest and healthful and

¹¹ Cooper, C. – Tourism: Principles of Practice 4th edition 2008

relaxing entertainment and the cultural motivation that is related to the desire for knowledge of other places.

An interesting way of modeling travel motivations is to divide them into factors that pull, that is, attractions, and those that push, that is, personal needs. Push factors are the intangible desires that generate from within the person. Disneyland Paris attracts those motivated by a pull factor. A relaxing week on Pousadas de Portugal is probably inspired by a push factor.

4th Question) What is the main problem of Pousadas de Portugal and what are the main strengths and weaknesses of the company?

The main problem of Pousadas de Portugal started in 2008 due to the financial crisis. The performance of Pousadas de Portugal was disappointing with a decrease of 50% in the domestic market in the last five years. The major problem was the strong dependence on the domestic market that had decreased its purchasing power and there was a low awareness in the international market. Foreign markets were important as future costumers of the company since they were the main contributors to hotel revenues in Portugal.

Due to the financial crisis, the political instability, the austerity measures and the consequent reduction in consumer purchasing power, the conditions of the Portuguese market were unattractive and all these factors contributed to a sharp decline in the company's sales. In addition to these external factors, there are also internal factors of the company that contributed to the poor performance of Pousadas de Portugal. The low awareness in international markets, the buildings were becoming outdated in terms of modernity and design, the investment in communication and marketing was very low and consumers did not look to these units as potential offerings because the units were not distinguished in the domestic market.

In conclusion, despite its strong potential due to unique and distinct characteristics of the units, Pousadas de Portugal was being poorly exploited and it was necessary to adopt a survival strategy to invert the results.

The main strengths of Pousadas de Portugal can be described as the following:

- Strength and prestige of the Pousadas de Portugal brand in the domestic market;
- Synergies and benefits of belonging to Pestana Group which is the largest Portuguese hotel group;

- Uniqueness of the historic concept and differentiation of traditional hotels with the historic component of the building, location, landscapes, cultural surrounding and gastronomy;
- Strong coverage of national territory;
- Product segmentation (Monument, Historic and Charming Hotels) adapted to different customer segments;
- The quality of the gastronomy adopted to the region (largest network of regional restaurants)
- The existence of the Pestana Priority Guest Program that offers points and discounts to customers according to the different types of cards;
- The possibility of allowing the entry of dogs in certain inns;
- The entrance in the Small Luxury Hotels of the World which is an open window for foreign markets

The main weaknesses of Pousadas de Portugal can be described as the following:

- The price per room is above the average and it is not a good factor in a country that is going through a serious financial crisis; although the price per room is high due to the firm's positioning in the market, the majority of middle-class cannot afford those prices.
- Small brand awareness in the international market;
- Reduced size of units can be an obstacle to reach some segments (business and congresses);
- Some locations with low touristic demand and low business environment;
- Accessibility and limiting distances in some units;

5th Question) What kind of strategy is been followed by *Pousadas de Portugal* since the adoption of a new positioning?

To answer this question, two strategic tools should be used: Porter's Generic Strategies and the Ansoff Matrix.

Pousadas de Portugal defined a new strategy of repositioning the company in order to attract more customers. The units were grouped according to three different experiences from location to level of service: Charming, Historic and Monument. A unique concept of storytelling was created and staff was trained to tell the story of the place in first person in different moments of contact with the customers. The gastronomy had become one of the strongest

axes of the experience and each of the restaurants of the company would provide a journey through the best of Portuguese regional cuisine. Pousadas de Portugal wanted to position itself as one of the most influential offering of each region and a unique calendar of initiatives was developed to meet that objective. From the previous statements, it can be concluded that Pousadas de Portugal adopted a differentiation strategy to fight against competitors.

This differentiated service may allow Pousadas de Portugal to charge a premium price, especially in the Monument units. Another factor they have identified as contributing to their position in the industry is their high-quality guest experiences that appeal to both business and leisure travelers. The key to success is that customers must be willing to pay more for the uniqueness of a service than what cost the firm to create it.

The Ansoff Matrix is useful to understand which type of growth strategy Pousadas de Portugal used to grow the business. In this matrix, there are four types to grow the business via existing and/or new products, in existing and/or new markets. Since Pousadas de Portugal did not enter new markets and developed new products, the strategy of Product Development was used by the firm. According to Miguel Velez, it was necessary to do something innovative in order to increase the results. According to him, the strategy should start by picking the DNA of each inn and tell the history of Portugal since those were hotels more than one thousand years old and were castles and convents. Furthermore, new services of allowing dogs to the inns were created, new programs for families were developed, the inns strengthened the focus on cuisine and there was a development of excellence in service. The employees were the main contributors to the excellent service and many efforts the gastronomy had become one of the main pillars of the experience. It was in details that Pousadas de Portugal would distinguish themselves for the relationship with guests and customers. In the off-season the directors of the company would invite guests for tea and a conversation about history, legends and curiosities. Besides the new repositioning by creating three different concepts (Monument, Historic and Charming), the concept of story-telling was developed and it was created the largest network of regional restaurants in the country recognized and acclaimed for the superior quality of its products and the refined atmosphere it offered. Lastly, the cross-selling concept intended to promote regional interactivity by creating a calendar of initiatives that included exhibitions of artists, local products and group concerts. Firms need to follow the changing needs of their customers by a policy of continually introducing new product/service lines and Pousadas de Portugal applied this strategy of anticipating the needs of customers and providing new products and services in order to achieve growth by improving sales and client rotation.

6th) Does Pousadas de Portugal have a sustainable competitive advantage?

In order to determine Pousadas de Portugal competitive advantage and find out if it is sustainable, two strategic tools will be used: the Value Chain and the Resource-Based View (RBV) model.

The value chain is a useful tool in identifying potential sources of competitive advantage. In Pousadas de Portugal case, an analysis must be made regarding the activities involved in the value chain in order to determine which of the basic characteristics were modified so as to differentiate the company from its competitors. It is necessary to identify the areas where Pousadas de Portugal is contributing with the best results: Technology development, Services, Operations and Marketing and Sales.

As a support activity, Technology Development is related to managing and processing information, as well as protecting a company's knowledge base. Some examples of value creation in Pousadas de Portugal are staying up to date with technology advances, and maintaining technical excellence. The main objective is to have a data base of all clients in order to anticipate guest needs and provide them the best service possible.

Regarding the primary activities, service is becoming the differentiating factor between hotels. For a guest, service is the performance of the organization and its staff in exceeding the promise made throughout the service encounter. In Pousadas de Portugal service it is one of the main components to capture clients from competitors. Inspired by rising guest expectations and competitive necessity, Pousadas de Portugal had jumped on service quality by providing excellent products and quality in service and invested in training personnel.

Besides this, Operations has an important role in the hospitality industry, especially in the Food and Beverage area. Competition in food service has always been intense. There are many buyers and many sellers that make it hard for any company to achieve control over the market. In Pousadas de Portugal, the experience involves not only the food served but the way the server and guest interact and the atmosphere of the place. The restaurants of each inn are recognized and acclaimed for the superior quality of its products and the refined atmosphere they offer.

Finally, the success of Marketing and Sales depends on how well the company communicates to capture clients. In Pousadas de Portugal it is a competitive advantage because the investment in marketing raises its profile in the media, offering original content announcing the brand and the product in order to attract new international customers. Besides this, the

sales management team is always concerned with establishing the best ways to attract customers by creating the Pestana Priority Guest Program, loyalty cards, partnerships and several discounts.

After identifying the company's potential key resources, it is necessary to evaluate whether these key resources fulfill the following criteria:

Valuable: the buildings with strong historical and architectonic values, the well-known brand of Pousadas de Portugal and the superior quality service allowed a differentiation strategy, which increased Pousadas de Portugal sales level.

Rare: The component of the buildings and brand is unique. The superior quality service is also achieved by other hotels so it is only a competitive advantage but the Pousadas de Portugal brand and the buildings in historical monuments and unique services provided are unique so it is considered a sustainable competitive advantage.

Imitable: The buildings of the inns have its own value and distinctiveness and the brand has its own identity so it is inimitable.

Substitutability: There are a lot of options when a customer is choosing an accommodation to stay in. There is always a hotel around the corner and normally people choose a hotel based on the best location, price and quality. However, Pousadas de Portugal has unique characteristics such as a strong reputation, the history and culture of the buildings and the brand is unique.

To conclude, all this factors combined transforms the several activities of Pousadas de Portugal into sustainable competitive advantages, although service is not sustainable since there are many hotels that provide excellent services so it is only a part of a competitive advantage.

7th Question) In which product life stage is Pousadas de Portugal positioned?

The Product Life Cycle analysis is one of the most well known concepts and hospitality managers are aware of its importance when developing marketing strategies for their business. For this question, Product Life Cycle will be applied for the brand "Pousadas de Portugal".

Pousadas de Portugal had passed through different stages of the product life cycle. Since the beginning of the financial crisis until 2014, the sales of the company decreased and Pousadas de Portugal were in the decline stage.

Thus, Pousadas de Portugal felt the necessity of finding a successful new strategy to change the bad performance and increase sales. With the implementation of the new strategy of repositioning, there was an increase in sales especially contributed by the foreign market. Therefore, with the adjustment of the new strategy of repositioning, interesting products and services were developed, so it can be assumed that Pousadas de Portugal is in the growth stage. This is the period when the new products and services become more widely accepted by consumers and sales grow as the concept becomes better established.

8th Question) What recommendations would you make for Pousadas de Portugal future strategy?

The main objective of Pousadas de Portugal is to increase sales continually in order to achieve positive financial results and increase brand awareness both in national and international markets. In addition to the repositioning strategy adopted, other suggestions for the firm's future strategy will be given in order to attract more customer segments, promote Pousadas de Portugal and increase quality in serving customers. The following suggestions will be divided in strategic and operational measures.

There are several strategic issues that should be discussed in this section. Firstly, the main objective of Pousadas de Portugal is attracting foreign customers. But at the same time it is necessary to reverse the Portuguese market problems. This is an issue that should be discussed because Pousadas de Portugal is inserted in the Portuguese territory and therefore, the domestic market should not be ignored.

It is necessary to reflect on the sustainability of continuing to investing in Pousadas de Portugal by the Pestana Group. What are the advantages that Pestana Group has of integrating Pousadas de Portugal in its business? The Pestana Group is the largest Portuguese hotel group that strongly focuses on internationalization, with a presence in 15 countries and the majority of the hotels are located in city centers. However, the group benefits of having in its business the Pousadas de Portugal. A prestigious group as Pestana is always trying to have as much offers to meet the needs of different types of consumers. In addition to the focus on the international market with the integration of Pestana hotels in several countries, the group benefits from the acquisition of Pousadas de Portugal because with these units, they can offer

a diversified range of products, taking advantage of the Portuguese heritage and transforming it into unique and distinctive hotel properties in Portugal. Thus, they can also attract other customer segments, different from those that choose Pestana resorts or Pestana city hotels, so they can cover a wider range of customers.

As potential strategic measures, the group should consider different options:

The Pestana Group is present in many countries, so it could take advantage of this to create and integrate new inns abroad, especially in countries with affinity to Portugal. The investments could be done in Angola, Mozambique, Cape Verde, Brazil, Macau, Morocco, India, Malasia, Timor and South America, where the historical Portuguese presence was strong and where it was possible to adapt buildings with inn characteristics. Specifically in the case of Angola, it would be interesting to create an inn intended for business segment with Portuguese characteristics due to high business relationships that Portugal has with Angola.

In Portugal, Madeira has no Pousada de Portugal. Being the origin place of Pestana Group and a region with a growing tourist demand, the expansion of the Pousadas de Portugal in this region could be discussed. By investing in regions of Portugal, the group is also attracting more Portuguese consumers that can contribute to inverse the bad performance in the domestic market.

Another suggestion is based on the creation of synergies between Pestana Hotels and Pousadas de Portugal. Pousadas de Portugal benefits from Prestana Group due to the group name and the image that the group has in international markets mainly. Beyond that, synergies could be developed between both companies in terms of human resources, marketing, operations, and information systems, among others.

Finally, another issue that could be taken into account is the pricing policy. Pousadas de Portugal attracts a high segment and even the inns with the most basic services have high prices. Thus the pricing policy could be managed and reviewed in order to attract more customers segments.

The operational measures for Pousadas de Portugal are described as the following:

- **Creation of a mobile application**

Pousadas de Portugal can provide a unique experience to its customers by creating a mobile application. Nowadays, millions of mobile apps are downloaded and it represents an opportunity for Pousadas de Portugal to be discovered. Besides this, an app is an excellent

tool for boosting customer loyalty. It would be possible to provide online booking by creating a reservation form, share information, guide customers with GPS to the inns, send notifications of promotions and discounts, show the menu of the restaurants with photos and descriptions, allow restaurant reservations, integrate social networks and create feedback surveys. The app could be a source of interest and valuable asset for potential partnerships with tourist and travel companies.

- **Database management**

Using information systems to better serve the customers can be very useful to improve client turnover. Pousadas de Portugal might use a system to keep records of reservations of each individual hotel and also keep track of guest preferences.

Pousadas de Portugal has as competitive strengths its people and their ability to deliver exceptional service and this combined with keeping guest histories and guest preferences files would allow them to provide an even better service. The main objective is to build a perfect customer-driven service system that anticipate the guest needs and preferences and react immediately to correct any service error or satisfy any complaint.

- **HR Management**

In order to obtain more brand awareness abroad, partnerships with international hotel management schools could be an interesting strategy, especially in the inns that joined the Small Luxury Hotels of the world. This can open another window for the foreign market and the inns can benefit from excellent trained staff for internships programmes.

- **Partnerships**

The hotel group should increase its partnerships to promote Pousadas de Portugal with diversified entities such as tourist companies focused in external activities (nature, paintball, surf, tourist guides), travel agencies such as Abreu, transport companies (Europcar, for example), local museums of each inn and cultural and show and events centers. Mutual discounts could be offered.

- **Rewards**

A reward programme designed to encourage and complement the training, team problem-solving and empowerment activities should be created. To employees who reported problems or made suggestions, dinners and gift certificated should be awarded and Pousadas de

Portugal should also sponsor awards and other forms of celebration. To top performers in each inn, it could be offered an annual award dinner and give a weekend trip to any inn in Portugal.

5. Conclusion

It was a unique experience to develop this dissertation with Pousadas de Portugal, since I learned how the company began its new strategic repositioning plan. I also learned that the increase in competition in the hospitality market led companies to find alternatives to differentiate themselves from competitors. Nowadays people search for a value added product or service from a brand and this forced several changes in Pousadas de Portugal.

Similarly to the Portuguese hospitality market, Pousadas de Portugal also faced many challenges during the last years. The situation of Pousadas de Portugal was extremely complex, offering several opportunities for in-class discussion of the company's survival.

With the support of the tools described in the Literature Review, it was possible to understand better the impact of the business environment in the company, to understand the new positioning of the firm and how successfully it was by differentiating in a saturated market. With all of this tools and practical evidence, it was possible to suggest strategic and marketing recommendations in the Teaching Note to increase the results and the brand image of the company.

To conclude, Pousadas de Portugal was able to find a new position in the consumers mind by following a carefully planned strategy. The repositioning strategy was crucial but the company should continue to develop more strategic measures in order to grow and be successful in the future. With more time and information, further strategic recommendations could have been given to the company's future strategy. Although some strategic suggestions had been given, it would be interesting to explore the viability of those strategies of integrating new inns in countries that have affinity to Portugal, the expansion to Madeira, the creation of synergies between Pestana Hotels and Pousadas de Portugal and the management of pricing policies.

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