Strategic Analysis of Airport Hotels: How Hilton Madrid Airport Should Address Bleisure Travel?

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ABSTRACT

This is an analysis of the strategic environment in which airport hotels, and in particular Hilton Madrid Airport, operate. The environment is investigated through the use of SWOT and Porter’s 6 forces analyses. Then, the current customers of the hotel are segmented, by dividing them into two macro categories, leisure and corporate, and thus further separated. Thanks to this examination, a growing segment, named “blended travelers”, was identified. The phenomenon was then investigated, using secondary data research and interviews, which were conducted with six travel managers of some of the most relevant hotel’s corporate accounts, and with the hotel’s room division manager. Finally, some initiatives are proposed, in order to address the blended travelers segment and to deal with the high concentration of the hotel’s customers.

Key Words

Airport Hotels, Tourism strategy, Strategic analysis, Blended Travel
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1. Introduction

Airport hotels first appeared in the middle of the 20th century, when flying became the preferred method for long distance traveling. Ever since, this kind of hotel, although maintaining its reliance on the nearby air facilities, has evolved expanding its functions and appealing to different and new types customers. Despite this dramatic transformation and a common misperception regarding this kind of property, very little literature can be found describing this change and provide a comprehensive idea of the current situation. This work has a particular focus on Hilton Madrid Airport (also referred as HMA throughout this work); modern hotel located in proximity of the Barajas airport, main hub for the air traffic in the Iberian Peninsula. The hotel belongs and is managed by Hilton Worldwide, one of the main global hotel chains. This paper aims to describe the competitive environment, the challenges and the present opportunities that can be leveraged from the perspective of airport hotels, with a specific reflection on HMA.

The work was conceived and developed in the spring of 2016, while working, for 6 months, as a Cluster Sales Trainee at Hilton Madrid Airport Hotel. This experience was fundamental to understand the hotel’s environment and gather the necessary information to use in this research.
2. Literature review

2.1 Definition of airport hotels

Most of the literature concerning airport hotel is to be found in industry-specific articles rather than in textbooks. In order to define an airport hotel first it’s necessary to distinguish it from the category of transit hotel, with which it shares some common characteristics. Although both properties are typically built in proximity of airports, the intention of developers to gain a competitive advantage by building hotels as close as possible to the hub has eventually caused the rise of transit hotels. This term, in fact, generally refers to those properties that are located directly within the security checks and inside the airport terminals. These hotels serve exclusively airlines passengers for stopovers during long flights (LEUNG, 2011). On the other hand, airport hotels, as the one analyzed in this work, strongly differ from transit hotels in various aspects, including the more abundant functions and a remarkably heterogeneous customer base. As highlighted by Boston Hospitality Review, although airline passenger movement remains an important consideration, it is not the only demand driver, as it was in the past (FOGARTY, 2015). Interestingly, as explained by Matt Shiells-Jones (2014), airport hotels have some particular characteristics, which set them apart from city or resort properties. Shiells-Jones describes the common traits of airport properties in the USA; according to the author, these hotels must be located maximum 3 miles (5km) or ten minutes drive from the airport entrance, have a shuttle service connecting it to the nearby airport and be able to provide 24 hours check in/ out possibility.

3. Methodology

The work begins with a S.W.O.T. and a Porter six forces analysis of the environment in which airport hotels, and HMA in particular, are operating. In order to better describe the hotel’s
situation, more than 50 online reviews received by the hotel on the main booking websites were analyzed and used throughout the work. Also, the competitors’ analysis has been realized by selecting a sample of 11 hotels, which are set in the Barajas area. The customer base of the airport hotel has been segmented, focusing especially on the behavioral criterion of the occasion, or motivation, of use of the property, as well as their belonging to two macro-segments (corporate and non-corporate). The most relevant sub-segments have been briefly explained and, through research of secondary sources, one main opportunity was identified and analyzed. Moreover, interviews, comprehending the same five questions, were conducted with a sample of six travel managers of the hotel’s main accounts and with the head of business development of the hotel. The objective was to get a better understanding of blended traveling and the possible consequences for the hotel.

Most of the information used throughout this paper has been gathered while working in the hotel. The daily relationship with the key accounts, the internal meetings with various stakeholders and the vast reporting activity have allowed me to gain a reasonably comprehensive understanding of the hotel’s organization and functioning. Also, thanks to the frequent interactions with the hotel’s guests, I was able to notice the phenomenon of blended travels, in which I got interested and then decided to investigate in this work. This experience enabled me to provide recommendations on the hotel and on how this should deal with the increase in blended traveling, to eventually improve its future performances.

4. Airport Hotels Analysis

4.1 Swot Analysis

The SWOT analysis is a widely diffused model and represents an important tool to define the internal as well as the external factors that a company, in this case an airport hotel, has to
monitor, leverage or avoid. According to Ferrell (2012), the model is functional to uncover competitive advantages that can be leveraged in a firm’s marketing strategy. Strengths, Weaknesses, Opportunities and Threats represent the 4 component of a SWOT analysis, which have been gathered in the table below:

<table>
<thead>
<tr>
<th>SWOT ANALYSIS OF AIRPORT HOTELS AND HMA</th>
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<tbody>
<tr>
<td><strong>Strengths</strong></td>
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<tr>
<td>➢ For Airport Hotels in general:</td>
</tr>
<tr>
<td>➢ Can leverage the steady growth in air travels</td>
</tr>
<tr>
<td>➢ First option for international meetings due to airport connections</td>
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<tr>
<td>➢ Highly differentiated hotel type</td>
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<tr>
<td>➢ For HMA:</td>
</tr>
<tr>
<td>➢ Globally recognized brand</td>
</tr>
<tr>
<td>➢ High quality standards</td>
</tr>
<tr>
<td>➢ Effective loyalty program in place</td>
</tr>
<tr>
<td>➢ Located in proximity of one of Europe’s most important airports, congress area and near corporate offices</td>
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<table>
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<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ For both Airport Hotels and HMA:</td>
<td>➢ For both Airport hotels and HMA:</td>
</tr>
<tr>
<td>➢ <strong>Increase in blended travels</strong></td>
<td>➢ Economic slowdown can severely affect the amount of business travels, meetings and conventions</td>
</tr>
<tr>
<td>➢ Developing economies forecasted to increase international business travels</td>
<td>➢ Terrorism episodes and fear can affect number of flights and the willingness to stay in hotels located close to airports</td>
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</table>

As it emerges from the SWOT analysis, most of the strengths and weaknesses of this kind of hotel are related with its peculiar location. For instance, the fairly steady growth in demand for air travels in the last 10 years, with 63,3 million people boarding flights in 2015 just in the
USA\textsuperscript{1}, has undoubtedly attracted more customers to airport hotels. HMA especially benefits from its proximity to the Barajas airport, which serves as Hub-and-Spoke for several companies, including Iberia, the main Spanish airline. Furthermore, this kind of property can count on a high degree of differentiation; it fulfills specific needs of particular clients, and can be hardly substituted by other types of hotels in the city. In particular, for certain customers, airport hotels can be a first choice. For instance, for meetings and conventions organized by international companies, airport hotels are an ideal solution, as they are able to provide quick arrival and clearance from different locations, enough meeting spaces and rooms for the participants. This combination can’t be found in any other kind of property besides airport hotels. In the specific case of HMA, the association to a globally known brand and an effective loyalty programme, in which the company has heavily invested since the advent of its CEO Chris Nassetta in 2007, provides an additional degree of differentiation.

Location also appears to be the main source of weak\textcolor{red}{ness} for airport hotels. Often located away from the city center, and thus from the touristic areas, airport hotels are not the preferred choice for city breaks and pure leisure travelers. Also, leisure travelers, who look for a more customized and intimate environment, sometimes criticize the professional and polished design of the hotel, which is, on the other hand, appreciated among corporate clients. Another weakness of airport hotel comes from its reliance on large key accounts, especially for what concerns business travelers, airlines, meetings and conventions. This leads to a low degree of diversification and a significant risk for the hotel, which attempts to compensate by taking special care in nurturing the relationships with these fundamental clients.

\textsuperscript{1} Source: IATA, ICAO, Federal Avitation Administration, Annual growth in global air traffic passenger demand from 2005 to 2015.
Among the *opportunities* that concern an airport hotel, recent surveys from various sources, mainly hotel, have highlighted an increase in blended travelers. The term blended stays refer to these occasions in which business travelers seek the opportunity to engage in leisure activities before, during or after their assignments. It can also be seen as a progressive blurring of the boundaries that divide corporate and not corporate customers. According to Destination Hotel Survey, the largest operator of independent hotels, resorts and residences in the United States, 60% of the 300 meeting planners interviewed state that at least 1 in 10 of the attendees prefers to arrive several days before or leaving after the meeting due to leisure purposes. This surveys also proved that this kind of stay have significantly improved the overall satisfaction of meetings attendees. Furthermore, blended travelers have been increasing among HMA customers, as also proven by the interviews that were conducted in this work. This blend could eventually become widely diffused among business travelers; therefore, the hotel has to proactively focus on this segment.

Finally, analyzing the *threats* resulted from the SWOT analysis, unpredictable events can negatively affect the air traffic and consequently the airport hotels’ performances. In the past, tragic events, such as episodes of terrorism, proved to be catastrophic for the aviation industry. For instance, after the 9/11 is estimated that the industry’s revenues dropped by approximately USD24 billion. More recently, the terroristic attacks carried out, in March 2016, at Brussels’ airport in Zaventem, demonstrate how airports continue being a frequently chosen target in case of terrorist attacks.

Due to their relevance and to the possibility of the hotel to have a positive impact, two factors, blended traveling and the hotel’s high reliance on key account, have been selected to be object of recommendations in the last part of the work.

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2 See bibliography
3 Source: IATA, The impact of 11 september on aviation, report, 2011
4.2 Porter’s 6 forces analysis

The original Porter’s “5 forces model” introduced by Michael Porter in 1979 was expanded during the 1990s to include a sixth force: the complementary factor. The model represents a starting point in many strategic analyses; it can be useful both for companies considering expanding in a new industry and for those that are already operating in a certain sector. In this last case the “six forces analysis”, according to the author, can provide the groundwork for a strategic agenda of action and clarify the areas where strategic changes may yield the greatest payoff. (Porter, 1979)

The table below sums up the Porter analysis for airport hotels:

![Figure 1: Porter's 6 forces analysis](image)

4.2.1 Competition

Porter (1980) affirms that the intensity of rivalry is mainly dependent on the number and size of direct competitors, as numerous and/or equally balanced competitors may lead to intense
competition. While the steady growth of air travels has likely mitigated forms of particularly unhealthy competition, on the other hand it has led to the development of new properties in airport areas. Some existing hotels, instead, decided to add services, such as meeting spaces, to existing facilities, realizing the opportunity of a new business model and use for their properties. Analyzing a sample of 13 airport hotels (see annex 2), which are set in the Barajas area, Hilton Airport Hotel appears to be particularly differentiated from its competitors. This property, in fact, is by far the most expensive among the competitive set, providing premium options for its client. Its rooms, for example, range from 100-200 euro to 2000 euro, approximate price for a night in the presidential suite. Moreover, the meeting spaces are by far the vastest; HMA, in fact, can offer more than 1700 square meters of meeting rooms, including the Isabella ballroom, which can count on 658 square meters, representing one of the largest meeting and convention hall of its type in the entire city. Only one hotel in the area, the Melia Barajas hotel, has similar, although smaller, facilities. These features confer to the hotel a distinct positioning, representing the most complete and safe choice for meetings and corporate clients. Furthermore, HMA reaches a higher degree of differentiation, avoiding price comparisons with its competitors, thanks to an effective global loyalty program in place.

4.2.2 Threat of new entrants

Regarding the possible threat of new entrants Michael Porter (1980) argues that there are different factors that determine its intensity. Among these, the most relevant are possibly the need of economies of scale, the capital requirements, and the access to distribution channels and available locations. The hotel industry is certainly characterized by high capital requirements, to develop and run a property, which, occasionally, can make reconsider the construction of new hotels. Furthermore, in the hotel industry, fixed costs typically represent a big portion of the total cost; this explains why economies of scale are so critical to succeed in
the industry. However, in the airport area, developers seem to have preferred medium size properties. Among the analyzed sample of 13 hotels, the average number of room is 163, compared to an average of 181 in the metropolitan area of Madrid\(^4\). Unsurprisingly, the hotels’ size tends to shrink when approaching the city center. Furthermore, among the same sample, 8 of the 13 properties belong or are managed by international hotel chains. This is undoubtedly due to the support that these chains can provide in terms of CRM, marketing and information systems for booking, selling and distributing. Also, when launching a new hotel, developers often opt to partner with an international chain so as to leverage its brand awareness and recognition; and to increase the likeliness of the hotel to succeed. Location availability, in the case of airport hotels, has not acted as a particularly effective barrier in the Barajas area, where space is not as limited as in Madrid’s city center.

4.2.3 Bargaining power of buyers

Porter (1980) affirmed that the buyers of goods and services from an industry are usually powerful if more concentrated than the players in the industry, being able to force down prices, as well as reduce the industry’s margin. For airport hotels, the bargaining power of customers strongly depends on the segment considered. For instance, concerning meetings, conventions and business travelers, this category of hotels typically works with large key clients, that account for a large portion of the total hotel business. In the IBT (individual business travel) business, which comprehends local and global corporate accounts, besides governments, the first 20 producers for HMA account for roughly 70% of the whole IBT production.

\(^4\) Data collected from Booking.com using a sample of ten four-star hotels and ten five-star hotels operating in the city of Madrid
4.2.4 Bargaining power of suppliers

Being owned or managed and branded by a world-renowned chain certainly confers to the hotel extra bargaining power. Airport hotels, similarly to traditional establishments, work with a vast number of suppliers, due to the extensive range of services and products they need to operate. Labor and experienced trained personnel tend to be among the most critical supplier and in demand in the hospitality industry all over the world. In this regard, hotel chains strive to attract and retain their best employees through specific policies that can favor their well-being and increase their attachment to the company. This can result, as in the case of Hilton Madrid Airport, in recognized quality of the service offered thanks to dedicated policies. One example is represented by the total empowerment philosophy, which encourages its employees, disregarding their role, to take immediate action in service recovery situations with customers.

Providers of IT and booking capabilities constitute another fundamental category of suppliers for hotel chains, which have grown of importance in the last decades. (Rowson, 2005). The systems implemented in the industry can provide competitive advantages, productivity improvements, enhanced financial performances and expansion, becoming indispensable to lead in a certain market. HMA depends on various suppliers of information systems, which can provide, among other things, CRMs applications, data analysis tools or booking systems to connect with customers.

4.2.5 Threat of substitute products

Airport hotels can be substituted by several alternatives, although they offer a unique combination of services and facilities. Regarding meetings and conventions, numerous are the

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5 Result of the analysis of more than 50 reviews received by the hotel on the main online booking portals
traditional convention venues and traditional hotel offering similar spaces\(^6\). Also, traditional hotels with a corporate focus and meeting spaces in downtown areas can be a substitute for airport hotels, although airport properties manage to offer a similar service and quality for a lower average ADR\(^7\). Furthermore, the sharing economy and the rise of new forms of accommodation, which involve the renting of houses among private individuals, can represent a substitute almost exclusively for pure leisure travelers, not particularly affecting the corporate segment, main source of revenue for this kind of hotel.

In the case of HMA, different properties in terms of location and design are likely to be more suitable to city travellers and leisure customers, as proved by a significant number of negative online reviews coming from these segments. However, factors as the number and size of its meeting spaces and its facilities, combined with the proximity to the airport, make the hotel difficult to substitute for corporate and meeting travelers.

4.2.6 Complementary factors

The main complementary factor for airport hotels is undoubtedly constituted by the air traffic generated by the nearby airport. In the case of HMA, the stability in the air traffic is assured by the fact that the Barajas Airport serves as Hub-and-Spoke for several among the most important Spanish airlines, including Iberia and Air Europa. Complementary factors are also the exhibitions and events that often take place in the areas surrounding the town of Barajas, especially at the IFEMA congress center, which has drawn from its creation in 1980 around 80 million visitors to the Spanish capital\(^8\). Moreover, due to its corporate focus, the hotel


\(^7\) Data from Cvenue: http://www.cvent.com/rfp/madrid-spain-event-venues-9daa9977565b4dd7ab4ab09effb052d.aspx

\(^8\) Source: Ifema: http://www.ifema.es/Institucional_01/informacion_general/info_general/
particularly benefits from the opening of new offices in the area, which stimulates the demand for accommodation.

4.3 Customer Segmentation

Segmentation represents the first step of the STP model (Segmentation-Targeting-Positioning) and can be defined as a process in which groups of buyers within a market are divided and profiled according to a range of variables, determining the market characteristics and tendencies. Through segmentation, a manager can locate new marketing opportunities and develop or change the offering so that it meets the needs of potential customers (Kotler & Scheff, 1997). As mentioned throughout the work, airport hotels, as HMA, serve an astonishingly heterogeneous base of customers, fulfilling their needs accordingly. The hotel segments its customers and analyzes the relative results mainly dividing them according to the reservation channel utilized, rather than separate them on the purpose of their travel. For instance, among the customers in the leisure segments, according to the hotel’s division, are the ones that have reserved through one of the major online booking platforms, disregarding of their travel purpose. On the other hand, the main criterion used during the segmentation in this work, besides the type of organization/company, is the occasion or motivation of use of the hotel. In other words, it aims to address the question: what is the usage of the hotel for these groups? Therefore, by breaking down the customer base of airport hotels, a first distinction can be made between the corporate and non-corporate customer segments. Even though the strategic importance of corporate customers is significantly superior for HMA, as this is where the most consistent and stable stream of revenues comes from, the hotel can’t overlook the other customer groups.

The following picture illustrates the 7 main actionable groups that can be identified among the airport hotel users:
Airlines: Airport hotels collaborate with international airlines by offering accommodation to their crews and to passengers that experience delays with their flights.

Business travelers: Madrid is the preferred destination for business travels in Spain. Only in 2014, in the city were organized 12,455 corporate meetings, 200 international conventions, for a total estimate of 1,210,319 participants. This segment represents a core target for airport hotels. Properties of this type typically establish agreements, comprising negotiated rates, with companies for one or two years. It can be established either a fixed or a dynamic rate, in form of a discount on the best available rate at the moment of the booking. Travelers can be either individuals or groups of employees.

Events organizers: Events organizers can be traditional companies or dedicated agencies. It represents a particularly lucrative business for host hotels because, besides the rent for the meeting spaces, it includes other types of revenues, such as Food & Beverage or rooms revenues. Hilton Madrid Airport hotel can count on 15 meeting rooms, with a total meeting

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9 Data from Madrid Convention Bureau
space of around 1700 square meters, and frequently hosts meetings and conventions of different sizes.

**Governments**: Governments and international agencies sign agreements with recurrently used hotels similarly to what companies do for their business travelers.

**Leisure**: These clients can either book autonomously or through an agency. As mentioned, although in the travel industry, and for most hotels, leisure guests can constitute the most important segment, in the case of HMA, these travelers don’t represent the main source of income.

**Stopovers**: Airlines clients that decide on their own to book accommodation during two flights. Proximity to the airport becomes a crucial factor to attract this segment and the hotel competes with properties that are located within the same airport and which aim explicitly to attract this segment. However, brand loyalty enjoyed by some international hotel chains can even up certain discrepancies, such as physical distance from the airport.

**Blended travelers**: As mentioned in the SWOT analysis, recent surveys underline the increase in the number of blended travelers, that can be considered midway between corporate and non-corporate, leisure and business. The growth of this type of stays and the fact that especially younger travelers, apparently, compose this segment, can represent an opportunity for corporate accommodation providers.

5. **Opportunity analysis: the merge of business and leisure**

The appearance of blended travelers among airport hotel customers is not an isolated phenomenon; on the contrary evidences a progressive overlapping between leisure and business, which can represent at the same time a challenge and an opportunity for accommodation providers. A progressive confusion between work and free time has been
observed not exclusively regarding travelers, and has been facilitated, among other factors, by progresses in communication technology. Experts across the hospitality industry have called blended travelling in various ways. Several travel websites referred to this phenomenon with names such as “Bleisure” or “Bizcation”.

5.1 Secondary data research

Travel and hotel companies seem to have just very recently started investigating the phenomenon of blended traveling, producing a significant number of surveys and research in the last few years, which can provide interesting insights. These studies confirm a sloping trend and the main findings were gathered in this part of the work. In its “Bleisure report” Bridgestreet Global Hospitality (2014), leading international provider of service apartments, surveyed 640 of its guests, realizing, arguably, the most complete study on the topic. Among the surveyed, the majority (60%) declared to be more likely to take bleisure trips than 5 years ago, while almost half of them (46%) already add extra days to all or most of their business trips. The most popular activities for bleisure travelers appeared to be sightseeing, dining and art/culture and more than half (54%) typically take family members along on their trip. Other popular activities include golfing and assisting to sport events. The survey interestingly gives us other insights on the topic, such as the demographic indication on the bleisure travelers. Younger business travelers, aged between 25 and 34, appeared to be more in favour of bleisure trips; almost the entirety of this group (94%) is likely or more than likely to take a bleisure trip over the next 5 years. The benefits of the blended trips also seem to be clearly perceived among the surveyed. Leisure during business trips, in fact, can provide knowledge and cultural experience (96,9%) and can improve the results of specific assignments (78,8%). Companies, however, seem to still have to catch up with the phenomenon. The majority (59%) of the surveyed work for a company that doesn’t have clear policies in this regard, with just a small portion (14%) affirming that the company has a clear policy. Moreover, a recent
survey conducted by Collinson Group (Collinson Group, 2014) raises another issue of bleisure trip, with 31% of employees that declared that are not protected by the company’s travel risk policies during these extra days, leaving a grey area for corporate accountability. Collinson provides guidance for companies to identify and manage risks during these stays, suggesting measures such as limiting the extra days allowed or stipulating that employees will be covered if the travel does not represent a significant departure from the original itinerary.

5.2 Interviews

In order to understand the phenomenon from a corporate point of view, travel managers of some of the most important business partners of the hotel were interviewed. The companies chosen belonged to different industries: IT providers, aircraft manufacturers, and pharmaceutical companies. The six interviews aimed to verify what the other surveys, mentioned in the previous paragraphs, found out, so as to understand the implications of the phenomenon for HMA. Specifically, the same five questions (see annex 2) were asked during the conversation with the travel managers.

The travel managers in general confirmed the findings of the surveys previously mentioned in this work. When asked whether they noticed the phenomenon, all of them agreed on the fact that is fairly a common practice to add extra leisure days, especially when the employees are traveling abroad. The majority, 4 out of 6, noticed some increase in blended travels over the last years. Regarding the demographic, 3 of them were fairly sure of the fact that blended traveling interested more young employees, while the other 3 stated that there is no predominant age group. Interestingly, only one travel manager affirmed that his company has some policy in place to regulate these stays, while the other 5 stated that there is no existing policy. Specifically, this company not only is aware of the phenomenon, but also incentivizes
these stays by offering an extra day when reaching a certain number of days of business traveling. In the remaining companies, typically is the employee the one who pays for any extra day that is considered leisure. The discounted rate available to employees, if the company has existing agreements with the hotel or chain, is typically charged in this case. Regarding the benefits of the combination of leisure and business, the majority of the travel managers (3) agreed that it could be beneficial to the employee, increasing aspects such as satisfaction, productivity and eventually retention within the company. The remaining 3 declared that are not sure (2), while some don’t see the benefits of blended travels (1). The main insecurities appeared to be related with possible distractions that could eventually lead to underperformances in their business assignments.

On the other hand, it was also fundamental to understand the hotel’s point of view and, in particular, the presence of blended travelers among HMA customers. Therefore, the Rooms Division Manager of the hotel was interviewed, with questions that slightly differed from the travel managers’. In fact, this interview aimed to understand the hotel’s policy and the behavior of these customers, in the specific case of HMA. He clarified that most of the customers of the hotel tend to separate business from leisure, not combining these two aspects, and that a blend, in his opinion, is likely to happen more often in corporate focused downtown hotels, rather that airport hotels. Nonetheless, he recognizes that there is a percentage of business travelers and meeting attendees that belong to the blended category. Most of the business travelers, he explains, remain in the hotel for 2-3 days, usually either from Sunday to Thursday or from Monday to Friday. Some of these can sometimes add 1 or 2 day in the weekend to spend days off in the city. In some cases the reservations for extra days are made when reserving for the whole travel. On the other hand, a consistent part of blended travelers that extends their stay after the business endeavor reserves for extra days once on
property. The hotel offers to business travelers the corporate rates for leisure stays, although it doesn’t offer group rates for extending days after events such as meetings and conventions.

6. Recommendations for the hotel

Considering the strategic analysis done in this work, airport hotels, due to their transformation and adaptation to the surrounding environment, seem to be generally in a sound situation and to be likely to experience further growth in demand for the future.

For what concerns HMA, the hotel is well positioned thanks to its attention and focus on the corporate segments, which is able to serve in a satisfactory manner thanks to unique spaces, high quality standards and a globally renowned brand.

An increasing trend, namely “blended traveling”, has been identified, through the analysis of secondary-data researches and interviews with some of the hotel’s stakeholders. The phenomenon is likely to convert into a diffused practice in the future, thus situating in a privileged position those hotels that are able to offer leisure options to corporate travelers. This is the reason why hotels with a corporate focus have to take initiative, by understanding and adjusting their offer to approach these customers.

However successful when dealing with its primary customers, HMA doesn’t seem to be equally prepared to address blended travelers. Therefore, in the next paragraph, a series of improvements are presented, regarding the positioning of HMA towards this segment. Furthermore, to conclude the work, additional recommendations are given, concerning a critical point emerged among the hotel weaknesses: the hotel’s high reliance on key accounts. Since, differently from other factors, such as terrorism or global recession, HMA can intervene and have a decisive influence on this aspect, suggestions are also provided to offer guidance in this process.
6.1 What can the hotel do to address blended travelers?

Across the industry some properties and hotel chains have become interested in the phenomenon and have tried to take advantage of it. Loyalty programs already in place seem to be the most used solution. According to American Express, 6 out of 10 business travelers tend to collect points during their stays and this can make them more likely to extend their stay in their favorite chain\(^\text{10}\). Other chains or independent hotels, instead, offer discounts for extended stays or, in the case of meetings, can offer the meeting rate to attendees that are inclined to prolong their stay. Hotels and chains should understand how to promote this type of stays and be able to take the initiative to offer what this blended segment of travelers’ demands

Hilton Madrid Airport can take advantage of being located in one of the best cities for business travels. For the choice of leisure opportunities and value, the city ranked 11th among the world’s best cities for business travels\(^\text{11}\). As a result, is likely that blended travelers, especially those who come from abroad, choose the same city to spend their extended stay, rather than traveling or flying to another destination. Considering the opportunity, the hotel must understand how to incentivize these stays, and, once acquired, how to capture the most value coming from this segment.

Hilton, and consequently HMA, can count on a highly effective loyalty program, called “Hilton Honors”, which as of 2016 is serving 52 million members\(^\text{12}\). The members, depending on their membership status, earn privileges such as discounted stays, free room upgrades, free internet in-room connection. Also, the important partnerships that the chain has created with companies such as airlines, significantly improve the convenience of becoming a member, offering advantages including free air miles.

\(^{10}\) Source: Skift + American Express - How To Maximize Your Hotel Loyalty Rewards, August 2014
\(^{11}\) Source: Conde Naste Traveler Best International Cities for Business Travelers: Readers' Choice Awards 2014
\(^{12}\) Source: Yahoo Finance, Hilton Beats on Q1 Earnings & Sales, Zacks Equity Research
So what can the hotel do in addition concerning blended stays?

- Incentivize blended travels:
  - Encourage blended stays during normal communications with travel managers or upon reservation.
  - Produce dedicated brochures and electronic leaflets to be periodically forwarded to the hotel’s travel managers, or to be sent to incoming business travelers. These pamphlets would include the offer of activities and events in the city for the weekend.
  - Create packages to take family members and friends on the trip.
  - Extend meetings rates to clients during low occupancy periods.

- Capture value from these stays:
  - Establish partnerships with sightseeing agencies, local tours organizers and city bars, golf courses and sport clubs, adapting to the preferences expressed by blended travelers.
  - Offer family activities, including activities for kids within the hotel.
  - Encourage the organization of leisure activities in the hotel, such as art exhibitions, local cuisine classes, encourage the use of menus with a more local touch, thus providing an alternative to activities downtown.
  - Increase, if possible, the frequency of the shuttles connecting the hotel with the city center or with places with touristic or leisure relevance, such as the Santiago Bernabeu stadium or golf courses.

6.2 How to deal with an elevated negotiation power of corporate buyers?

As mentioned throughout the SWOT analysis, the corporate buyers of HMA are highly concentrated, and account for most of the volume of the hotel in terms of room nights.
Moreover, although the hotel is successfully differentiated and has means to reduce possible switching to other chains (its loyalty program or the impact of its brand, for instance), it is not completely immune from possible substitution. These factors together grant the main accounts an elevated power in negotiations with the hotel.

The hotel, therefore, can use some of these recommendations, in order to avoid risks originating from such a concentrated customer base:

- Invest resources in acquiring new customers: source new accounts that, despite a relatively small current volume, present a high potential for the future. Moreover, the hotel has to strive to maintain a diverse customer base, also in terms of the industries in which its accounts operate, thus ensuring further diversification.

- Increase differentiation: Due to its characteristics, HMA can’t aim to be the cost leader. On the contrary, to stand out, it has to be constantly seeking opportunities that can offer a unique value proposition. Through an increase in the differentiation the hotel can reduce price comparisons and create new balance when negotiating with key accounts. The hotel, for example, can invest in some sport or leisure facilities that can be difficult to find among the competitors.

- Set walk away prices: when dealing with highly concentrated buyers, although risky, it can be useful to set a minimum price that the hotel is willing to accept. This way, the hotel can stand firmer when negotiating with clients. This strategy is, in a certain way, related with differentiation; if the hotel’s offer is less substitutable, the buyer will be more likely to accept the property’s price constraint.
7. Conclusion

This analysis have attempted to illustrate how airport hotels have evolved from unpretentious properties to upscale and ambitious hotels, becoming able to create unique value for certain categories of customers. As predictable, the growth in demand for this kind of hotel has increasingly attracted more competitors, which have developed hotels with similar characteristics in airport areas. These considerations are also true for Hilton Madrid Airport, hotel that was developed to take advantage of the growing demand near the most important airport in Spain: the Madrid-Barajas airport. The hotel, thanks to its brand and facilities, manages to stand up among the competition. However, this alone might not be enough; the hotel also has to be able to show proactivity, understanding and preparing to the future trends that will directly affect it. I believe that the hotel has to pay more attention to identify new opportunities and manage its customers’ portfolio. The growing phenomenon of blended traveling, for instance, doesn’t appear to be properly comprehended and addressed through targeted initiatives, which have been therefore suggested in this work. Moreover, the high reliance of the hotel on large corporate accounts, which account approximately for 70% of the revenues for corporate segments, can represent a risk that needs to be properly diversified, in order to avoid possible issues in the future.

The internship period that I have carried out at HMA has significantly helped me to understand the current, and possibly, the future situation and challenges of the hotel. This analysis was intended to provide those readers, who are not familiar with airport hotels, a clear snapshot of the situation of this property. At the same time, this research aimed to support to the management of HMA, by providing a theoretical point of view to some aspects of the hotel’s organization, to ultimately have some impact on the future performances of the property.
GLOSSARY

• Hub-and-Spoke: a method of organizing intercontinental air traffic in which one major airport is used as a feeder for local airports. (British Dictionary)

• Hub: Shortening for Hub & Spoke (British Dictionary)

• ADR: Average Daily Rate. The amount that a hotel or motel charges for a room each night on average over a period of time. The average daily rate is calculated by adding the amount charged each day over a period and dividing by the number of days in that period. (Farlex Financial Dictionary)

Bibliography


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Annex 2

Questions submitted to the travel managers:

• Are you aware of this phenomenon and, if yes, have you noticed any increase?
• Is there any age demographic that is more inclined to blended travels?
• Is it common that family members accompany business travelers?
• Does the company have any other policy regarding blended travels?
• Are blended travels beneficial for the employees/company and would you recommend them?

Graphic representation of the interview’s results