

A Work Project, presented as part of the requirements for the Award of a Master Degree
in Economics from the NOVA – School of Business and Economics

THE IMPACT OF GUESTS' SATISFATION ON HOTELS' REVENUE

PESTANA COLLECTION HOTELS ANALYSIS

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

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Abstract

This project was carried out with the purpose of studying if there is a statistical relationship between Pestana Collection Guests' satisfaction database and the Pestana Collection Hotels' revenue model.

Understanding Guests' satisfaction about each service and correlating it with the hotel revenues will allow the creation of strategies that captivate even more Guests. This information will be helpful to support a revenue strategy for the new luxury and historical five star Pestana Collection Amsterdam Riverside Hotel, which will open in January 2018.

Key Words: Hospitality Market Analysis; Pestana Amsterdam Riverside Hotel Market Analysis; Pestana Collection Guests' Satisfaction Analysis; Pestana Collection Hotels' Revenue Analysis

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Introduction

This project aims to see if there is any statistical relationship between Pestana Collection Guests' satisfaction and Pestana Collection Hotels' revenue model, to support the new Pestana Collection Amsterdam Riverside Hotel implementing a revenue strategy.

Understanding Guests' satisfaction regarding each service and correlating it with the hotel revenues will permit implementing a revenue strategy that will attract more Guests and thus maximizing the hotel revenues.

The project is divided in six sections: Section 1 presents the Pestana Group; Section 2 describes the Pestana Amsterdam Riverside Hotel; Section 3 is an Amsterdam market analysis as a tourism destination to introduce the analysis of Section 4, which presents a Pestana Amsterdam Riverside Hotel SWOT analysis in order to understand this hotel's competitive advantage and compare it with its competitors. Section 5 is a study of Pestana Collection Guests' satisfaction with the Pestana Collection's revenues to understand if there is any association between these variables. At last, Section 6, presents some conclusions, as well as some recommendations for Pestana Collection Hotels.

Literature Review

Hospitality is currently not just about offering a room. Guests are more demanding, informed and they easily compare the competitors' prices and services. Guests are more willing to pay a higher price to have a memorable stay with excellent products and services, which will allow the increase of the hotel's revenue.

Hotels face the challenge of developing and enforcing a variety of innovations, encouraging Guests to spend more and enjoy the differentiated services. In a competitive industry as this one, customization is becoming more important, as well as understanding each Guest's needs and interests, because it is important to create a differentiated experience.

A study based on online surveys shows that modern Guests appreciate a high-quality service: 60% of the samples value the staff assistance and 8% value the individual approach (Graph 1 – Appendix). These results are more than the comfort level indicator, they are the new Guests' needs and interests. Another aspect is the fact that one out of four people, mention that if the hotel has music during meals or drink times, they would choose to pay at least 5% more and enjoy this moment in the hotel's restaurant or bar (Dzhandzhugazova et al., 2016).

Another survey from the same authors was accomplished to understand why the hotel loses its Guests and 14% answered they became disappointed with the quality of the hotel services (Graph 2 - Appendix). Guests get tired of standard hotel services for homogeneous tourists. Guests like having new experiences, exceeding their expectations and paying for unique moments (Dzhandzhugazova et al., 2016).

1. Pestana Group Context

Currently, Pestana Group is celebrating its' 45th anniversary, with a portfolio of ninety-four hotels around the world and approximately eleven thousand rooms. Pestana Group employs seven thousand collaborators worldwide, It operates in fifteen countries and three continents (Figure 1 - Appendix) and is the largest Portuguese group in the tourism sector and has a position of leadership in Portugal and occupies the 29th position in Europe and the 116th position worldwide by Hotels' Magazine Ranking.

This Group operates in eight different areas: Hotels that includes *Pousadas de Portugal* with thirty-six units in Portugal; fifteen holiday ownership units; two casinos; six golf courses; three real estate ventures; a tour operator and the management of Madeira's International Business Center and the Madeira Company of Beers. The details of the biggest Portuguese Tourism Group's history are in the Appendix.

Pestana Hotels Group created four brands: Pestana Hotels & Resorts, Pestana *Pousadas de Portugal*, Pestana Collection Hotels and Pestana CR7 Lifestyle Hotels, all diversified and adapted to the specific characteristics of each type of client and environment. These brands have distinct concepts and logos (Figure 2 - Appendix). Hotels and Resorts are city hotels and beach resorts with four or five stars; Pestana Collection Hotels are luxury five star hotels, in historical and emblematic buildings, ideal for unique experiences, as their slogan refers "The luxury of time"; *Pousadas de Portugal* are hotels in historic and monumental Portuguese buildings; Pestana CR7 is a partnership with the Portuguese football player Cristiano Ronaldo and consists in "cool hotels to relax, chill, work, play, eat and drink and have 'the time of their lives'". The location is one of the main pillars of Pestana Group, for its' hotels are always in premium locations and their infrastructures are always designed to meet the expectations of their Guests.

2. Pestana Amsterdam Riverside Hotel

2.1. Characteristics

Pestana Amsterdam Riverside Hotel (Figure 3 - Appendix) is a Collection Hotel concept, a five star hotel, with luxury and history. Collection Hotels are special due to the unique services they provide, food and beverage experiences with local products, customized treatment, more attentive and personalized to outclass the Guests' expectations and to create a unique and memorable experience, where "everything is possible".

It is a luxurious hotel, member of the world known hotel affiliations – Preferred Hotels & Resorts – a referral organization for the highest level hotels that guarantee their quality, which is measured by yearly anonymous inspections. The Pestana Amsterdam Riverside Hotel is in an emblematic Dutch monument building from 1892, which served as town hall until 1914, but when a new wing was built, it was meant to be an archive building.

This historic hotel is near the museums' area and it is fifteen kilometres away from the Amsterdam international airport (Figure 4 - Appendix). It is the perfect hotel to stay when visiting one of the prettiest and most attractive cities in Europe, both for leisure or business. The design was thought to create a welcoming and enjoyable environment maintaining the original characteristics of the building, with a beautiful sight for the famous Amstel canal. It has one hundred and fifty-four rooms and suites, eight types of rooms, from executive rooms to apartments, presidential suites and monument suites, a wellness center, an indoor pool and sauna, a gym, ten meeting rooms with natural light, adaptive to other events or meetings, a parking garage and a restaurant with a garden, perfect to appreciate the great food prepared by the famous Dutch Chef, Peter Lute.

3. Amsterdam Market Analysis

3.1. Tourism Destination

It is important to know the economy of the country and the city where the hotel unit is located, in order to perform an independent competitive analysis. Amsterdam is the eighth most popular European city destination by *Top 100 City Destinations Ranking 2016* and occupies the 27th position on a list of the World's Leading Cities in terms of international tourism. Amsterdam also ranks the 7th place among the top ten international conference worldwide destinations, according to *International Congress & Convention Association 2016* and is in the 19th position of safety and security category with a score of 6.1 in a scale up to seven, by *Travel & Tourism Competitiveness Report 2017 Ranking*.

Travel & Tourism represented 1.9% of Netherland's GDP in 2016 and the forecast is to rise to 5.4% in 2017, up to 2.6% per year from 2017 to 2027 by World Wide Travel & Tourism Council. This city attracts many tourists, in 2016 it attracted approximately seventeen million people, with an occupancy of 79.4%; ADR of €138.1, which represent an increase of 4.1% compared with 2015 and RevPAR of €109.6, an increase of 3.6% compared with 2015. The forecast for 2018 is an occupancy around 79% by *PwC European cities hotel forecast 2017 & 2018 Report*.

Amsterdam is the capital of Netherlands which is the 6th most powerful economy in Europe (Table 1 - Appendix). It has incredible museums and gardens that tourists want to visit. In gastronomy, Amsterdam also appeals to all tastes, because it offers a diversity of world cuisine.

The seasonality of this Dutch capital is more evident in autumn when the city is calmer, when the prices start to go down, but winter is the lowest season with the airfares

having the lowest rates as well as the hotel industry. Spring and summer are the highest seasons because of the tulip period that marks the beginning of the tourism season and summer is the peak season. The diversity of Amsterdam cultural agenda (Table 2 – Appendix) attracts many tourists.

The tourism of Netherlands is composed by 72.2% of leisure and 27.8% of business, 51.7% of these contributions are from foreign countries and 48.3% are domestic by *World and Travel Tourism Council, Travel & Tourism Economic Impact Netherland 2017*. The most representative country in Amsterdam by overnight stays are the Asian and American market (Graph 3 - Appendix), European countries are in a smaller number, but the main ones are Spain, Germany and the UK. The Chinese market has been emerging and is changing the tourist's profile, forcing the hotel industry to adapt to Chinese culture, with the inclusion of some typical Asian food in their breakfasts.

4. Pestana Amsterdam Riverside Hotel Market Analysis

4.1. SWOT Analysis

SWOT analysis is a management tool to evaluate four points: strengths, weaknesses, opportunities and threats. It is a device to identify internal and external factors which can be positive or negative to achieve the hotel's objectives and the competitive advantage analysis of the hotel (Teixeira, 2011). A strength is the fact that Pestana Amsterdam Riverside Hotel is a new five star hotel, in a historic building with an excellent view in a convenient location and a restaurant with a famous Dutch Chef. Nevertheless, Pestana as a hotel industry brand does not have the same impact as other brands in the international context. It is the biggest hotel group in Portugal and has a significant impact and a big share mainly in Portugal, but it does not have the same

impact as, for instance, others largest hotels' brand that are present the in the world and according to *Forbes Global 2000 List Rankings 2017* have a big market share.

Another fact is the current trend of clients that like to know the hotel's ranking and their classification in booking sites, but this is a new hotel with no online information yet about their performance. Amsterdam presents an increasing number of tourists attracting new suppliers for the market and thus more competitors for Pestana Amsterdam Riverside Hotel and it is a threat. However, an opportunity is establishing Pestana Collection Hotel as a recognized luxury hotel brand in the Dutch market (Table 3 - Appendix).

Amsterdam's municipality is implementing, for the next year, some actions to attract quality tourism, as it announced the increase of tourist taxes aimed to reduce the number of low-budget tourists, since according to the municipality, 28% of the bookings in 2016 were in low-budget hotels, "Amsterdam needs more people who can really spend money in the city, who stay in more expensive hotels, stay few nights, visit museums and eat in restaurants" (Kock, 2017). Currently, the municipality charges 5% of the room rate as a tax to hotel owners, but now there will be a fixed minimum amount. The idea includes not only hotels, but also tourist apartments and makes it impossible to rent their properties for more than sixty days a year. The Dutch capital will also ban the opening of new tourist shops and spaces that commercialize food in the center of the city and creates some campaign for tourists to not only visit the center.

4.2. Competitive Set

Competitive market segment is a group of hotels that are direct competitors of Pestana Amsterdam Riverside Hotel, because of their characteristics, similar facilities, location and services. This analysis supports and develops competitive price strategies.

The following analysis presents the top five Pestana Amsterdam Riverside Hotel's competitors, which are Andaz Amsterdam, Prinsengracht, Conservatorium Museumplein Amsterdam Hotel, Intercontinental Amstel Hotel, Kimpton De Witt Amsterdam and Pulitzer Amsterdam Hotel. To compare these competitors, nine characteristics were addressed: if it is a historic building, the location, number of rooms and meeting rooms, the different services that each one offers, the hotels type of food, prices and ranking on most popular review webpages (Table 4 – Appendix).

The first column refers to if the hotel is a historic building and if the hotel has some affiliation with recognized organizations such as the Leading Hotels of the World or Preferred Hotels. Another aspect is the hotels' location, which is one of the most important points in a Guest booking decision. The third column mention the hotels' number of rooms and meeting rooms, a valuable information to define a price strategy; the fourth states the differentiated services that each hotel refers on their official webpages, such as some of them allowing pets, free bikes for their Guests, personalised fitness classes and some benefits in public holidays and Sundays as free late check-out and late breakfast.

To fulfil the Guests' needs and desires, some hotels have different packages for special moments in which the Guests can forget about the monotony of their daily life, the most popular being gastronomy, with recognized Chefs and diverse types of food or culture, which includes entrances in museums or a cruiser for Amstel Canal.

The price column shows bookings for one adult, in a standard room, including breakfast, without the tourist tax, but with VAT, for one night, to arrive on 1st February 2018 and depart on 2nd February 2018, with the prices having been searched on official hotel webpages in December 2017.

The prices are divided in flexible and non-flexible rates, which is related to the cancellation policy of each hotel mentioned in the corresponding table. The majority has, in the flexible rate, the option of free cancellation until the day before the arrival, but if the Guest does not follow the procedure, they will be charged the price of one night. In the non-flexible price, the rule is a required pre-payment that is non-amendable and non-refundable, so the full amount will be charged.

Pestana Amsterdam Riverside Hotel has a Best Price Guarantee policy, which is the strategy to certify that the Guest who books in Pestana Hotels official webpage guarantees the lower booking price in the market but if the Guest finds a better price, Pestana Group promises not only to match this price, but we also offer a 5% discount.

The last column mentions the classification of each hotel, attributed by Guests in popular booking and satisfaction travel webpages (TripAdvisor and Booking.com). One has an increasing scale from one to five, while the other is increasing from one to ten.

5. Pestana Collection Guests' Satisfaction and Revenue Analysis

5.1. Methodology

The aim of this analysis is to understand if there is any association between Guests' satisfaction and the hotel's revenues. This information supports the revenue strategy for the new Pestana Amsterdam Riverside Hotel.

This analysis was based on Pestana Collection Guests' survey database, organized and collected by the Pestana Group from their Collection Hotels in Portugal, located in Lisbon and Oporto.

The first step in the empirical analysis, was to select in Pestana's database the relevant information for the purpose of this study, namely the main data from Guests'

satisfaction by Pestana Collection's Guests for each service and associate it with Pestana Collection Hotels' revenue.

For this reason, the initial sample has 3394 Guests' satisfactions answers, from 1st January to 19th September 2017. After eliminating all the Guests with total revenue equal to zero, that means, Guest that booked the hotel in this period, but were not effectively Guests, the final sample comprised 2905 Guests' satisfaction answers.

The second step was to calculate some management hotel indicators such as the ARR, for the ARR calculation, the number of nights (RNs) was necessary, but is not part of the data, nonetheless it was made possible by consulting the check-in and check-out information, as RNs are the difference between the check-out date and the check-in date.

The Guests' satisfaction evaluation is classified by an increasing scale from one to five, with the possible answer of "not applicable" if the Guest did not experience the service (Table 5 - Appendix). These levels of satisfaction are qualitative measures and the revenue values are quantitative measures, expressed in euros. Therefore, the next step was creating intervals for the revenue information aimed to facilitate and simplify the visualisation of the analysis' results of the Pestana Collection Hotels' revenues and Guest satisfaction. There are nine revenue intervals with a break value of €250 each one, each corresponding to a qualitative measure number, in an increasing scale from one to nine (Table 6 - Appendix).

With all the information in qualitative terms, the database is ready to be exported to the SPSS program to be analysed and verify if there is a dependency between the Pestana Collection Guests' satisfaction and the Pestana Collection Hotels' revenues. The first analysis will be the interpretation of the Pestana database and draw some conclusions

about their Guests' profile, their nationality, knowing which days are more popular for check-ins, as well as understanding what kind of services Guests used more and analyse the impact of Pestana loyalty program (Pestana Guest Priority - PPG) on Guests' choices.

Secondly, using the Chi-square test with an interval of 95% confidence and 5% of error, the test hypothesis is if the Pestana Collection Guests' satisfaction about each service mentioned in the Pestana Collection survey does not depend on what they spent.

5.2. Frequency Analysis

a) Pestana Collection Guests' Nationality

The top five nationalities of Pestana Collection's Guests are from United Kingdom (17%), United States of America (16%), Portugal (15%), France (12%) and Spain (9%) (Graph 4 - Appendix). Despite this, it is important to keep in mind that Pestana Collection Hotels currently are only present in Portugal, so it does not mean that this top five will be the same for Pestana Amsterdam Riverside Hotel.

b) Pestana Collection Guests' Check-In Weekday and ARR

The most popular check-in weekdays are Friday with 18% and Saturday with 17%, which presents the higher values of ARR. From Monday to Wednesday the number decreases, reaching the lowest value on Wednesday with 11% (Graph 5 - Appendix).

c) Pestana Collection Guests' Satisfaction about Additional Services

Pestana Collection Hotels offer additional services, some of which are paid, such as spa, restaurant, bar and in-room dining, but others are included in the stay, such as the wi-fi, pool areas, fitness center, the concierge service and breakfast.

Analysing per intervals the percentage of these services used by Pestana Collection's Guests, less than 20% used the spa service and the fitness center; less than 40% used the in-room dining service; less than 60% used the pool areas, the bar, the concierge service and exactly 60% used the restaurant. Above 80% used the wi-fi and 100% chose the breakfast service in the hotel (Graph 6 – Appendix).

d) Pestana Priority Guest Program

To complement this analysis, this study presents the percentage of Pestana Collection's Guests who used the paid services but divided between Guests' members of the Pestana Priority Guest Program (PPG) and non-members of PPG, to analyse if there is any impact of this affiliation in the Guests' usage frequency of these services, since some of the advantages of this loyalty program are 20% discount in spa and 10% discount in the restaurant and bar.

Regarding the spa service, 14% of the Guests who purchased this service are members of the PPG and 86% are non-members, which means simply being a PPG member does not attract Guests to use this service, as only about a quarter of them use it. The Breakfast column shows that 78% of the Pestana Collection's Guests are PPG members, since 100% of the Guests chose the breakfast option in the hotel (Graph 6 - Appendix); 48% of the affiliate Guests used the Restaurant and 44% used the Bar (Table 7 - Appendix).

e) Pestana Collection Guests' Satisfaction about Staff Exceptional Service

In the survey there are a qualitative interesting question that are related with the Pestana Collection Hotels' performance and their team members' performance, the questions being: "During your stay did anyone of our staff members provide exceptional service

which exceeded your expectations?” and 53% of the Pestana Collection’s Guests’ answered “No” and 47% said “Yes”.

f) Pestana Collection Guests’ Net Promoter Score

Another question in the survey is “Would you recommend this hotel?” in a scale from zero (not likely) to ten (very likely), and 10% answer between zero and six, 19% answer with seven and eight and 71% with nine and ten. This scale is a Net Promoter Score (NPS), a measure to examine the quality of the relationship between Pestana Collection Hotels and their Guests. NPS is divided in three Guests’ segments: the promoters that are Guests who evaluated the hotel with nine and ten, the passives who evaluated with seven and eight and the detractors who gave a classification between zero and six. So, 71% of the Pestana Collection Guests’ are promoters.

Analysing NPS Guests’ score with the Guests’ overall satisfaction, it can be concluded that Guests that rated their overall experience with one, do not recommend the hotel, their NPS score is in their majority zero and one; the Guests that classified their satisfaction with two, give a NPS score below five; the Guests that classified their satisfaction with three, give a NPS score below seven; the Guests that classified their satisfaction with four give mostly a NPS score equal or above five and the Guests that classified with five their satisfaction gives a NPS score majority equal to or greater than eight (Graph 7 - Appendix).

g) Pestana Collection Hotels’ Total Revenue and Guests’ Overall Satisfaction

This information is helpful for the Pestana Collection Hotels to understand their Guests by their overall satisfaction and money spent in their stay, in euros.

The percentage of Guests that classified their overall experience with one, 46% of the Guests spent between]0-250[, 42% spent between [250-500[and 13% spent between [500-750[. The Guests that classified their overall experience with two, 55%, spent between]0-250[, 33% spent between [250-500[, 8% spent between [500-750[and 3% spent between [750-100[. The Guest that classified with three 58% of the Guests spent between]0-250[, 33% spent between [250-500[and 9% spent between [500-750[.

The Guests that classified with four and five, the majority 63% spent between]0-250[and 33% spent between [250-500[(Graph 8 – Appendix). The tendency is that the less the Guests pay, the better the satisfaction will be. This conclusion is visible too in the Guests' recommendation about Pestana Collection Hotels (Graph 9 – Appendix).

5.3. Dependency Analysis

5.3.1. Food & Beverage Revenue

This part of the analysis aims to understand if there is an association between Pestana Collection's Guests' satisfaction about each individually services and the Pestana Collection Hotels' food, room and total revenue. Regarding a dependency test, chi-square test (confidence interval of 95%) between the hotels' revenues and the Guests' satisfaction level, the following variables were analysed:

- a) **Food Revenue and F&B Experience Guests' Satisfaction**, with a p-value of $\rho=0.000$, means it is highly statistically significant, so the F&B Guests' satisfaction depends on the value spent by Guests in this department.
- b) **Food Revenue and F&B Staff Performance Guests' Satisfaction** with a p-value of $\rho=0.012$, means it is statistically significant, so the F&B team performance affects the value spent by Guests in the food department.

- c) **Food Revenue and Restaurant Experience Guests' Satisfaction** with a p-value of $\rho=0.035$, means it is statistically significant, the level of hotels' food revenue depend on the Guests' restaurant satisfaction.
- d) **Food Revenue and Breakfast Experience Guests' Satisfaction** with a p-value of $\rho=0.053$, means it is less statistically significant association with these variables.
- e) **Food Revenue and Bar Experience Guests' Satisfaction** with a p-value of $\rho=0.313$, means it is not statistically significant, so there is not an association between the Guests' bar experience and the food revenue value of the hotels.
- f) **Food Revenue and In-room Dining Service Guests' Satisfaction** with a p-value of $\rho=0.106$, means it has no statistical significance, there is not an association between these variables.

5.3.2. Room Revenue

- a) **ARR and Room Guests' Satisfaction** with a p-value of $\rho=0.000$, means it is highly statistically significant, there is an extreme association between these variables. The quantity that Guests spent in a room, per night, depends on the Guests' satisfaction about the room.
- b) **ARR and Overall Guests' Experience** with a p-value of $\rho=0.001$, means it is highly statistically significant, there is a strong association between these variables, the quantity spent by Guests in a room per night depends on their overall experience in the Pestana Collection Hotels.
- c) **ARR vs Guests' Check-in Weekday** with a p-value of $\rho=0.007$, means it is highly statistically significant, as there is an extreme association between these variables.

- d) **Room Revenue and Room Experience Guests' Satisfaction** with a p-value of $\rho=0.161$, means it has no statistical significance, meaning there is no association between these variables.
- e) **Room Revenue and Housekeeping Service Guests' Satisfaction** with a p-value of $\rho=0.890$, means it has no statistical significance, meaning there is no an association between these variables.

5.3.3. Total Revenue

- a) **Total Revenue and Check In/Out Experience Guests' Satisfaction** with a p-value of $\rho=0.0409$, means is it less statistically significant, so there is a lower association with these variables, but the Pestana Collection Hotels' total revenue depends on the check-in and check-out Guests' experience.
- b) **Total Revenue and Overall Guests' Experience Satisfaction** with a p-value of $\rho=0.013$, means it is statistically significant, so overall Guests satisfaction depends on the amount spent by them during their stay.
- c) **Total Revenue and Staff Performance Guests' Satisfaction** with a p-value of $\rho=0.01$, means it is statistically significant, so Guests' satisfaction about staff performance as impact on the hotels' total revenue.
- d) **Total Revenue and Staff Friendliness Guests' Satisfaction** with a p-value of $\rho = 0.005$, means it is highly statistically significant, so the Guests' satisfaction about staff friendliness is highly associated with the hotels' total revenue.
- e) **Total Revenue and Spa Experience Guests' Satisfaction** with a p-value of $\rho=0.001$, means it is highly statistically significant, so the Guests' satisfaction about spa experience has an impact on the hotels' total revenue.

- f) **Total Revenue and Fitness Center Guests' Satisfaction** with a p-value of $\rho=0.029$, means it is statistically significant, so the Guests' satisfaction about the fitness center experience has an impact on the hotels' total revenue.
- g) **Total Revenue and Concierge Service Guests' Satisfaction** with a p-value of $\rho=0.05$, means it has a less statistical significance, so there is a low association with the hotel's total revenue and the concierge Guests' satisfaction.
- h) **Total Revenue and PPG Guests' Satisfaction** with a p-value of $\rho=0.761$, means it has no statistical significance, so the Guests' satisfaction about Pestana loyalty program does not have any association with the hotel's total revenue.
- i) **Total Revenue and Front Office Experience Guests' Satisfaction** with a p-value of $\rho=0.065$, means it has no statistical significance, so the total revenues of the hotel do not depend on the front office Guests' satisfaction.
- j) **Total Revenue and Public Areas Experience Guests' Satisfaction** with a p-value of $\rho=0.428$, means it has no statistical significance, so there is no association between these variables.
- k) **Total Revenue and Maintenance Services Guests' Satisfaction** with a p-value of $\rho=0.7$, means it has no statistical significance, so there is no association between these variables.
- l) **Total Revenue and Wi-Fi Service Guests' Satisfaction** with a p-value of $\rho=0.982$, means it has no statistical significance, so there is no association between these variables.
- m) **Total Revenue and Pool Areas Guests' Satisfaction** with a p-value of $\rho=0.211$, means it has no statistical significance, so there is no association between these variables.

5.4. Linear Regression

Continuing with the SPSS program, the next analysis was to know if the independent variables help explain the behaviour of the dependent variable (total revenue) regarding a linear regression, with an interval of 95% of confidence. The regression coefficient represents the mean change in the independent variable for one unit of change in the dependent variable, while holding other variables in the model constant.

a) Guests' Satisfaction weight on Pestana Collection Hotels' Revenue

The results established a $R=0.619$, which means there are statistical correlations between these variables and a $R^2=38.3\%$, so 38% of the total revenue variance is explained by Guests' satisfaction about all the satisfaction variables in the Pestana Collection Guests' survey: F&B; F&B Staff Performance; Breakfast; Restaurant; Bar; In-Room Dining; Spa; Wi-Fi; Fitness Center; Pool Areas; Room Experience; Housekeeping Service; Public Areas; Maintenance; Concierge Service; Front-Office Experience; Check-In and Check-Out Experience; Staff Friendliness; Staff Performance; Staff Exceptional Service; PPG; Overall Experience and NPS. Limitations of these results are the fact that in a statistical point of view, the scale of satisfaction is small, only from one to five.

The variables that present a significant p-value are the overall experience, the breakfast experience and room experience. Although the other variables do not present a significant p-value, it is possible to make an interpretation that matches the literature review of this project, as well as all the previous analysis presented in this project.

In fact, it is possible to analyse three different behaviours of these variables when combined with the total revenue and organize them in three groups (Graph 10 – Appendix):

I. Check-In and Check-Out Experience, PPG Program Quality, NPS Score, Maintenance Service, Room Experience, Breakfast Experience, In Room Dining Experience, F&B Staff Performance, Staff Friendliness and Staff Exceptional Service

For Pestana Collection Guests, these variables are very important and have a high impact on Pestana Collection Hotels' revenue. These variables express the differentiation of Guests about their levels of exigency compared with the other variables not present in this group, with these variables, Guests expected more quality in these services.

II. Pool Experience, Fitness Center Experience and Public Areas Experience

For the Pestana Collection Guests these variables do not have a relevant impact with the value that they will spend in the hotel, so if the Guests change their levels of satisfaction about these service, this change is not reflected on Pestana Collection Hotels' total revenue.

III. Front Office Service, Concierge Service, Housekeeping Service, Wi-Fi Experience, Spa Service, F&B Experience, Restaurant Experience, Bar experience and Overall Experience

This group means that even if the Pestana Collection Guests change their levels of satisfaction among of these variables, these services are already so satisfactory for the Guests that they continue to spend in the Pestana Collection Hotels.

6. Conclusions and Recommendations

The section 5 allows to conclude that there is a dependency between Pestana Collection's Guests' satisfaction and the Pestana Collection Hotel's revenue, mainly in in some services and departments. The most relevant conclusions are:

- In Pestana Collection Hotels 72% of their Guests are very satisfied with their overall hotel's experience and 71% recommended Pestana Collection Hotels.
- In the F&B department, the staff performance, the food and beverage offer and the restaurant experience have a dependency with the Pestana Collection Hotels' food revenue.
- Related to the Pestana Collection Hotels' room revenue, the variables that have a dependency are the weekday of the check-in and the Guests' room satisfaction.
- Staff team performance and friendliness have a high importance in the Pestana Collection Hotels' total revenue, as the overall Guests' satisfaction.
- The group I, the most important one, presents a representative impact on the services Guests are more demanding, together with the results found with the variables room, breakfast and staff friendliness service. The negative results (Graph 10 – Appendix) do not mean that the aforementioned services show bad performance, they only convey the weight of the appreciation and exigency of the Guests for these services. Guests like to be surprised and see their expectations exceeded. Pestana Collection Hotels have to follow the idea that the Guests must feel special and part of the hotel, for this provides a service “people to people”.
- Pestana Collection Hotels must pay attention to the II and III groups, have to maintain their quality, for if the Guest changes their level of satisfaction, the impact on the total revenue is not perceptible, continuous to be positive.

Some recommendations for Pestana Collection Hotels are:

- To value the social component of the staff, as for Pestana Collection Guests it is a key factor due to what they pay for this type of hotel, they expect more quality in the variables in group I. This recommendation meets the information on the literature review, the p-value test and in frequency analysis where the last presents a percentage of answer in the Pestana Collection Hotels Guests' survey about if the staff provides an exceptional service which exceeded Guests' expectations and 53% of the Guests answered "No".
- Continually pleasing the Guest and even surprising them requires a high quality service will depend not only on the physical infrastructure and the organizational system of the Pestana Collection Hotels, but also on Human Resources, which imply a permanent training and effort in terms of communication skills, kindness, care in details, accuracy, respect for the Guests and "personal warmth".
- Pestana Collection Hotels must keep the level of excellent standards and pay attention to the group I of variables that compose the services where the Pestana Collection Guests do not excuse if these services are below their expectations. The hotels' revenue will be lower if this happens, since the willingness of the Guests for spending will be lower too.
- To introduce in the survey a question that allows Pestana Collection Hotels to understand what type of expectations their Guests have, because Guests sometimes express this in the survey comments, but these answers do not have statistical validity for doing a study for implementing a strategy.

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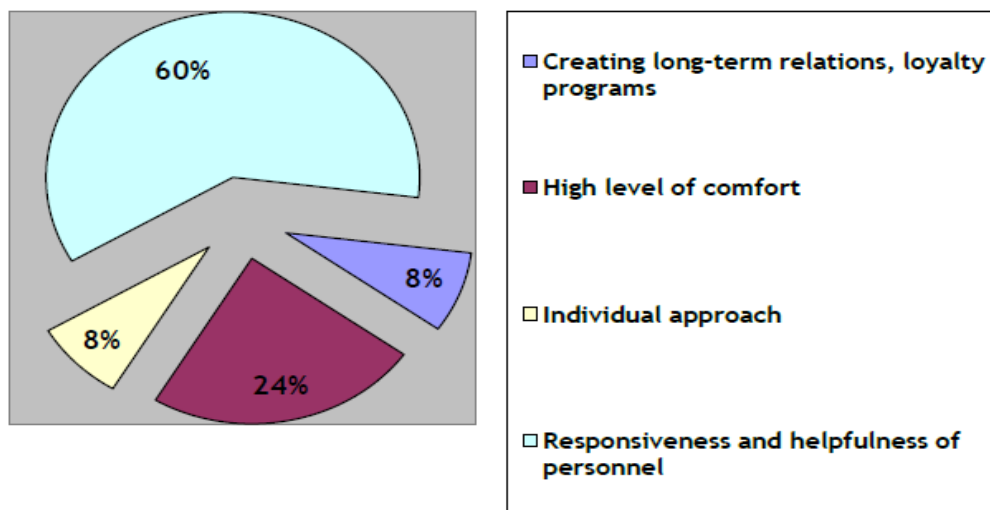
APPENDIX A

Glossary

ADR or ARR (Average Daily Rate or Average Room Rate) is a metric performance in the hotel industry, calculated by dividing the total rooms' revenue by the total of occupied rooms.

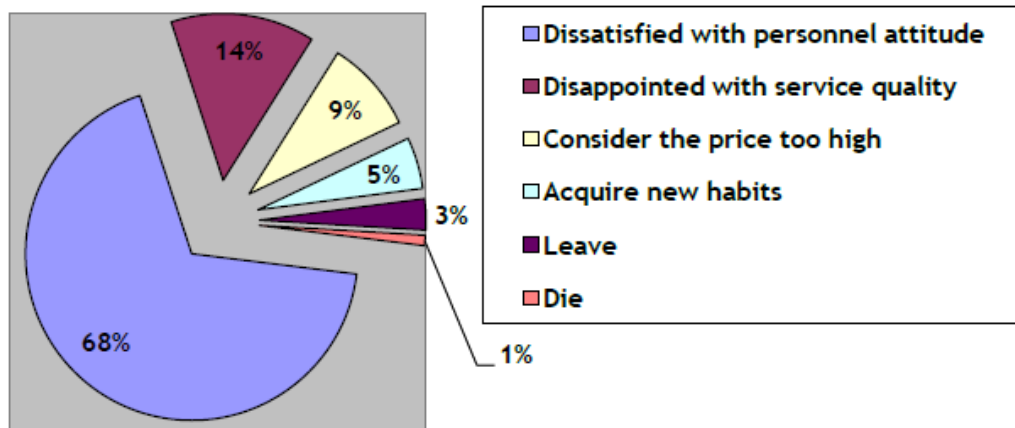
RevPAR (Revenue Per Available Room) is a metric performance in the hotel industry, calculated by dividing hotel rooms' revenues by available rooms in the hotel.

Graph 1 – “What is the most important aspect in the Work of a hotel in your opinion?”



Graph 1 – Distribution of responses to the question, “What is the most important aspect in the Work of a hotel in your opinion?”. Dzhandzhugazova et al. Innovations in Hospitality Industry. International Journal of Environmental & Science Education. 2016. Vol. 11, No. 17, 10387-10400

Graph 2 – “Why do hotels lose their customers?”



Graph 2 – Distribution of responses to the question, “Why do hotels lose their customers?”. Elena A. Dzhandzhugazova et al. *Innovations in Hospitality Industry*. International Journal of Environmental & Science Education. 2016. Vol. 11, No. 17, 10387-10400

Pestana Group History

Manuel Pestana was born in Madeira and moved to South Africa at the end of World War II. He inducted himself in the business area first by being a member of an agricultural cooperative, then with a liquor store and later doing business and real estate exchanges in South Africa and Mozambique.

In 1972, he fulfilled his dream of opening a luxury hotel in Funchal with the financial help of the Portuguese tourism fund, a state institution that lent half of the capital needed to build five star hotels. The opportunity emerged in 1966 with the acquisition of a small hotel, with only twenty rooms, in a fabulous location on top of a cliff in the western part of Funchal. The structure was demolished and in 1972, Manuel Pestana opened the Sheraton Madeira, currently Carlton Madeira. It was when Dionísio Pestana, his twenty-four-year-old son from South Africa, who graduated in management at the University of Natal, in 1976 arrived in Madeira with the mission of saving from

bankruptcy a five star hotel that his father had inaugurated, since Portugal was going through a period of economic crises, after the establishment of democracy in 1974, with a quick inflation and great social unrest.

Later, with the political stabilization due to Portugal's admission to the European Union, tourists returned to Madeira and the hotel offer was not enough. So Dionísio Pestana decided to upgrade the Sheraton Madeira Hotel with more rooms, which he preferentially sold in time sharing, an ownership model where one holiday property is dealt by many owners that have the right to enjoy it during a pre-established time of the year. This model helped the firm to start their family business. This hotel became a success and allowed the purchase of another hotel, Casino Park in 1986, which is now another reference in Madeira.

In 1992, Pestana Group invested in Algarve with the purchase of four hotels from another company in a critical economical condition – Torralta. Pestana Group continued its expansion with a hotel in Cascais, but the investments did not stop here. The first investment outside Portugal, in 1998, was an exploration of Hotel Rovuma, in Maputo, an opportunity created by a law for former investors to regain what they owned in Maputo, after the independence of Mozambique. The internationalization continued to Brazil, with the purchase of Pestana Rio Atlântica, in Rio de Janeiro.

In 2001, the Group opened the luxurious Pestana Palace, in Portugal, an old Lisbon palace dated from the end of the 19th century, which is now a reference in Lisbon. Another important business happened in 2003, with another public company in economic straits - Enatur, responsible for *Pousadas de Portugal*, an exclusive brand for Portuguese historical monuments that was converted in hotels and Pestana Group won in a public tender. In 2006 and 2008, the Group made its debut in South America, with

hotels in Buenos Aires (Argentina) and Caracas (Venezuela) respectively. In 2010, expanding to Europe, the Pestana Group opened its first unit in London and in May 2011 in Berlin. Between 2012 and 2013, new international investments were made in Miami (United States of America), Bogotá (Colombia), Casablanca (Morocco) and Cayo Coco (Cuba).

Mission – “Create long term value for the company by developing its’ activity and respecting the environment, local communities, cultures, employees and consumers” (Pestana Group, 2017).

Vision – Around 2020 will be the largest period of growth, aiming to reach a record of three thousand new rooms in the years to come, as well as reaching the symbolic mark of fifteen thousand rooms. Strengthening national leadership with new projects in all regions, as well as the affirmation at European level as an international chain through new projects, along with the constant concern for assets, financial and geographical diversification, the continuous search for innovation, new business models, as well as new products. The group is on its way to one hundred hotels and presence in twenty countries (Pestana Group, 2017).

Horizontal Integration - Pestana Group started a sustained growth in the hotel industry. This growth took place initially in the national territory (Madeira, Algarve and Lisbon) and later became international. It began with countries that have affinities with the Portuguese culture, such as Mozambique, Brazil and Cape Verde. The process continued to European capitals with the opening hotels in London and Berlin.

Vertical Integration – It grew in other subsectors of tourism such as gambling, golf, real estate and tourism operations in Portugal and abroad. The idea was to decrease the dependency of tourism agency operators and invest in complementary areas of tourism

to increase the attractiveness of hotel products, which represent 70% of the Group's activity (core business of Pestana Group) and to be able to offer complete products to the market.

Figure 1 - Pestana Hotel Group in the World

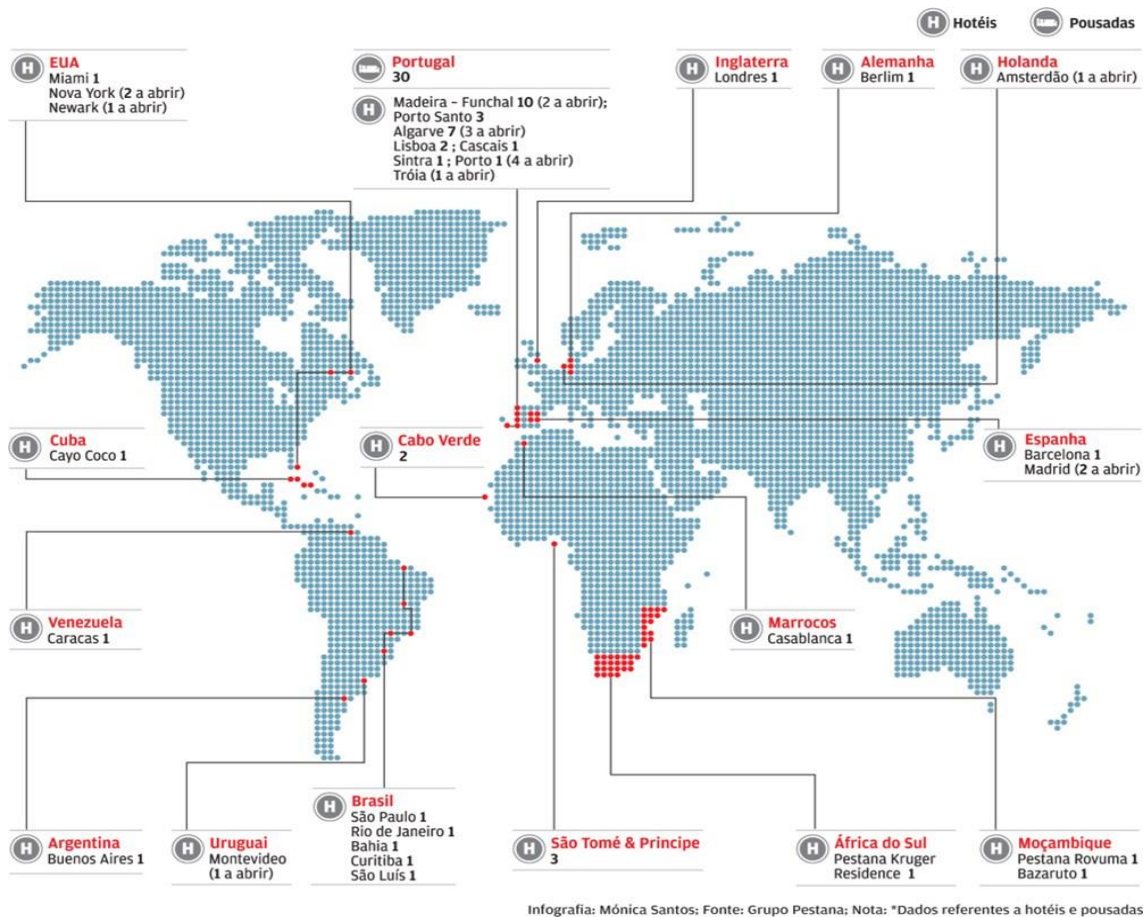


Figure 1 – Pestana Hotel Group in the World. Santos, Mónica. *Grupo Pestana a caminho dos 100 hotéis*. Jornal de Negócios. 8/06/2017

Figure 2 – Pestana Hotel Group Brands



Figure 2 - Pestana Hotel Group's Brands. Pestana Group Webpage. 2017

Figure 3 – Pestana Amsterdam Riverside Hotel



Figure 3 - Pestana Riverside Amsterdam Hotel. Pestana Collection Webpage. 2017

Figure 4 – Localization of Pestana Amsterdam Riverside Hotel

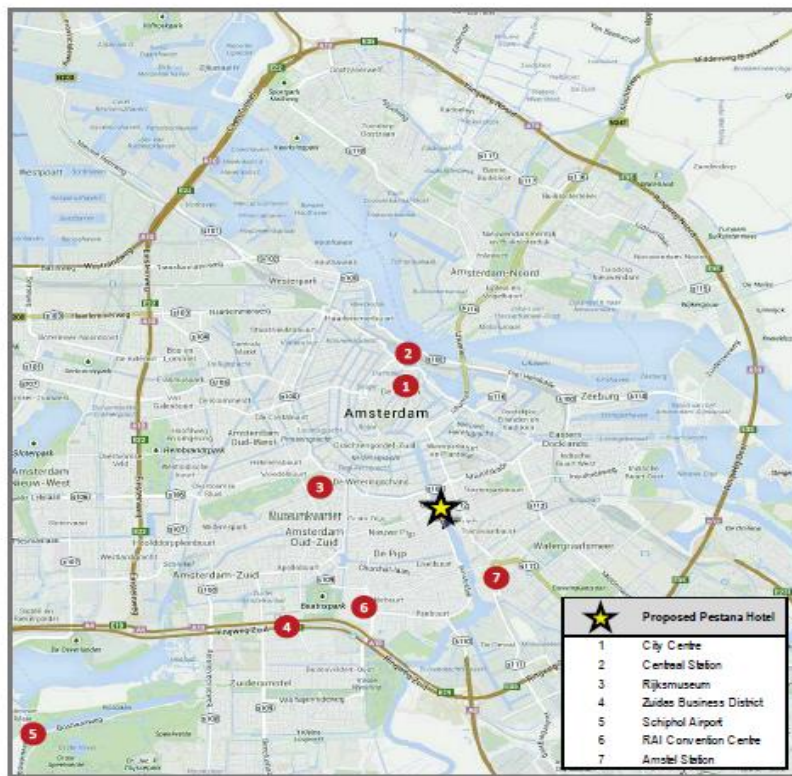


Figure 4 - Pestana Riverside Amsterdam Hotel. Jones Lang LaSalle. Proposed Pestana Hotel Amsterdam. 2013.

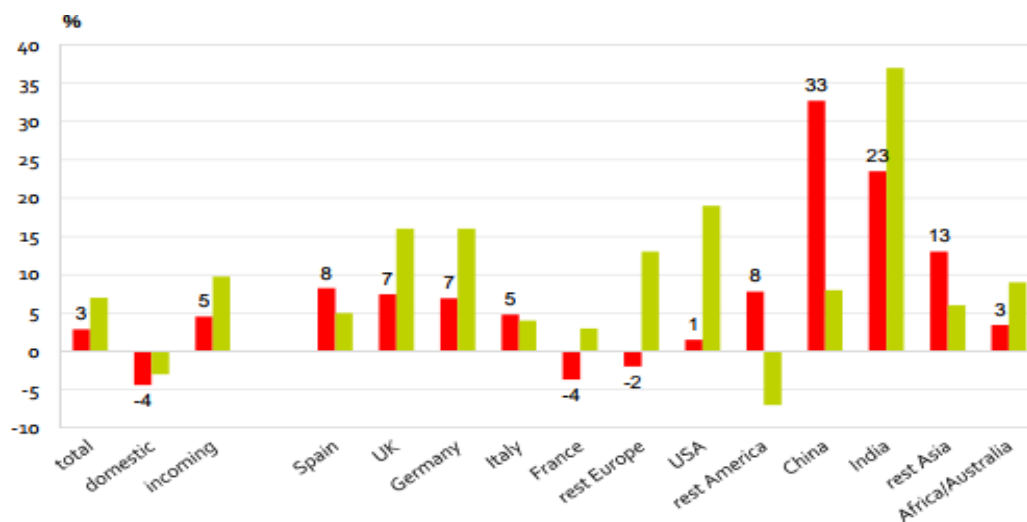
Table 1 - Netherland's Economic Indicators

| Economic Indicators | 2014 | 2015 | 2016 | 2017* | 2018* |
|---|--------|--------|--------|--------|--------|
| GDP (billions of USD) | 881.03 | 750.70 | 771.16 | 762.69 | 783.80 |
| GDP (annual growth in%, constant price) | 1.4 | 2.0 | 2.1 | 2.1 | 1.8 |
| Balance of Payments Balance (% of GDP) | -1.2 | -1.3 | -0.1 | 0.2 | 0.2 |
| Public Debt (% of GDP) | 67.9 | 65.1 | 62.6 | 59.7 | 57.8 |
| Inflation index (%) | 0.3 | 0.2 | 0.1 | 0.9 | 1.4 |
| Unemployment rate (% of economically active population) | 7.4 | 6.9 | 5.9 | 5.4 | 5.3 |
| Balance of current transactions (billions of USD) | 78.61 | 65.13 | 74.30 | 70.16 | 71.54 |

Table 1 - Netherland's Economic Indicators. IMF - World Economic Outlook Database 2017

*Estimate value

Graph 3 – Amsterdam Overnight Stays by Country of Origin



* provisional figures

■ 2015

■ jan-sep 2016*

source: CBS

Graph 3 - Overnight Stays by Country of Origin (change year to year %), Amsterdam. Amsterdam City Council, Research, Information and Statistics. *Tourism in Amsterdam: nights, accommodations and jobs in the tourism sector 2015-2016 and trend analysis*. January 2017

Table 2 – Annual Agenda of Amsterdam

| January | February | March | April | May | June | July | August | September | October | November | December |
|--|--|---|---|--|--|--|---|---|---|--|--|
| -Festival of art lights | -San Valentin Day: Romantic activities in the City | -Keukenhof Garden: To See the famous tulips of Holland | -King's Day: Public holiday with music, street parties, flea markets, and fun fairs | -Day of Commemoration the Nazi Liberation: Publi Holiday festivals with music, lectures and activities for children. | -More than 30 private gardens of individuals and institutions open their doors to the public | - Mercedes-Benz Fashion Week | -World Cinema Amsterdam : Open-air screens cinema | -Congress of entertainment professionals (Maximum capacity in hotels) | -Amsterdam Dance Event | -Museum night: Open from 7:00 p.m. to 2:00 p.m. and have special workshops, concerts, tours and performances | -New Year celebration |
| - Flamenco Biennial | | -Easter week: Special programs for children, look for Easter eggs in a historic zoo | -National Museum Weekend: Free entry | -Open air film festival: Show the best movies that have not yet been released in Dutch cinema and has free entry | -Hortus Festival: Brings classical music to Amsterdam's botanical gardens | - Julidans: International modern dance festival | -Theatre and fun for summer evenings | -Amsterdam In-Water Boat Show: The river bank will be lined with brand-new yachts and sailing vessels | -Read My World: International literature festival | | -Christmas markets around Amsterdam |
| -Jumping Amsterdam: Horse sport event | | | | | | - Summer Festivals with classical concerts, swinging jazz and lively pop offerings | | | | | -Classical music fest: From the hallowed halls of churches and concert in theatres |
| -National Tulpendag: In this day is allowing to pick tulips for free in announced gardens. | | -Festival DGTL: Music Festival | -Tulip season: Part of Holland becomes a gigantic sea of flowers. | | | | | -Heritage Days: Explore the city's history of buildings, monuments and private houses, free of charge | | -Arrival of Sinterklaas: Is a Dutch attractiveness personage loved by children and adults, like Santa Claus | |
| | | | | | | | | | | -Luxury Christmas lights in the city | |

Table 2 - Annual Agenda of Amsterdam. I amsterdam Webpage.

Table 3 – SWOT Analysis of Pestana Amsterdam Riverside Hotel

| S (Strengths) | W (Weaknesses) |
|---|---|
| <ul style="list-style-type: none"> ▪ New Hotel in good location ▪ Historic Building ▪ View of the Amstel canal ▪ Dutch Chef ▪ Preferred Hotels affiliate ▪ Good conference capacity | <ul style="list-style-type: none"> ▪ Pestana Brand isn't internationally recognized ▪ High branding power of competitors ▪ One more five star hotel ▪ Outside the city center |
| O (Opportunities) | T (Threats) |
| <ul style="list-style-type: none"> ▪ Establish Pestana as a recognized luxury brand and up-scale segment in the Dutch market | <ul style="list-style-type: none"> ▪ New suppliers ▪ Economic Uncertainty ▪ Terrorism |

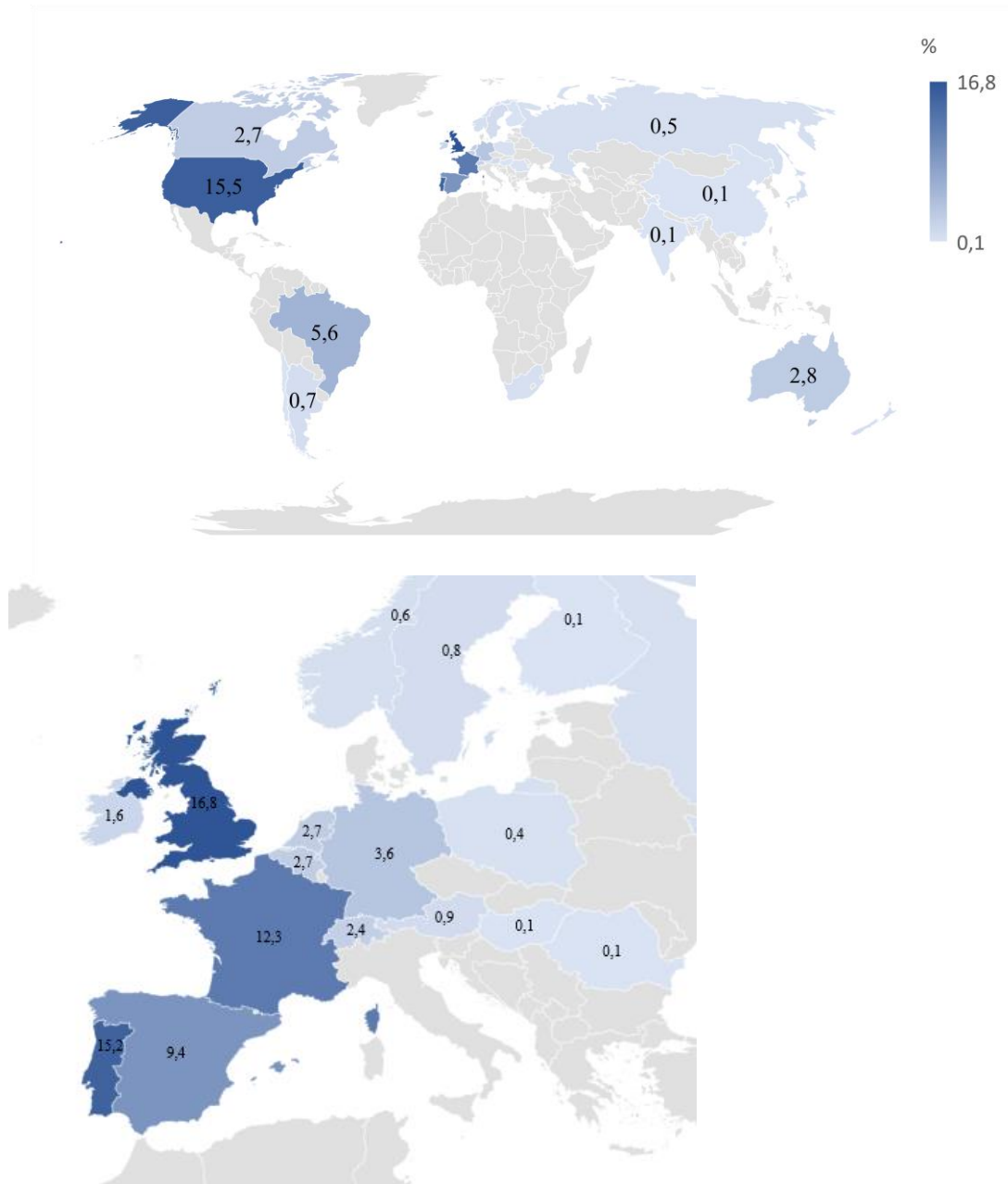
Table 3 - SWOT Analysis of Pestana Amsterdam Riverside Hotel

Table 4 – Competitive Set of Pestana Amsterdam Riverside Hotel

| Hotels | Historic Building / Affiliation | Location | Rooms/ Meeting Rooms | Different Services | Restaurant/ Chef | Flexible Price with Breakfast | Non-Flexible Price with Breakfast | TripAdvisor/ Booking |
|---|--|--------------------------------|----------------------|--|--|--|--|----------------------|
| Andaz Hotel ***** | - No | - Premium in the City center | 122 / 6 | - Pet Friendly - Weddings | -European cuisine with a Dutch influence | €335 - Free cancellation until 24hours before arrival, if not will be charged one night | €315 - Pre-Payment required. Cancellation is not possible, full amount will be charged | 4.5 / 9.3 |
| Conservatorium Hotel ***** | - Yes - The Leading Hotels of the World | - Premium in the City center | 129 / 6 | - Personalised Fitness classes - Private dining room - Cultural package with tickets for museums - Weddings | -Asian Food with a famous Chef | €497 - Free cancellation until 4pm the day before arrival, if not will be charged one night | €369 - Pre-Payment required. Non-amendable and non-refundable, full amount will be charged | 4.5 / 9.2 |
| Intercontinental Amstel Hotel ***** | - Yes | - Premium for the Amstel canal | 79 / 7 | - Celebrate Birthdays - Romance, Culture, Gourmet, Relax, Family package | - French Mediterranean food | €477 - Free cancellation until 6pm the day before arrival, if not will be charged one night | €348 - Pre-Payment required. Non-amendable and non-refundable, full amount will be charged, taxes may apply | 4.5 / 9 |
| Kimpton Witt Amsterdam ***** | - Yes | - Premium in the City center | 274 / 6 | - Free Bikes to explore the city - Weddings | -American food | €166 - Free cancellation until 4pm the day before arrival, if not will be charged one night | €129 - Pre-Payment required. Non-amendable and non-refundable, full amount will be charged, taxes may apply | 4.5 / 9 |
| Pestana Amsterdam Riverside Hotel ***** | - Yes - Preferred Hotels | - Premium for the Amstel canal | 154 / 10 | - Private Breakfast experience by Dutch Chef - Conferences and Meetings | - Famous Dutch Chef - Breakfast prepare by Dutch Chef | €241 - Payment in the Hotel. Free cancellation until 24hours before arrival, if not will be charged one night | €241 €208 (Price with Opening Campaign) - Pre-Payment required. Non-refundable | - |
| Pulitzer Hotel ***** | - Yes - Preferred Hotels | - Premium for the Amstel canal | 225 / 10 | - City Package with a cruiser in Amstel Canal - Honeymoon | - No | €279 - Free cancellation until 6pm the day before arrival, if not will be charged one night | €262 - Pre-Payment required. Cancellation is not possible, full amount will be charged | 4.5 / 9.2 |

Table 4 - Competitive Set of Pestana Amsterdam Riverside Hotel. Official Hotels Webpages. 1st December 2017

Graph 4 - Pestana Collection's Guests' Nationality



| Country | % |
|----------------|------|
| United Kingdom | 16,8 |
| United States | 15,5 |
| Portugal | 15,2 |
| France | 12,3 |
| Spain | 9,4 |
| Brazil | 5,6 |
| Germany | 3,6 |
| Australia | 2,8 |
| Belgium | 2,7 |
| Puerto Rico | 0,1 |
| Romania | 0,1 |

Graph 4 - Pestana Collection's Guests' Nationality. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Table 5 - Levels of Satisfaction in the Pestana Collection Guests' Survey

| 1 | 2 | 3 | 4 | 5 | N/A |
|-------------------|--------------|------------------------------------|-----------|----------------|----------------|
| Very Dissatisfied | Dissatisfied | Neither Satisfied nor Dissatisfied | Satisfied | Very Satisfied | Not Applicable |

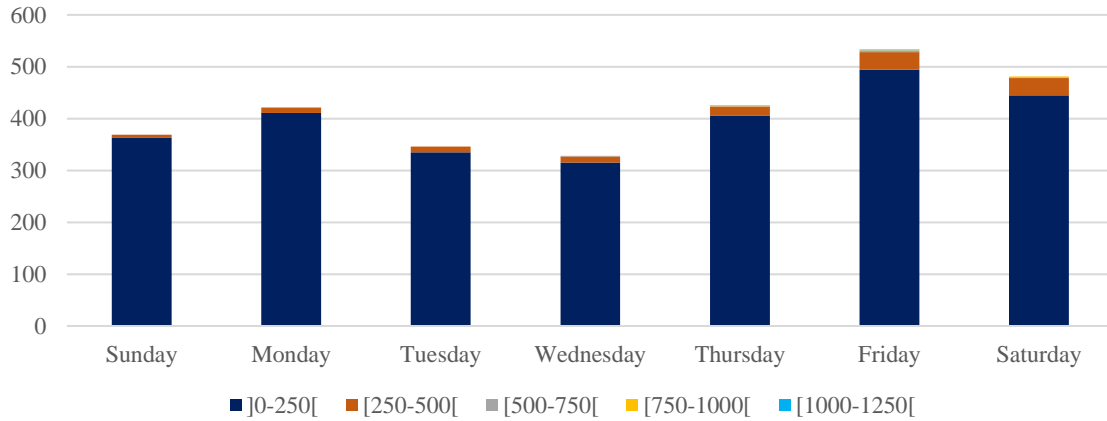
Table 5 - Levels of Satisfaction in the Pestana Collection Guests' Survey. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Table 6 - Revenue Intervals for SPSS Program

| Scale | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----------------------|-----------|-------------|-------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Intervals (€) |]0 – 250[|]250 – 500[|]500 – 750[|]750 – 1,000[|]1,000 – 1,250[|]1,250 – 1,500[|]1,500 – 1,750[|]1,750 – 2,000[|]2,000 – 2,250[|

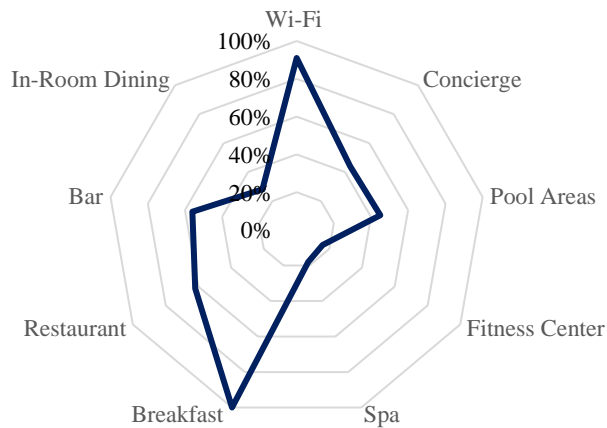
Table 6 - Revenue Intervals for SPSS Program. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Graph 5 - Pestana Collection Guests' Check-In Weekday and ARR



Graph 5 - Pestana Collection Guests' Check-In Weekday and Pestana Collection ARR. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Graph 6 - Percentage of Additional Services used by Pestana Collection's Guests



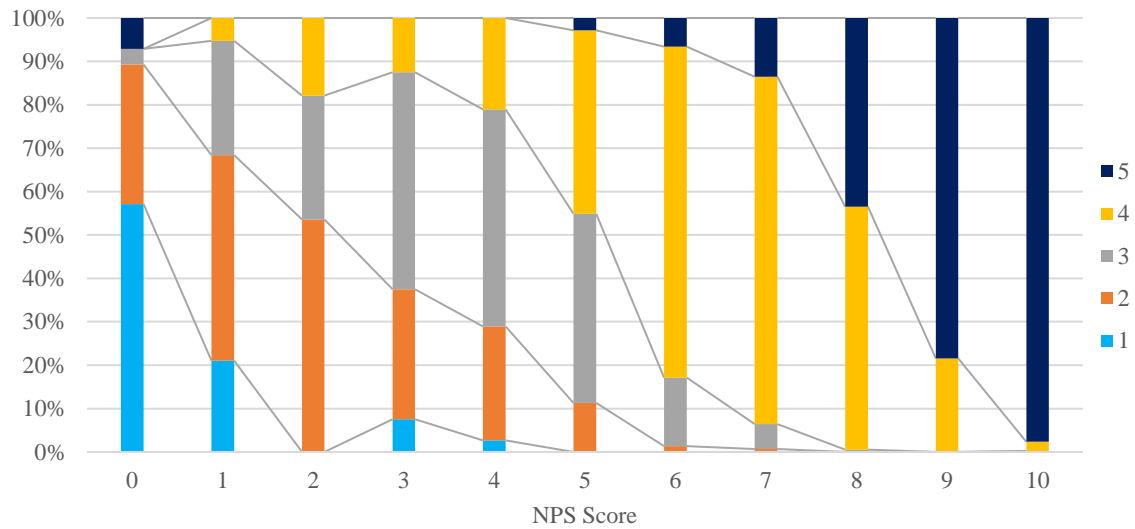
Graph 6 – Percentage of Pestana Collection's Guests' that use Additional Services. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Table 7 - Percentage of Pestana Collection's Guests that use the additional services and has member of Pestana Priority Guest Program

| Additional Services | Spa | Breakfast | Restaurant | Bar |
|---------------------|-----|-----------|------------|-----|
| PPG Member | 14% | 78% | 48% | 44% |
| PPG Non-member | 86% | 22% | 52% | 57% |

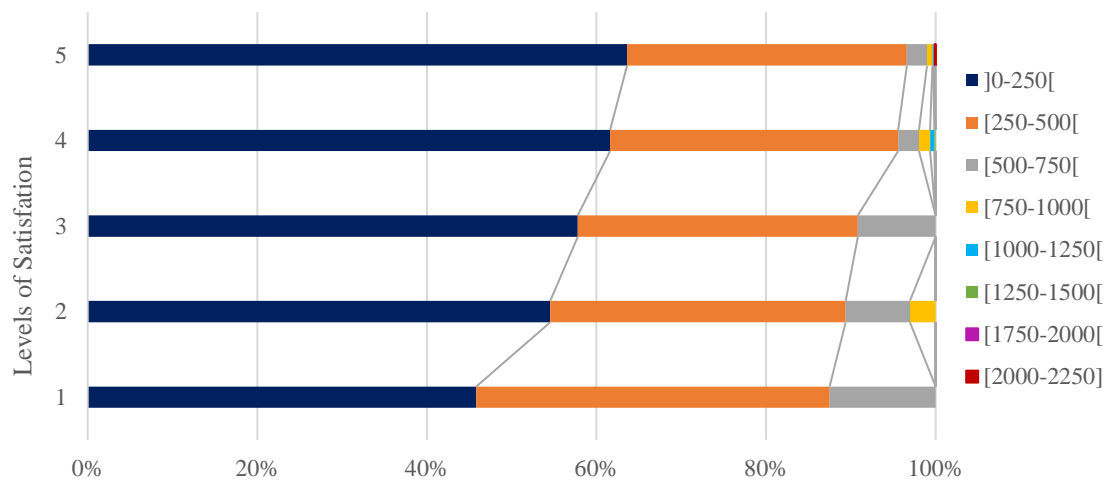
Table 7 – Percentage of Pestana Collection's Guests that use the paid additional services and has member of Pestana Priority Guest Program (PPG). Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Graph 7 - Pestana Collection Guests' Overall Satisfaction and Guests' NPS Score



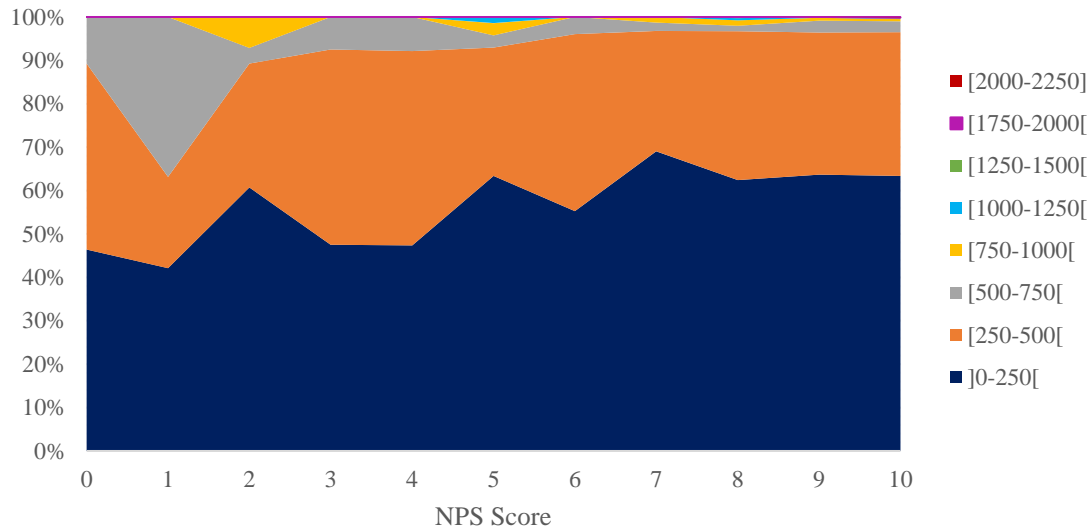
Graph 7 – Pestana Collection Guests' Overall Satisfaction and Guests' NPS Score. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Graph 8 – Pestana Collection Guests' Overall Satisfaction and Hotels' Total Revenue



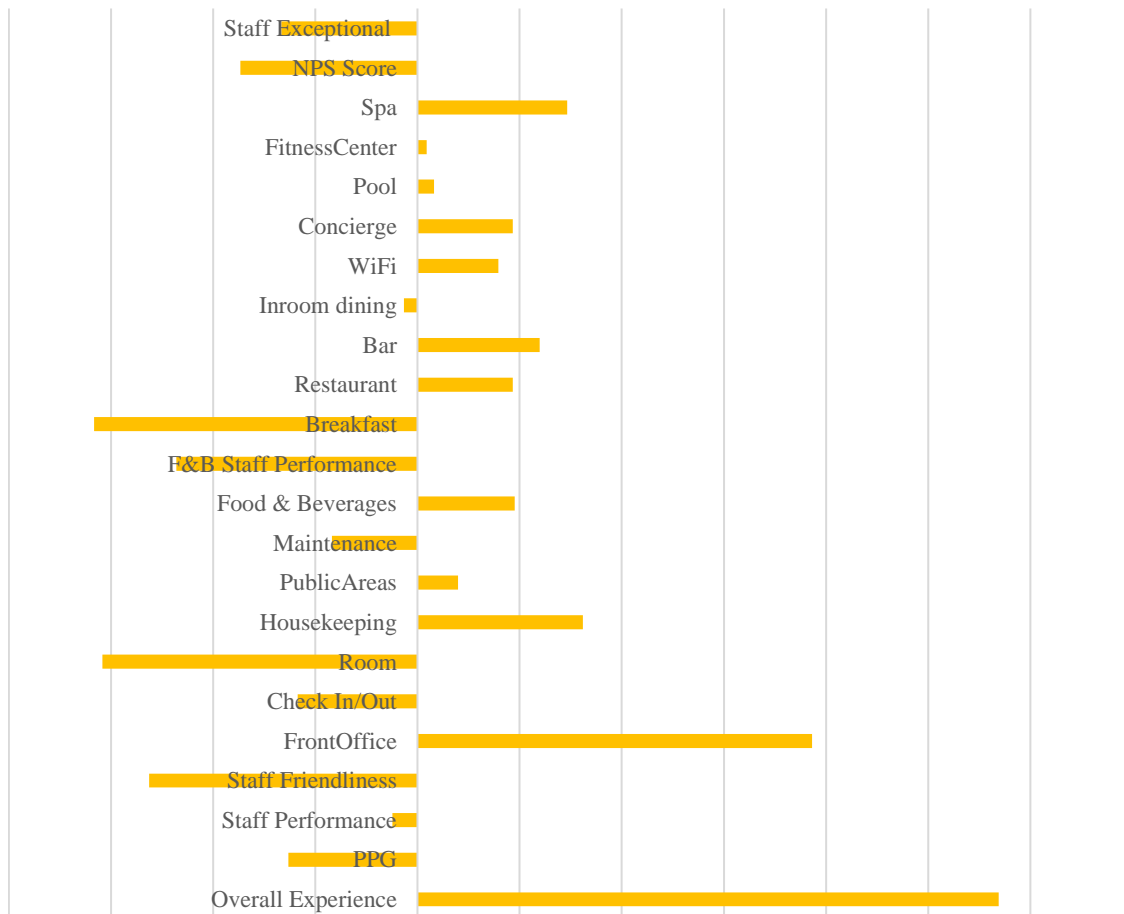
Graph 8 - Pestana Collection Guests' Overall Satisfaction and Pestana Collection Hotel's Total Revenue. Pestana Collection Guests' Surveys 01/01/2017-19/09/2017

Graph 9 – Pestana Collection Hotels’ Total Revenue and Guests’ NPS Score



Graph 9 - Pestana Collection Hotels’ Total Revenue and Guests’ NPS Score. Pestana Collection Guests’ Surveys 01/01/2017-19/09/2017

Graph 10 – Guests' Satisfaction Weight on Pestana Collection Hotels’ Revenue



Graph 10 - Guests’ Satisfaction weight on Pestana Collection Hotels’ Total Revenue. Pestana Collection Guests’ Surveys 01/01/2017-19/09/2017