

A WORK PROJECT, PRESENTED AS PART OF THE REQUIREMENTS FOR THE
AWARD OF A MASTERS DEGREE IN MANAGEMENT FROM THE NOVA –
SCHOOL OF BUSINESS AND ECONOMICS.

Business Hostel

A New Opportunity for the Hostel Industry

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A Project carried out on the Management course, under the supervision of:

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January of 2014

I. Abstract

This Work Project aims to understand through strategic analyses the potential of creating a new type of accommodation in Portugal – the “Business Hostel” – a hostel targeting business travelers.

Through three relevant strategic analyses, this study shows that this concept has high chances of succeeding. In Strategic Intent Based Planning, three (out of four) plausible future scenarios are favorable for the entry of this concept in the market. The Competitive Analysis provides an attractive overview for the current and future competitive environment of the hostel industry in Portugal. Last but not least it is demonstrated that the Business Hostel concept consists on a Blue Ocean Strategy according to Chan Kim and Renée Mauborgne’s theory.

Keywords: Business Hostel, Strategic Intent Based Planning, Environment Analysis, Competitive Analysis, Blue Ocean Strategy

II. Acknowledgment

This work project was only possible due to the cooperation, tolerance and patience of Prof. João Silveira Lobo, my mentor.

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1. Context

It was only in 2005 that the first private hostel was established in Portugal. During the following years, there was an incredible growth of hostel units. According to Euromonitor, there was 1 hostel in 2005, 61 in 2007 and 228 in 2012.

This business has been very appellative for new entries due to the visible success that incumbents have been achieving. In addition, the entry investment required for this kind of accommodation is very low since it is based on the renovation/adaptation of real estate already existent.

However, the numbers for the next five years are not as brilliant as they have been until today. According to an Euromonitor's study, from 2016 to 2017, the number of outlets and total revenues in Portugal are expected to growth at average rates of 1,1% and 1,6%, respectively, poor values when compared with the encouraging average growth rates of 30,5% for outlets and 33,7% for total revenues accomplished between 2007 and 2012.

In fact, this industry that could once be compared to a wonderful blue ocean, free of dangers or relevant competitors is being turned into a red "bloody" ocean with lots of obstacles, or in other words, a highly competitive industry. The fact is that there are not so many points of differentiation between hostels. Actually, the main signs of differentiation of a hostel lie just on its design, its location and prices. Moreover, all the hostels target their business to the same segment: young people aged between 18 and 35 years old that travel with leisure purposes.

The intention of this work project is to analyze strategic arguments that support a change of the hostel targeted segment as a possible solution to overcome the current

difficult context. More specifically, it was analyzed the hypothesis of an hostel targeting strategy focused on people that travel with business purposes.

To justify this approach, three different concepts will be used: (1) the “Strategic Intent Based Planning” will help us to understand to which extent this specific business (hostel targeted for business traveler/business hostel) is attractive in four critic, plausible and uncertain future scenarios; (2) a competitive analysis of the industry composed by an industry overview, an analysis of the industry attractiveness (through the Porter “6 forces”) and a Key Success Factor analysis; (3) it will be demonstrated that the “business hostel” can be considered a Blue Ocean Strategy according with Chan Kim and Renée Mauborgne theory.

2. What is a Hostel?

In order to understand the unfold of this thesis it is important to know the main characteristics of a private hostel. The so called **hostel, backpacker hostel or private hostel** derives from the traditional **youth hostels**, created more than 100 years ago. The main differences between private and youth hostel is that the former is **managed and owned by private identities** while the **latter is a public non-profit organization**.

The main differentiation characteristic of a hostel is the concept of shared dormitories, where the selling unit is the bed, instead of the room, allowing guests to sleep in the same dorm with different reservations, likewise minimizing the price and maximizing the bed occupancy rate. Moreover, typically, the hostels infrastructures offer dorms with 4 to 8 beds (most common), shared bathrooms and spaces of socialization and shared utilization like a living room or the kitchen.

Furthermore, a hostel is characterized by an informal environment targeted for young people, students and backpackers. The average age of hostels guests is between 18 and 35.

“The hostels are a perfect place to know other travelers, change experiences, and make new friends, once it provides a relaxed and informal environment. (Saraiva, 2013 quoting Cadilhe, G. (2010) “O Mundo é Fácil”, p.139 and Catalão, J. (2010) “Hostels: novo conceito de alojamento”, pp. 22-23).

3. Strategic Intent Based Planning

3.1. Environment Analysis

The Environmental Scanning Analysis aims to prepare a company to compete in the future. Through the research of the drivers of change in an industry, its players are able to better build their own strategic plans. However, just the few that acknowledge uncertainty to develop plausible futures are prepared for an uncertain world.

Those who defend this approach posit that companies that studied and were able to develop plausible future scenarios, which at a first sight were discarded or weren't even being put into question will be better prepared than their competitors for the future. It is important to refer that this process is not to prepare a company for scenarios that are extremely unlikely to happen (the so called “black swans”) but to prepare for future plausible scenarios that are characterized by being uncertain (in direction and speed of occurrence) and with a strong impact on the current economic engine of a firm.

“Scenarios, in contrast, reflect different interpretations of reality. They start with the future and identify the interaction between the “predetermined elements” – trends inevitable in all scenarios — and the “critical uncertainties” that could create big differences, not marginal changes.” (Schwartz, 2012). By developing different future scenarios where the environment is driven by the combination of distinct uncertainties, once early warning signs of change occur, companies will recognize them better and faster than competitors and consequently will be better prepared to compete and gain or sustain competitive advantage. “The purpose of the exercise is not to come up with a forecast because you know it will be wrong. Instead, it’s to draw a circle around multiple possibilities and think about whether you are prepared to face the range of futures that might unfold” (Carvin and Levesque, 2006).

3.1.1. Focal Question

The development of future scenarios starts by defining what will be the **focal question** that the strategy needs to answer. In this case, the main issue is to understand whether there is an opportunity for the hostel industry to differentiate on its market, in order to target a new segment – the business travelers. Basically, the focal question is **“Should the hostel industry focus also in the business travelers segment in Portugal for the next 10 years?”** That will be the question that will enable us to define the relevant space and test for consistency along the way.

The process unfolds by the identification of macro-trends (MT) or driving forces (DF) from 5 different areas – **Social, Technological, Environmental, Economic and Political/Regulatory**. By MT’s and DF’s it is meant as **“themes and trends that are likely to affect, influence, and shape the key focal issue [focal question] in**

fundamental ways” (Carvin and Levesque, 2006). These MT’s/DF’s are seen from the perspective of the industry that we have chosen to work with. Further, specific MT’s/DF’s related with the hospitality industry, business travelers’ behavior and companies’ preferences were gathered and studied.

3.1.2. Macro Trends and Driving Forces

Social Macro Trends

- Raise of the Middle Class (C)
- Increasing use of social networks¹ (C)
- Greater desire for entertainment¹ (C)
- Increasing wish for indulgence¹ (C)
- Desire for individualism¹ (C)
- Design is gaining in importance¹ (C)
- Increasing Internet buying¹ (C)
- Increasing wish to save money (C)

Economic Macro Trends

- Disparity/Inequality of income distribution (C)
- Increasing cost of labor¹ (C)
- Economic uncertainty in EU/US
- Increasing energy costs (C)

Technological Macro Trends

- Increasing Internet availability and usage¹ (C)
- Dependence of highly portable new technologies (mobile phones, tablets and pc's) (C)
- Transports: Faster and ecofriendly²
- Decrease price of telecommunications (C)
- Increase use of online professional social networking (C)

Industry Macro Trends

- Older tourists using Portuguese hostels services⁴ (C)
- Emerging of the “flashpacker”⁵ (C)
- Growth on inbound of business travelers in Portugal⁴ (C)
- Expected increase of city breaks in the main cities of Portugal⁴ (C)
- Emergence of funds exclusively dedicated to the construction of travel and tourism related infrastructures⁴(C)

Environmental Macro Trends

- Increasing environment awareness, social conscience and sustainable behavior¹ (C)
- Eco-friendly public transportation²
- State of the environment (C)

Companies Macro Trends

- Increasing corporate travel budgets³ (C)
- Business travelling: focus on team travel in order to boost their business activity.³ (C)
- Shift travel budgets from trouble markets to emerging markets, where growth is more expected.³ (C)
- Increasing role of networks and strategic partnerships/alliances (C)
- Disruptive business models (C)
- Increasing pressure to address the 3P's (People, Planet, Profit) (C)
- Hard green travel policies by companies^{3,6} (C)
- Tech advances that foster work from home

Political and Regulatory Macro Trends

- Portuguese Economic Diplomacy fostering direct foreign investment
- Degree of openness between countries
- Incentives for business's creation in Portugal

(C) = Certainty
Underlined = Uncertainty

¹ Source: Kantar Worldpanel

² Source: Schwartz, 2012

³ Source: Euromonitor International, *Business Travelling: A challenging Recovery*, 2012

⁴ Source: Euromonitor International, *Travel Accommodation in Portugal*, 2013

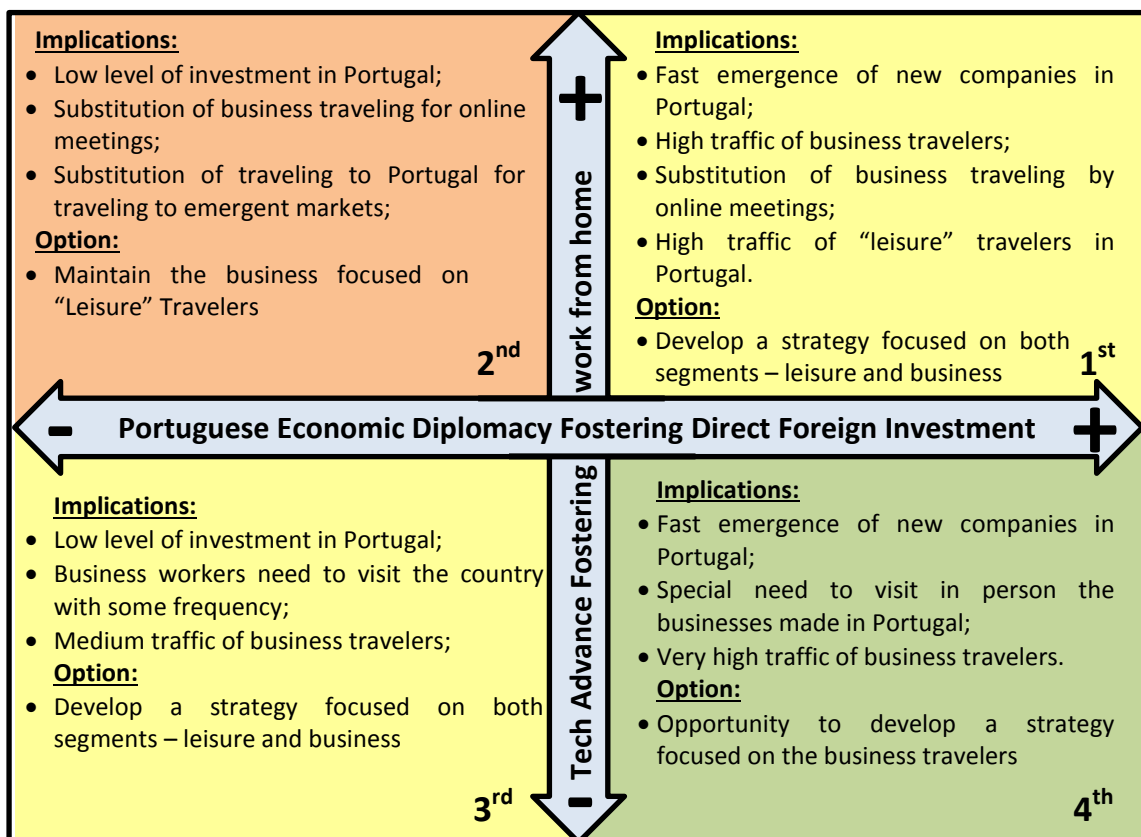
⁵ Source: Saraiva, 2013

⁶ Source: Euromonitor International, *Global Trends in Tourism*, 2013

3.1.3. Scenarios

Future scenarios are built taking into account two critical uncertainties for the industry. From the researched MT's and DF's stated above, the following uncertainties were chosen as critical: (1) Tech Advances that foster work from home, that can vary from a slow tech evolution not very different from actual panorama to the extreme opposite of disruptive technologies where people are able to work in a much more efficient way from home. The second critical uncertainty is the degree of motivation of foreign investors generated by the Portuguese economic diplomacy, in other words, (2) Portuguese economic diplomacy fostering direct foreign investment leading to the creation of new businesses in Portugal.

Main strategic implications and options to be adopted in each scenario on a 10 year time frame are listed on the table below:



3.2. Strategic Intent Definition

For the scenarios mentioned before, a strategic intent must be defined in order to prepare the company to the maximum of the plausible scenarios.

As the table shows, there are three scenarios where the possibility of targeting the business travelers might be a viable option: the 1st, 3rd and 4th scenario. While the 4th scenario encourages the industry to shift from one segment to the other, neither the 1st nor the 3rd allows making this shift but instead promoting the targeting of both segments.

Gathering all the facts mentioned above, it seems reasonable for some players of the hostel industry to invest time, talent and effort in business travelers. Some of them may shift the entire focus to business travelers and some of them may focus on both segments, the leisure and the business travelers.

3.3. Product Positioning

Five and four stars hotels represent the most expensive accommodation offer. The Motels, the 1 to 3 stars hotels and the hostels are the lower end option, however they offer low or no “business friendly” facilities allowing guests to work *in situ*.

The Business Hostel (marked in orange as the opportunity) is the only low-end option that could offer business friendly environment.

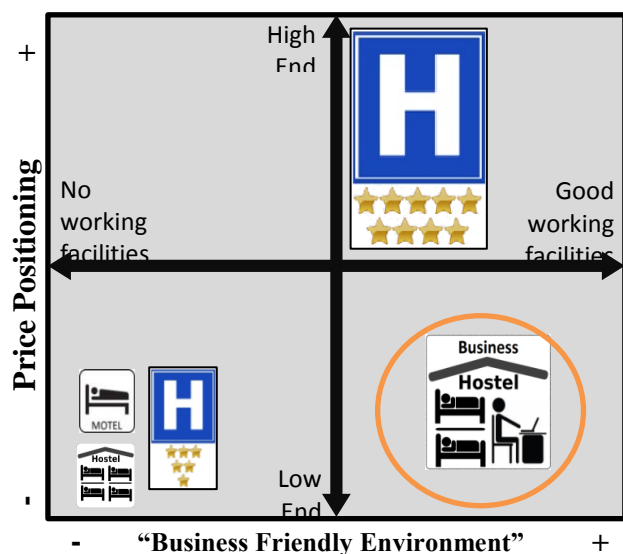


Figure 1: Product/Service Positioning Map of the Business Hostel

4. Competitive Analysis

In order to deepen understanding of the hostel industry, two different analyses have been used – the Porter “6 forces” and an analysis of the Key Success Factors of the industry.

But first it will be shown an overview of the travel accommodation industry in Portugal.

4.1. Travel Accommodation in Portugal Overview

Due to the lack of legislation on hostels there is little information available about this industry in Portugal. For instance, the annual tourism report provided by INE and Tourism of Portugal – the official identities responsible to share the information concerning tourism – does not specify this type of accommodation adding difficulties in data-based research.

One can reach important conclusions on tourism in 2012:

“Despite the increase of incoming and domestic tourism flows in Portugal, there was overall value decline in 2012 of -1,4%, a worst performance compared to 2011.” (Euromonitor International, Travel Accommodation in Portugal, 2013).

Considering the difficult economic scenario that Europe is facing, this decrease was not significant and may even be seen as positive. Thus, **many tourists were forced to find budget travel accommodation**. On the other extreme, there was a significant development of the luxury tourism.

According to the same study, in 2012, “**Hotels occupancy rates declined** in almost every Portuguese region. The number of hotels and bed rooms grew. Nonetheless, this

growth was not accompanied by tourists' demand which was more **targeted at economic options such as hostels and guest houses.** (...)” (Euromonitor International, 2013)

In the future, the number of hotel units is expected to increase. “As major cities invest in the reconstruction of their historical centers (...) funds are expected to emerge and to be exclusively dedicated to the construction of travel and tourism-related infrastructures.” (Euromonitor International, 2013). Further the study states: “Fuelled by the expected increase penetration of city breaks in Portugal’s most important cities, **hotels are likely to be capable of returning to a positive performance over the forecast period.**”

Regarding hostel and guesthouse industry, the same study concludes that the “**saving trend was evident in the growth of hostels.** (...) Hostels and guest houses services are becoming more complete and the more familiar and relaxed environment of these travel accommodation categories undermined hotels’ performance (...)”

The forecast for the performance of these categories is very encouraging. Portuguese hostels are **becoming internationally known** by their “quality and state of the art” characteristics and they are **attracting older tourists’ attention** who are also expected to start using their services.

Regarding the business travelers, **Business and MICE⁷ tourism flows strongly increased.** The strong **relationships that Portugal keeps with emerging countries**, like Angola for instance are **attracting foreign businesses to Portugal** and support the country sustaining a strong business framework. (More information about this

⁷ (Meetings, Incentives, Conferences and Exhibitions)

Euromonitor's study can be found on appendix Exhibits 1, 2, 3, 4). According to the results of the survey made by Associação de Turismo de Lisboa (ATL) "Inquérito Motivacional 2012 – Cidade de Lisboa", **27% of the travelers visiting the city came for professional reasons**, 51,5% came for MICE tourism and the other 48,5% for private business. It is important to focus on the fact that 61% of the overall business travelers in Lisbon are below 45 years old. (More detailed data from this study can be found on Exhibits 5, 6, 7, 8, 9 on Appendix.

Described as a "more simplistic and cheaper service which is usually suitable for business tourists" Motels had a poor performance in 2012 because their managers have "very rudimentary marketing mechanisms" allowing the hotels, with more "incisive price promotions and better range of services" being more "competent in attracting business tourists." (Euromonitor International, 2013)

4.2. Industry Attractiveness

The Porter 5 Forces suggests an analysis on the influence of different players in an industry – **the threat of new entry and of substitutes, the bargain power of suppliers and of buyers and the intensity of competition between incumbents**. More recently some authors defended the enlargement of this framework by adding an analysis on the influence of a new role in industry attractiveness – **the complementors'**.

The following analysis makes reference to the entire accommodation industry in Portugal (the competitive arena relevant to business hostels):

Threat of new entries:

On the hotel industry the entry barriers are very high, making then the threat of new entries being very low. Some reasons that explain the high barriers to entry are the

fact that it is required a large amount of investment to build the infrastructures and that it is also needed a national brand presence to build competitive advantage in the industry.

Hostels and guest-houses are an exception. Actually, these accommodation categories do not need much investment compared with a hotel or a motel. Moreover, they do not need a national service network as the hotels do.

Bargain power of suppliers:

Due to the fact that there are a large number of suppliers, their bargaining power is very low. No single supplier dominates the lodging market.

As service providers, hotels should take into consideration the importance of good employees as they make the difference concerning the service quality. To provide service excellence, excellent workers are needed.

It is expected that the suppliers bargain power keep being low during the next years.

Bargain power of buyers:

Buyers' bargain power is very high. Nowadays, with just a click, it is possible to be well-informed about prices and services provided by the accommodation companies.

Since there is not one hotel chain that dominates the market the prices competitiveness is very high, giving more power to the buyers.

Bargain power of buyers is increasing as it follows the quick evolution of information technologies.

Threat of substitutes:

There is a high threat of substitutes.

For businesses focused on business travelers, video conference and other forms of remote visual communication is seen as an important threat as they reduce the need for travel.

Furthermore, guesthouses and friends/relatives houses are becoming more and more an option for business travelers, representing also a threat to hotels.

Competitive intensity among industry incumbents:

The competitive intensity is very high. Right now we can see a big number of operating units offering services for both segments, leisure and business travelers.

Competitiveness for business travelers is also very high. Hotels are providing loyalty programs that offer discounts for regular travelers. Moreover, hotel firms are creating different levels of services in order to be able to target the different existing segments (e.g.: budget, premium, etc.).

In addition, the entry of new competitors offering different services for the economic and budget segment (e.g.: guesthouses and hostels) has intensified the rivalry in the industry.

The supply increase of hostels and guesthouses has also intensified the rivalry between hostels. Actually, in 2010, there were already 2 hostels that went bankrupt and shut their doors. Motels, which were once one of the favorite choices for business travelers are now losing popularity because of their lack of marketing expertise and a relatively poor quality of service when comparing with hotels.

Influence of Complementors on the Five Forces:

Most of the complementors have a positive influence on the industry. Good quality of

complementors like tourism services providers and restaurants are valuable for the entire tourism sector contributing to the popularity of Portugal worldwide.

The characteristics of Portuguese main cities have made the country to be considered as one of the bests for city breaks.

Another very positive factor is the Portuguese people reputation. According with some studies, the Portuguese people are one of the best hosts in the world. (Exhibit 10 in Appendix)

4.3. Key Success Factors

In order to successfully compete on an industry it is crucial to understand what the Key Success Factors (KSF's) are, and that means to understand the critical factors that any player has to have in order to compete in the industry as well as critical factors of choice for the demand.

Bob Brotherton conducted a research where the current Key Success Factors are explained and where he gives a forecast of what the Key Success Factors in the future will be on the budget hotels industry.

On this research – “Critical success factors in UK budget hotel operations” – made with clients and managers, the 5 current Key Success Factors more significant and that stood up among the others were: **(1) value for money accommodation, (2) consistent accommodation standards, (3) hygiene and cleanliness, (4) convenient locations and (5) quality standards.**

Factors that might be more irrelevant to general budget hotels but essential to the hostels industry are: **guest security, customer surveys/feedback, look/design of the infrastructures and online communication.**

This study forecasts that in the near future, the following factors will have higher impact on customers' preferences: **geographic coverage of the hotel network, responsiveness to customer demands, customer loyalty/repeat business, guest security, customer surveys/feedback and staff training.**

5. Blue Ocean Strategy

5.1. Definition of Blue Ocean Strategy

To explain the meaning of Blue Ocean Strategy, Chan Kim and Renée Mauborgne use the metaphor of the blue ocean and the red ocean. By Red Ocean, they mean a bloody red ocean where nobody wants to be due to all dangers that can be found. In the business world this means to be in a highly competitive modest growth industry trapped in a what is called "zero-sum game" and fighting price wars. On the opposite, the "wonderful" Blue Ocean is where everybody wants to be, in other words, in a position where the competition was made irrelevant.

The development of a Blue Ocean Strategy consists on changing important aspects of the entire value chain of a product or service of an industry and creating new ones. Likewise, the new product or service offers a new value curve to the customer.

To better understand the entire process of creating a Blue Ocean Strategy, the example of the very first hostel will be explained and the concept of this work project – the business hostel - will be introduced.

5.2. Private Hostel Case

The creation process of the first private hostel, even if unconsciously, was made through a Blue Ocean Strategy. Looking at hotels' characteristics and value chain, the

first hostel creator identified and questioned some elements that had always been considered essential for the industry and created new attributes that he considered relevant.

For this process the **Four Actions Framework** was used. The **Four Actions Framework** consists on reducing, eliminating, raising and creating factors for the value proposal and in this case was used as follows:

Reduce: *Which factors should be reduced well below the industry's standards?*

- Human Resources': More than just the number of employees needed to work on a hostel, this factor also concerns all the costs related with personnel like training costs, for instance. Actually, the average level of expertise needed to work in a hostel is much lower than in a hotel;
- Breakfast Standards: hostels continued to offer breakfast but it was agreed that more than a high quality/quantity breakfast, guests just need a simple one and therefore its quantity standards could be decreased;
- Privacy: Hostels guests pay less per night in exchange of less privacy. At the same time hostels increase the revenue margin per room by increasing the number of people sleeping in the same room.

Eliminate: *Which of the factors that the industry takes for granted should be eliminated?*

- Working facilities: Hostels wanted to create a new value curve to customers with budget concerns, so, business travelers were not even a target. For that reason it was thought unreasonable to spend money and efforts on this item.

- Restaurant: To be lined up with a *low cost* philosophy it was agreed that a restaurant is not a benefit for customers with budget constraints. Instead, hostels guests can cook for themselves on a common kitchen.

Raise: *Which factors should be raised well above the industry's standard?*

- Beds per room: This is one of the main changes made by the hostel concept. By raising the number of beds, hostels can charge lower prices per bed and at the same time generate more revenues per room.

Create: *Which factors should be created that the industry has never offered?*

- Intimal and informal environment:

Hostels also created an unique factor that no other kind of accommodation was offering which was an intimal and informal environment. This is something that was promoted and stimulated by the staff and that has contaminated guests;

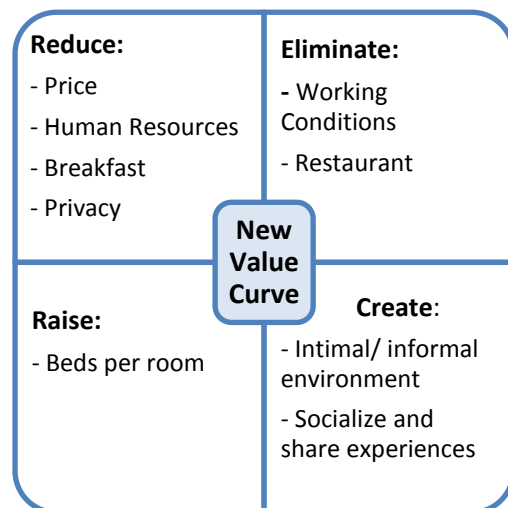


Figure 2: Four Actions Framework for Hostel

- Socialize and share experiences: The

previous factor boosted also this one. By being in an intimal environment, guests feel encouraged to socialize with others. One of the main reasons why people opt to sleep in a hostel is the opportunity of meeting new people.

Through the Strategy Canvas graph for the travel accommodation industry it is possible to understand in which way hostels differentiate from the other categories and created a new value:

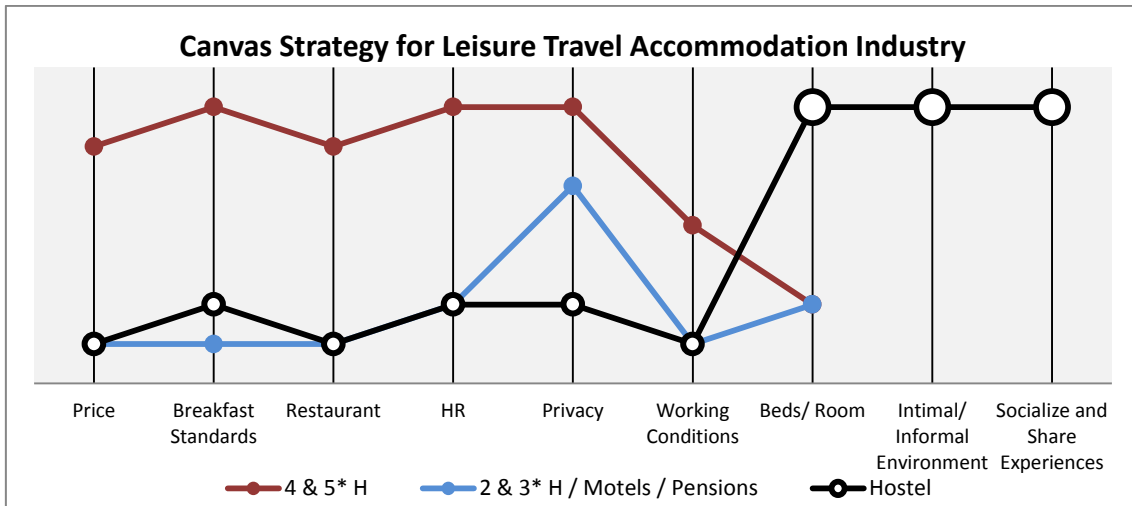


Figure 3: Canvas Strategy for the Accommodation Industry (Adapted from “The Strategy Canvas of U.S. Wine Industry in the Late 1990s” in “Blue Ocean Strategy: Theory to Practice” (Exhibit 11))

On the Canvas Strategy graph it is possible to understand the new value curve composed by a higher number of beds per room, the offer of an intimal and informal environment and a better environment that encourages socialization between guests in exchange for lower price and lower privacy.

5.3. The Business Hostel

Like it happened with the hostel early days story, a similar process was made in order to create a new Blue Ocean Strategy for the Business Hostel.

Starting once more with the framework used for hostels, it is possible to understand the main differences:

Reduce: The Business Hostel will have a similar Price positioning as a conventional hostel. In the same line as with the Price, Breakfast Standards, human resources and Privacy factors will be reduced.

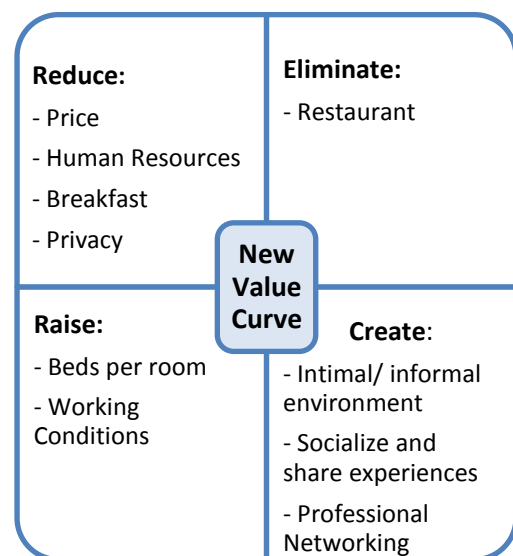


Figure 4: The Four Actions Framework for the

Eliminate: In this item, the only factor to eliminate is the Restaurant.

Raise: The Business Hostel can benefit by increasing the number of Beds per Room, but it cannot be expected that business travelers will ever want to share a room with more than three or four other guests. For this concept the work facilities factor is very important. So, it is important to increase the standards associated with this factor.

Create: Like hostels did, two factors will be created when comparing with the conventional hotels: Intimal/ Informal Environment factor and the Socialize and Share Experiences factor. On the Business Hostel one more factor that may be very important to business people will be created: **Professional Networking**. In this case, guests have something in common – they are travelling for professional reasons – therefore, the opportunity of making a professional network will be a benefit.

Again, for a clear understanding of the Business Hostel Blue Ocean Strategy, the new value curve is shown below:

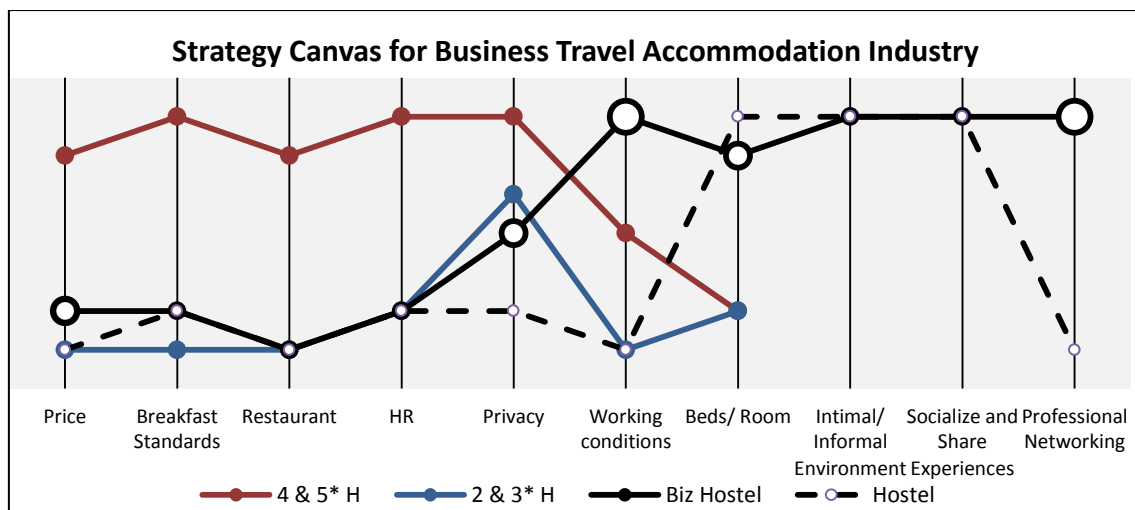


Figure 5: Strategy Canvas for Business Travel Accommodation Industry. (Adapted from “The Strategy Canvas [Yellow Tail]” in “Blue Ocean Strategy: Theory to Practice” (Exhibit 12))

The last step, according to Kim and Mauborgne is to check if the strategy is good enough by confirming if it has three complementary qualities that characterize an effective strategy – focus, divergence and a compelling tagline.

Focus: In the Business Hostel focus will fall upon **Working Facilities** provided to guests, **Intimal and Informal Environment, Socialization environment**, and the opportunity to make **Professional Networking**.

Divergence: This item concerns the aspects that make a service or product unique. The uniqueness of a Business Hostel service lies in the opportunity for the customers to **work comfortably** and at the same time enjoy an **intimal and informal environment**. That is so much valued by hostels' guests for the after working hours which can be translated in **Professional Networking**, something that conventional hotels can hardly offer.

Compelling tag line: The last test to our strategy is to check if a strong and authentic tag line has been created. A successful tag line would be one that expresses the uniqueness of the service including the price, convenience of accommodation and office on the same place, quality of the working facilities, intimal environment and the fact that it is the only hostel targeted to business travelers.

6. Conclusion

As a conclusion of this work project it is reasonable to say that the Business Hostel seems a concept with many chances of succeeding.

By doing the Strategic Intent Based Planning it was possible to understand that in three, of the four, plausible scenarios described the concept of Business Hostel has

high chances of being successful. Furthermore, when early signals of a scenario appear, it will be easy for hostels to decide whether it is a good deal to adapt the concept for Business Hostel or not.

The positioning of the Business Hostel on the accommodation industry is also very encouraging. It was possible to understand that the business hostel has several arguments that differentiate it from the others sub-segments (Hotels, Hostels, etc.).

Regarding the competitive analysis the conclusions are also positive. Some researches give positive information about the hostel industry performance and about the business travelers flow in Portugal. Moreover, specifically the Portuguese Hostels are gaining more and more popularity around the world.

The Porter's "6 forces" showed that the accommodation industry is highly competitive. The bargain power of buyers is very high and some substitutes are threatening the industry. On the other hand, the entry barriers for hostels and guesthouses are not very high, bargain power of suppliers is very low and the main complements of this industry have a positive influence.

Last but not least, with the design of a Blue Ocean Strategy, it seems evident that the business hostel can diverge from the other segments by developing the working facilities and creating important factors like an informal and intimal environment, opportunity of socialize and meet new people to create a professional networking. To conclude, it is important to highlight that this strategy has a main focus which consists in offering the conventional hostel environment bundled with the possibility of working *in situ*.

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8. Appendix

Exhibit 1: Number of Hotel's outlets and sales and respective growth from 2007 to 2012

Hotels	2007		2008		2009		2010		2011		2012		Average Growth
	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	
Outlets	1.808	-	1.810	0,11%	1.748	-3,43%	1.769	1,20%	1.817	2,71%	1.782	-1,93%	-0,27%
Sales € '000.000	1.577	-	1.603	1,60%	1.439	-10,22%	1.496	3,98%	1.586	6,01%	1.547	-2,46%	-0,22%
Av. Sales /Hotel	872.345	-	885.359	1,49%	823.055	-7,04%	845.676	2,75%	872.812	3,21%	868.070	-0,54%	-0,03%

Source: [Euromonitor International. 2013. "Travel Accommodation in Portugal"](#)

Exhibit 2: Number of Hostel's outlets and sales and respective growth from 2007 to 2012

Hostels	2007		2008		2009		2010		2011		2012		Average Growth
	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	
Outlets	61	-	83	36,07%	119	43,37%	157	31,93%	193	22,93%	228	18,13%	30,49%
Sales € '000.000	12	-	17	38,33%	24	46,39%	34	39,92%	42	24,41%	51	19,62%	33,73%
Av. Sales /Hostel	196.721	-	200.000	1,67%	204.202	2,10%	216.561	6,05%	219.171	1,21%	221.930	1,26%	2,46%

Source: [Euromonitor International. 2013. "Travel Accommodation in Portugal"](#)

Exhibit 3: Number of Hotel's outlets and sales and respective growth from 2012 to 2017

Hotels	2012		2013		2014		2015		2016		2017		Average Growth
	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	
Outlets	1.782	-1,93%	1.768	-0,79%	1.777	0,51%	1.782	0,28%	1.791	0,51%	1.794	0,17%	-0,21%
Sales € '000.000	1.547	-2,46%	1.522	-1,60%	1.527	0,29%	1.544	1,15%	1.572	1,77%	1.598	1,67%	0,14%
Av. Sales /Hotel	868.070	-0,54%	860.973	-0,82%	859.088	-0,22%	866.498	0,86%	877.443	1,26%	890.580	1,50%	0,34%

Source: [Euromonitor International. 2013. "Travel Accommodation in Portugal"](#)

Exhibit 4: Number of Hostel's outlets and sales and respective growth from 2012 to 2017

Hostels	2012		2013		2014		2015		2016		2017		Average Growth
	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	#	Δ	
Outlets	228	18,13%	245	7,46%	257	4,90%	267	3,89%	274	2,62%	277	1,09%	6,35%
Sales € '000.000	51	19,62%	55	8,10%	58	6,58%	61	4,63%	63	3,11%	64	1,59%	7,27%
Av. Sales /Hostel	221.930	1,26%	223.265	0,60%	226.848	1,60%	228.464	0,71%	229.562	0,48%	230.686	0,49%	0,86%

Source: [Euromonitor International. 2013. "Travel Accommodation in Portugal"](#)

Exhibit 5: Ages distribution between foreign and Portuguese business travelers travelling to Portugal

Age	18-25	26-35	36-45	46-55	56-65	>65	N/A
Foreigners	1,40%	19,50%	37,70%	28,30%	12,70%	0,30%	0,10%
Portugueses	5,20%	30,60%	31,30%	23,90%	7,80%	0,70%	0,50%
Total	2,50%	22,60%	35,90%	27,10%	11,30%	0,40%	0,20%

Source: Observatório do Turismo de Lisboa. 2012. "Inquérito Motivacional – Cidade de Lisboa".

Exhibit 6: Qualifications distribution between foreign and Portuguese business travelers travelling to Portugal

Qualifications	Masters/ Post Graduation	Bachelor	High-School	Basics	N/A
Foreigners	56,00%	35,10%	8,20%	0,50%	0,20%
Portugueses	24,40%	56,20%	17,70%	1,70%	0,00%
Total	47,00%	41,10%	10,90%	0,90%	0,10%

Source: Observatório do Turismo de Lisboa. 2012. "Inquérito Motivacional – Cidade de Lisboa".

Exhibit 7: Distribution of organizers of business travels of foreign and Portuguese business travelers travelling to Portugal

Who Organizes	Traveler	Company	Agents	Offer
Foreigners	18,40%	75,80%	4,30%	0,90%
Portugueses	28,40%	68,10%	0,60%	2,80%
Total	21,20%	73,60%	3,30%	1,50%

Source: Observatório do Turismo de Lisboa. 2012. "Inquérito Motivacional – Cidade de Lisboa".

Exhibit 8: Type of transport distribution between foreign and Portuguese business travelers travelling to Portugal

Transport	Airplane	Car	Train	Other
Foreigners	87,10%	11,80%	0,90%	0,20%
Portugueses	7,60%	75,30%	10,80%	6,30%
Total	64,50%	29,90%	3,70%	1,90%

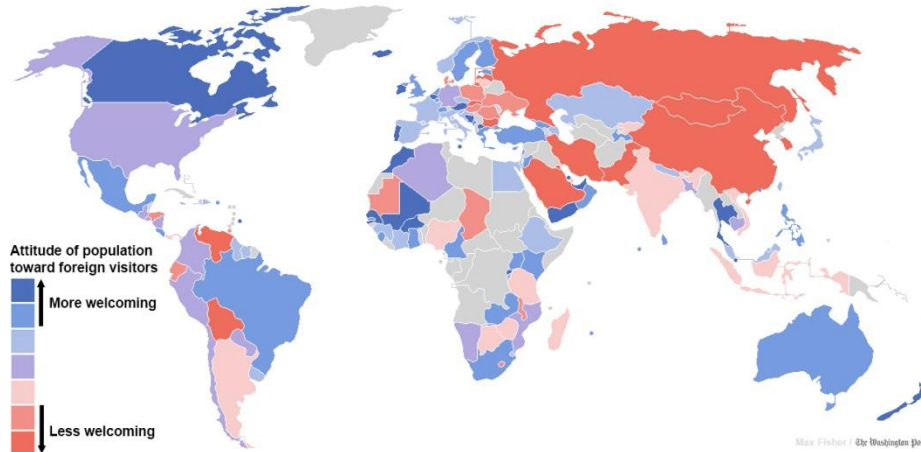
Source: Observatório do Turismo de Lisboa. 2012. "Inquérito Motivacional – Cidade de Lisboa".

Exhibit 9: Type of travel companions distribution between foreign and Portuguese business travelers travelling to Portugal

Travel companions	Alone	Colleagues	Couple	Family/friends
Foreigners	55,90%	31,50%	10,30%	2,30%
Portugueses	62,10%	25,90%	8,20%	3,80%
Total	57,70%	29,90%	9,70%	2,70%

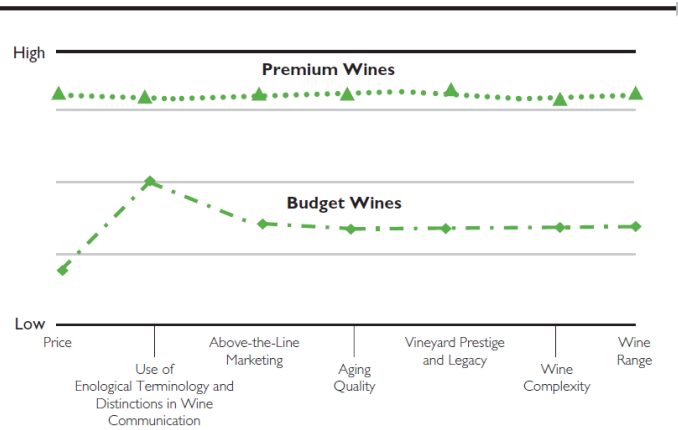
Source: Observatório do Turismo de Lisboa. 2012. "Inquérito Motivacional – Cidade de Lisboa".

Exhibition 10: “Attitude of population toward foreign visitors”



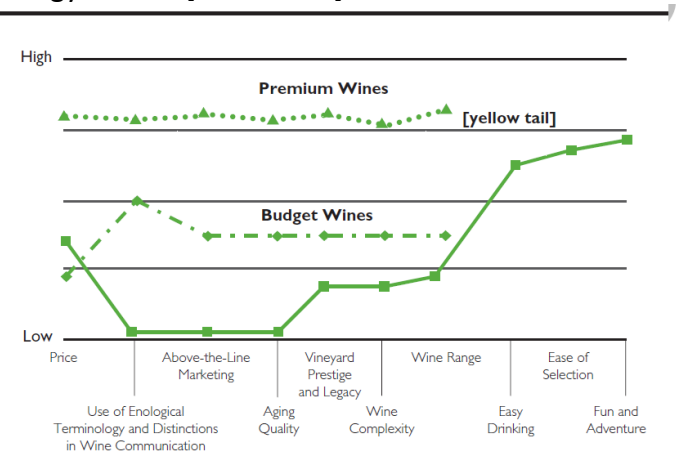
Source: Max Fisher, The Washington Post

Exhibit 11: The Strategy Canvas of U.S. Wine Industry in the Late 1990s



Source: Kim, Chan & Mauborgne, Renée. 2005. Blue Ocean Strategy: Theory to Practice”. California Management Review

Exhibit 12: The Strategy Canvas [Yellow Tail]



Source: Kim, Chan & Mauborgne, Renée. 2005. Blue Ocean Strategy: Theory to Practice”. California Management Review