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Destination Assessment for Hotel Development: The Standard Case Study

Destination Assessment for the Hotel Industry: The Standard's Expansion Case Study

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ABSTRACT

This thesis presents a case study elucidating the critical importance of conducting a destination assessment for hotel development and expansion. The study focuses on three key domains: the hotel industry, the F&B industry, and the lifestyle and entertainment landscape. Initiated in response to a challenge from The Standard Development Team, which involved a comprehensive destination assessment for Porto. The outcomes of this study serve as a practical teaching tool, offering guidance for destination assessments and aiding in the conceptualization of new hotels. The research reveals the fundamental nature of destination assessment for hotel development and provides contemporary approaches for implementation.

KEYWORDS

Hospitality, Luxury Hotels, Lifestyle Brand, Destination Assessment, Market Research, Hotel Development, Hotel Expansion, Hotel Industry, F&B Industry, Entertainment, Competitive Landscape

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INTRODUCTION

This thesis adopts a case study format for academic purposes within hotel development and expansion. It focuses explicitly on destination assessment across three pivotal domains: the hotel industry, the F&B industry, and the lifestyle and entertainment landscape. It presents valuable insights on the crucial nature of a thorough destination assessment, pertaining to scenarios where a hotel is contemplating a new destination, still in the decision-making phase, or when the decision to expand to a new city has already been made, marked by an active construction site. Moreover, it provides contemporary approaches to best practices and frameworks to include during a destination assessment and reliable references to guide the conceptualization of new hotels, F&B layouts, and entertainment offerings.

Structurally, this thesis unfolds in two sections: the case study, designed for student analysis, followed by the teaching notes for the lecturers, delving into a detailed discussion on the suggested approaches.

The case study serves the dual purpose of challenging students to identify primary research areas during a destination assessment. For those seeking an additional challenge, it prompts students to craft a realistic concept aligning with the brand identity and addressing current market gaps in the chosen destination. To achieve this, students must engage in comprehensive market research, using strategic frameworks to assess opportunities, fortify research, and substantiate their conceptualization.

This work was conducted following a challenge proposed by The Standard, propelling a destination assessment for future hotel development and expansion in Porto. Empirical data supported a thorough market research about the city, ensuring a robust foundation for insightful analysis.

CASE STUDY

OVERVIEW

Olivia Smith has been an analyst for several hotel companies for six years. As part of her job, she collaborates with cross-functional teams, conducts in-depth market analysis, and assists in decision-making processes to drive growth in targeted markets. Recently, she joined The Standard's Luxury and Residential Development Team. This international hotel chain, a hospitality and lifestyle company with an *avant-garde* approach to hotel experiences, is evaluating the possibility of expanding its portfolio to a new location in Portugal. Olivia, now leading the assessment of this potential venture, is in the midst of a dynamic process that involves critical evaluations and innovative thinking.

The evaluation process for the new location in Portugal is in its preliminary stages. Despite being at the early steps, a prospective building has already been identified, and negotiations with the owner are underway. Olivia's primary responsibilities involve assessing the location's potential, focusing on three key areas:

- Analyzing the trajectory of tourism growth in the region and evaluating the competitive landscape within the hotel industry;
- Investigating the local Food and Beverage (F&B) scene for potential offerings at the new hotel and collaborations;
- Assessing the cultural and entertainment offerings in the vicinity.

During this assessment, Olivia must consider the unconventional characteristics that define The Standard's brand and identify aspects of the market that can be leveraged for differentiation and innovation.

PART I

1. INTRODUCTION TO THE STANDARD INTERNATIONAL

1.1. Brand identity: vision and core values

The luxury hospitality sector is undergoing a notable paradigm shift due to changing consumer preferences.

Since the pandemic, the worldwide count of lifestyle hotel rooms has escalated to 480,000, signifying a transition in the hospitality sector from traditional luxury to a more personalized, experience-focused approach (Luxury Tribune, 2023). This transformation is echoed in the evolving demands of today's travelers, who now seek luxury travel experiences that extend beyond opulence to include personalized, authentic interactions. By emphasizing inclusivity, the sector attracts a diverse clientele that values genuine connections with local cultures and environments. The industry's response has been to adapt to these preferences, creating a more dynamic and appealing luxury travel landscape tailored to a new era of travelers prioritizing authenticity and a sense of place (Tomelty, 2021).

With a prosperous six-year tenure in the dynamic hospitality sector, Olivia has traversed the intricate tapestry of luxury lifestyle hotels. In this ever-evolving landscape, one name has consistently captivated her attention for its commitment to breaking the mold, defying convention, and redefining the boundaries of hospitality. The journey of The Standard International began in 1998 with the opening of The Standard, Hollywood. Since that momentous inception, The Standard International has ventured into new areas, breaking traditional boundaries and expanding its presence globally. It has evolved into a dynamic force known as Standard International (SI), extending beyond the iconic The Standard Hotels to encompass brands like Bunkhouse and Peri.

The core philosophy of The Standard Hotels is anchored in the notion of being "anything but standard", a guiding principle that informs every facet of the brand's operations, including

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its property designs, guest experiences, and stakeholder interactions. SI's overarching mission is to surpass conventional hospitality norms, creating an atmosphere that nurtures an unconventional perspective among owners, guests, and staff members. This strategy distinguishes SI in a sector typically characterized by uniformity, as the brand persistently questions established norms while honoring the cultural intricacies of the communities in which it operates.

In her initial weeks with the company, Olivia had the opportunity to engage with colleagues across various departments. It became evident that at the core of The Standard Hotels' operational strategy lies a steadfast commitment to embracing cultural diversity and fostering meaningful interpersonal connections. The brand conceptualizes its establishments not merely as accommodations but as dynamic community centers that mirror and honor the essence of local cultures and societal values. The Standard Hotels' properties evolve into focal points of cultural exchange, attracting and engaging international visitors and residents through various curated events and activities, from fashion exhibits to culinary showcases and musical performances.

Olivia recognized the expansive vision of The Standard Hotels, which is ambitiously dedicated to disseminating its distinctive approach to hospitality on a global scale. This commitment has propelled the brand into prestigious locations like London, Bangkok, Maldives, Hua Hin, and Ibiza. The Standard Hotels systematically cultivate loyal customers by attuning to the contemporary traveler's preference for distinctive and integrated lifestyle experiences. The brand provides a unique form of hospitality that resonates with a diverse worldwide audience.

Through collaboration with the team, thoroughly examining corporate files, and catching up with ongoing development projects, Olivia discerned that The Standard Hotels' core values embody a progressive and dynamic ethos within the hospitality sector. The brand

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cherished “Unconventional + Compassionate” as a foundational principle, balancing innovative and thought-provoking approaches with a profound dedication to the inclusivity and humanity of its guests, local communities, and team members. Their unwavering commitment to “Creativity + Pragmatism” permeates every facet of operations, turning commercial challenges into opportunities for creative problem-solving. Moreover, "Individuality + Teamwork" stands as a pivotal doctrine, encouraging the expression of varied perspectives while cultivating a cohesive team environment in pursuit of a shared mission. Ultimately, Olivia concluded that the embodiment of these values by The Standard Hotels’ staff not only shapes a workplace celebrated for its diversity and inclusivity but also underscores a staunch commitment to supporting the LGBTQ+ community, creating an environment where diversity is embraced and actively celebrated.

During her frequent business travels and stays at The Standard hotels, Olivia encountered a noteworthy feature - gender-free toilets accessible to both staff and guests. It was the first time she observed such facilities in a hotel, underscoring the brand’s dedication to offering hospitality that is not only inclusive but also affirming of diverse gender identities. This commitment to providing spaces that transcend traditional gender norms reflects The Standard’s progressive approach to guest experience, fostering an environment where everyone, regardless of their gender identity, feels respected and included.

1.2. Customer engagement

Customer engagement is pivotal in hospitality as the foundation for building lasting relationships between a business and its customers. This approach, encompassing direct communication, social media interaction, and exceptional service, ensures customers are continually familiar with and loyal to the brand. In hospitality, where competition is fierce, effective customer engagement leads to improved satisfaction, increased loyalty, and enhanced

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brand reputation. Robust customer engagement drives increased revenue and profitability, which is essential to the hospitality sector's success (Chechi, 2023).

At the forefront of revolutionizing the hospitality industry, Olivia recognized that The Standard has crafted a unique approach to customer engagement, blending lifestyle, culture, and comfort into an unforgettable guest experience. This innovative approach has disrupted traditional hotel concepts and set a new standard for customer interaction and satisfaction.

The Standard positions itself as a cultural epicenter. Initiatives like “Standard Sounds” foster a creative milieu, enriching the guest experience with a diverse auditory environment. “Standard Votes” illustrates the brand's commitment to social advocacy, engaging guests in pertinent societal issues. “Table Talks” expands into editorial realms, offering a forum for varied dialogues and viewpoints. Moreover, “The Standard Shop” provides guests tangible memories of their stay through curated merchandise (The Standard, 2023b).

Throughout her onboarding and ongoing role at the company, Olivia has observed that the brand’s commitment to service excellence is embodied in its employees’ deep cultural understanding and unwavering dedication to diversity, especially concerning the LGBTQ+ community. This philosophy fosters a sense of belonging for visitors and attracts a diverse array of travelers and locals. Furthermore, it contributes to the city’s social tapestry through various events, cultivating a distinctive ambiance that is pivotal in its customer engagement strategy.

As illustrated by its London property, The Standard Hotels artfully blends architectural features with contemporary amenities within distinctive, often historical structures, preserving their original charm (The Week, 2021). The Standard London, housed in a Brutalist building from 1974, boasts unique elements such as a striking red elevator and a conceptually themed library. The brand’s commitment to providing inclusive and sophisticated experiences consistently manifests across its properties, featuring activities like “Sounds Studio” and well-appointed rooms equipped with high-end amenities, all while assuring accessibility and pet-

friendliness (Hello Magazine, 2021). By visiting several of The Standard's hotels, Olivia realized that the staff's unwavering focus on guest experience and the quality of their interactions is a trademark appreciated by guests, highlighting the brand's commitment to delivering delightful and memorable customer engagement.

1.3. Employee engagement

The dynamics of talent acquisition in the hospitality sector are further complicated by the evolving perspective of the contemporary workforce towards the modern workplace. There is a notable shift in work expectations, with employees increasingly seeking practical work-life balance, higher remuneration, flexibility, clear paths to top management, and a sense of purpose. However, these desires are not consistently met within the hospitality industry (King *et al.*, 2021).

Globally, employment in hospitality is often perceived as precarious and criticized for being exploitative and degrading, characterized by low wages and a perceived lack of social respect. Persistent issues of discrimination based on race and gender, a perceived hostility toward labor organizations, and resilience toward, and sometimes exploitation of, younger workers contribute to the industry's challenging environment. Moreover, the sector often operates with employer practices that deviate from legal and ethical standards (King *et al.*, 2021).

Contrary to how hospitality employment is perceived globally, Olivia realized that The Standard's mission is distinctively centered on creating exceptional experiences. This mission actively embraces and integrates diversity, empowering everyone associated with it, including team members, collaborators, and guests. The brand demonstrates an unwavering commitment to fostering an inclusive environment, ensuring every individual's sense of belonging and comfort. Essentially, The Standard places equal emphasis on nurturing its diverse collective

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and cultivating a welcoming atmosphere that resonates with everyone it engages with (The Standard, 2023a).

With a workforce exceeding 1,500 employees, The Standard prioritizes three foundational principles in its employment ethos. Firstly, the brand takes pride in its unconventional and “cool” identity, consistently pushing boundaries and fostering thought-provoking ideas, though recognizing that this approach may not resonate universally. It is profoundly committed to the humanity of its guests, communities, and team members, with primary responsibilities encompassing the assurance of well-being, comfort, safety, and inclusion (The Standard, 2023a). Secondly, The Standard views creativity as the lifeblood seamlessly integrated into every aspect of the organization’s operations, believing that creative solutions are always within reach (The Standard, 2023a). Thirdly, the brand actively seeks and embraces individuals with unique perspectives, rejecting conformity and celebrating individuality among team members, taking into account their personality traits (The Standard, 2023a).

Based on her own experience with the company, Olivia recognized that the brand moves beyond focusing solely on professional experience and academic background. The Standard recognizes the value of investing in individuals aligned with the brand’s corporate culture, showcasing genuine company growth aspirations. Olivia understands that this approach can yield substantial long-term advantages, as such individuals are likelier to exhibit heightened levels of dedication, motivation, and loyalty, contributing to enhanced team morale, enriching customer interactions, and, ultimately, fostering business growth. Despite diverse individualities, there is a sense of unity under a common mission, demanding an unwavering commitment to teamwork, trust, and shared responsibility for the entire The Standard family (The Standard, 2023a).

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Furthermore, when thinking back to her job application, The Standard maintains transparency in its job opportunities, providing detailed information encompassing job purpose, property description, mission statement, duties and responsibilities, qualifications and requirements, as well as compensation (e.g., salary range \$65,000 - \$75,000/year) and benefits (e.g., life insurance, disability insurance, pet insurance, employee discounts on rooms, F&B, retail and The Standard Marketplace).

1.4. Sales and marketing

After a bustling week in New York, navigating through numerous meetings with SI's Senior Vice President of Sales, Olivia compiled valuable insights into The Standard's intricately designed sales and marketing strategy. This comprehensive strategy spans from the pre-opening phase to ongoing endeavors to enhance guest experience and foster loyalty. During the pre-opening phase, The Standard adopts a strategic timeline, initiating promotion for pipeline hotels approximately 12 months in advance, with bookings opening around three to four months before the launch.

Emphasizing a multi-faceted approach to hotel promotion, The Standard strategically engages with the Press initially, seeking free PR by reaching out to journalists for media coverage. Subsequently, advertising efforts unfold across various channels such as social media, websites, SEO targeting, and email marketing. The sales team actively participates in trade channels, including trade shows and travel agency connections. Influencer marketing is deployed post-hotel opening, collaborating with local social media agencies to guide marketing campaigns effectively.

In tandem with hotel promotion, The Standard employs diverse sales channels, including direct sales, corporate partnerships, travel agent engagement, and integration with Online Travel Agencies (OTAs). The brand recognizes that the messaging for direct sales

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differs from that directed at travel agents. During the initial stages of its hotel operations, the focus must be on engaging with travel agents due to their industry knowledge and direct communication capabilities. Adjusting the sales strategy based on market conditions and changing the narrative, especially when targeting specific segments like travel agents, is crucial.

As Olivia expected, the distribution strategy involves meticulous market analysis, utilizing data from providers such as Smith Travel Research (STR) and *Amadeus Demand 360*. The goal is to align with the typical market split for comparable hotels, ensuring a strategic positioning informed by competitor insights (e.g., aiming for a certain percentage of corporate business based on insights from a competitive set). In cases where the budget to collect data is a constraint, if the destination assessment happens to be in a location where the Meetings, Incentives, Conferences, and Exhibitions (MICE) business plays a relevant attractiveness role, this potential could be recognized as a base business, analyzing meeting space usage to estimate contributions to occupancy, for instance.

The Standard global marketing approach is mainly linked to brand awareness. As a management company overseeing various properties, each hotel's marketing strategy is tailor-made, factoring in the location's unique market dynamics. Pre-opening considerations involve detailed strategies for upcoming launches, aiming to contribute positively to the local market. Instances arise where a property's marketing strategy aligns with The Standard's global strategy, maximizing impact and shared goals.

Integrating marketing and sales strategies is seamless, driven by data collection and analysis (e.g., targeting markets with longer average lengths of stays by understanding traveler behavior based on city of origin). Additionally, The Standard leverages OTAs for geo-targeting, customizing incentives, and offers for specific demographics (e.g., additional discounts for users with IP addresses in Europe when booking a room at The Standard High Line, NYC).

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Adaptability is a cornerstone of The Standard's approach, with strategies subject to weekly adjustments in specific tactics. Flexibility is crucial, and regular reviews ensure quarterly or even monthly adaptations based on observed changes.

The marketing and sales teams operate collaboratively, with local teams at each property and a centralized team at The Standard headquarters (HQ). Decision-making is collaborative, with HQ support contingent on individual hotel performance and requirements. Regular communication is facilitated through scheduled touchpoints, with the frequency varying based on property needs.

The size of the sales and marketing team is tailored to each hotel's size and complexity, ensuring efficiency (e.g., large properties with 300 to 400 rooms, event spaces, and rooftop may have a sales and marketing team size ranging from 10 to 12 individuals).

Regarding The Standard's customer retention strategy, contrary to what Olivia is used to seeing in other international hotel chains, the brand does not have a loyalty program. However, it utilizes member rates to encourage direct business over third-party channels. Also, there is an investment in a guest experience program, which involves tracking guest preferences, stays, and feedback and having a guest experience manager to ensure a seamless and personalized experience for new and recurrent guests.

When Olivia stayed at The Standard London for the first time, she observed that the room amenities were curated to align with each guest's unique preferences. The casual interactions between staff and guests provided her colleagues with particular aspects of the guest's stay, enabling them to anticipate needs and exceed expectations. She vividly recalled an instance where, before meeting the guest experience manager, he diligently reviewed the daily reservations list to identify VIPs and tailor personalized gifts for an exceptional arrival experience.

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Lastly, Olivia understood that The Standard strategy extends beyond conventional parameters, aligning with global trends in design and travel. While historically focusing on “cool” destinations, the brand now embraces a more commercially minded approach, entering destinations not just for existing cultural appeal but to actively shape and positively contribute to local cultures (see Appendix 1 for more details about the interview).

2. EXPANSION HISTORY

2.1. Timeline and current portfolio

In the initial weeks of Olivia’s onboarding experience, she delved into corporate archives that detailed the company’s expansion journey. It all started in 1998 with the opening of The Standard Hotel’s first property in Hollywood, a 1962 building in the infamous Sunset Strip in West Hollywood, under the Andre Balazs Properties development umbrella. The remodeled building, which used to be a retirement home, set the start of the brand’s recognition in the market, being known as one of the most historically important in the area. The hotel closed in 2021 after a lease increase and due to COVID-19 economic impacts.

In 2002, a twelve-story Superior Oil Company Building was turned into The Standard, Downtown LA. The reconfigured building was later added to the National Register of Historic Places. Despite its historical significance, this property also succumbed to the pandemic, closing permanently in 2022.

The year 2005 marks the opening of The Standard, Miami, the brand's first still-running hotel and wellness concept, The Standard Spa. Later, the company opened two distinct hotels in New York City, The High Line and the East Village, in 2009 and 2012, respectively.

The Standard London opened in 2019, setting the road for international expansion outside the US, followed by Asian locations in the Maldives and Thailand’s Hua Hin. In 2022,

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The Standard extended its footprint to Ibiza and Bangkok, accumulating a portfolio of eight properties (see Appendix 2 - Current portfolio 2023). Olivia is aware that the pipeline projects for the upcoming years include locations like Melbourne, Singapore, Lisbon, Dublin, and Brussels, some of which are already set to open this year.

Demonstrating a commitment to extending the brand's unique concept and vibrant atmosphere into a more enduring experience, The Standard Residences was conceived. With three current locations, the brand aims to deliver its “unique interior design, lively public spaces, and distinct, buzzy vibe” into residences that people can call home (The Standard, 2023c).

The Midtown Miami Residences, spanning twelve floors, offer 228 apartments, complemented by curated amenities and retail spaces. The Palácio de Santa Clara Residences in Lisbon, comprising 32 units, boasts exclusive perks and services. It is strategically positioned near the upcoming The Standard Lisbon, which is projected to revamp this picturesque neighborhood. Additionally, Olivia knows that the Hua Hin Residences, placed on the beachfront in a prime location, are in the initial stages of development, with the brand embracing Thai heritage.

2.2. Existing footprint and expansion business model

After meticulously reviewing the corporate archives and engaging with colleagues across various departments, Olivia discerned that The Standard's expansion strategy aims to defy conventionalism, promoting inclusivity and innovation, with the premise of always being “anything but standard”. This philosophy is vividly reflected in its choice of locations and properties, strategically developed in unconventional spaces, repurposing overlooked buildings, embracing unconventional design characteristics, and setting unusual service standards.

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Operating in five countries presently, The Standard has consistently pursued an asset-light business model for expansion, relying on management contracts. In this model, the management and operation of a hotel are entrusted to a third party, while the building ownership remains with an external entity, often referred to as the owner. This arrangement is founded on mutual trust, shared goals, and performed-based contracts. For The Standard, this approach facilitates swift global expansion with minimal capital deployment, allowing for precise control over the daily operations crucial for maintaining the brand's distinct characteristics.

Olivia understood that the trajectory of The Standard's expansion strategy has been significantly influenced by its ownership history, particularly in the last decade. The transition to a more global focus commenced with The Standard International acquiring an 80% stake in 2013, departing from its previous concentration on American developments. The international debut occurred with the opening of The Standard's London property in Europe. In 2017, the company witnessed another pivotal shift with its acquisition by Sansiri, a prominent Thai real estate developer renowned for its expertise in luxury residence developments. This strategic move gave The Standard profound insights into a traditionally challenging market for American companies to penetrate, shaping its development strategy for the following years. The year 2019 marked a new chapter with the brand's acquisition by the private equity firm 25hour Hotels Company, allowing The Standard to expand its portfolio further and increase its global presence.

3. EXPANSION TO PORTUGAL

3.1. Portuguese landscape

Portugal secured the title "Europe's Leading Destination 2023" for the sixth time in seven years at the 30th World Travel Awards, earning 17 European accolades. Notable recognitions include Porto being acclaimed as the "Best City Break Destination in Europe", the

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Algarve making the title of “Best Beach Destination in Europe”, Lisbon being celebrated as the “Best City Destination in Europe”, and Madeira recognized as the “Best Island in Europe” (Turismo de Portugal, 2023).

Given its popularity, it is unsurprising that Portugal keeps attracting more international hotel chains. The balance between international and local hotel brands in the country is shifting, with international brands holding 53% compared to local brands at 47% (Horwath HTL, 2022). This background represents a notable growth in favor of global offerings, particularly when compared to 2021, when international brands experienced a 26% increase, surpassing the 18% growth rate in national brands. Constraints like limited resources, lack of experience, or risk aversion might explain the potential stagnation in diversifying Portuguese hotel chains (Horwath HTL, 2022).

Statistics from the early 21st century highlight significant tourism and tourism industry growth in Portugal, particularly in Lisbon. Thus, at a regional level, from the late 1990s onward, Lisbon has emerged as one of the rapidly growing tourist hotspots in Europe. The significant surge in tourism, particularly following the 2004 European Football Cup and the advent of low-cost air travel, has profoundly reshaped the city (Coeso, 2023).

Lisbon is projected to reach an unprecedented 19 million overnight stays in 2023, a 12% increase from 2019 figures, showcasing its robust recovery post-COVID-19. The remarkable nature of this recovery underlines the vital role of tourism, constituting 20% of Lisbon’s economy and being a crucial driver of employment (Lima, 2023).

The tourism boom in Lisbon has also led to significant growth in the real estate market. This has resulted in increasing prices and a strong demand for both residential and commercial properties. Due to this favorable environment for real estate investments, The Standard has taken notice and marked its entrance into the city with a notable project in Palácio de Santa Clara - The Standard Residences (The Standard, 2023d).

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To delve deeper into the project specifics, Olivia conversed with the Head of Development overseeing European and Asian markets. Strategically located in the Alfama neighborhood, the project was developed by Stone Capital and offers 32 spacious residential apartments designed to capture the city's scenic views over Tejo's River and natural light (The Standard, 2023e).

The residence is conveniently located near Lisbon's landmarks, including The National Pantheon, São Jorge Castle, Museum of Fado, Santa Clara Market, and Lisbon Cathedral. Additionally, Alfama boasts one of Lisbon's most genuine culinary encounters, presenting a diverse array of immersive gastronomic and cultural events with a global influence. Residents will be part of the brand's signature *Neighbors with Benefits* program, enjoying exclusive hotel services and amenities, such as access to the upcoming The Standard Lisbon's gardens, pool, SPA, and concierge services (The Standard, 2023e). Olivia concluded that this project is an attractive choice for those seeking a contemporary and convenient lifestyle experience in the heart of Lisbon.

Set to open in early 2025, The Standard Lisbon, designed to be a cultural hub, focuses on providing locals and travelers with a rich experience in cuisine, music, art, and culture. The interior design of The Standard Lisbon and Palácio de Santa Clara – The Standard Residences is curated by Jaime Hayon, incorporating his unique attention to detail and finishes. The overall design aims to create a lively and interactive atmosphere, blending Portuguese traditions with a whimsical and contemporary touch (The Standard, 2023e).

3.2. Looking ahead: the possibility of extending the footprint to Porto

In essence, The Standard combines awareness of design and travel trends with a strategic and commercially focused approach to selecting and evolving its properties. Olivia

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knows that this involves following trends and actively contributing to and shaping the cultural landscape in the areas where it operates.

With its recent entry into the Lisbon market, Olivia was told that the brand has been setting its eyes on Porto. This city has emerged as a remarkable success story, propelled by property investments, a thriving tourism sector, a dynamic entrepreneurial environment, and a vibrant cultural scene. These elements collectively place Porto among the world's most captivating and sought-after cities. Notably, most investors, accounting for 58%, believe the tourism sector will be the primary driver of growth in Porto and Northern Portugal in the years ahead (EY, 2019).

As a tourism destination, Porto boasts an outstanding and internationally recognized reputation. Crowned as this year's "Best City Break Destination in Europe" (World Travel Awards, 2023) and "City of the Year" by the British Food and Travel Magazine (Santos, 2023), Porto has consistently received accolades. In 2021, it was named second "Best City Destination in Europe" by Condé Nast Traveler, and in 2022, it ranked 4th as the "Hottest Destination in Europe for Digital Nomads" (Invest Porto, 2022), and secured the title of "Europe's Leading City Destination" at the WTA (World Travel Awards, 2022). Furthermore, Bloom Consulting (2022) shared the general national ranking for business, living, and visiting, in which Porto came out in second place in all categories.

Porto's growing appeal to tourists is rooted in its unique atmosphere and well-preserved historical heritage. With a UNESCO World Heritage-listed historic center, renowned Porto Wine, local culinary offerings, top-notch accommodations, and various leisure and cultural activities, Porto guarantees visitors a lasting and enriching experience, leaving them with positive and memorable impressions. Moreover, Porto facilitates access to skilled professionals by collaborating with local schools specializing in Tourism and Hospitality education. These institutions administer training programs provided by the national tourism authority, Turismo

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de Portugal I.P., which explicitly focuses on hospitality, F&B, and tourism. The city also hosts various professional and higher education schools that provide diverse courses within the tourism sector (Invest Porto, 2022).

Given this backdrop, The Standard's commitment to delivering exceptional hospitality perfectly aligns with Porto's spirit of innovation and inclusiveness. The Head of Development explained to Olivia that this alignment opens the opportunity to create an unconventional world-class establishment, offering top-tier services, elegant accommodations, and a unique blend of contemporary and cultural experiences.

Moreover, the strategic connections between Porto and Lisbon potentially provide the following advantages:

- Geographical proximity facilitates efficient management and coordination, fostering a unified brand presence;
- Easy access and mobility due to proximity to public transport, such as the Santa Apolónia Station and Cruise Terminal, just minutes away from the upcoming The Standard Lisbon Hotel;
- Shared marketing campaigns leverage each city's cultural richness, enhancing The Standard's overall appeal;
- The reciprocal flow of tourists promotes cross-city stays, increasing occupancy rates and contributing to brand loyalty in addition to member rates;
- Collaboration enables resource-sharing, optimizing operational efficiency, and ensuring a high standard of service;
- Increasingly good air connectivity with prominent European and International destinations that match with the brand's target.

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In summary, the development team agrees that this connection would create a symbiotic relationship, enhancing The Standard's brand presence in Portugal through the complementary strengths of each city.

3.2.1. Aligning brand culture with local dynamics

Based on previous business travels to the city, Olivia noticed that Porto places a greater emphasis on its historical values than a typical European city, remaining deeply connected to its roots. It showcases traditional techniques in its local brands, presenting a cultural pattern rich in heritage. Despite the rise of key trends like local branding and community engagement, many local brands and work environments in Porto also successfully embrace global trends, highlighting diversity and inclusivity. This setting makes it easy to envision establishing elements of The Standard culture in Porto, a city increasingly shining in human and cultural diversity. Porto already witnesses growing global partnerships and considers art as one of its key elements. The city fosters an environment where music is celebrated, local features are highlighted, and international trends are not overlooked.

On the other hand, Olivia realized that for a brand like The Standard, which originates from a predominantly global and American cultural context and tailors its cultural environment, events, and customer engagement to diverse forms at each location, Porto represents a unique case. The necessary adaptation and customization for lifestyle and entertainment offerings in Porto pose distinct challenges. This highlights the pivotal role of events for the brand, accentuating the imperative for versatile meeting spaces, collaborative ventures with other brands, and the nuanced considerations demanded by Porto's locale in managing these aspects.

4. OLIVIA'S FIELDS OF ANALYSIS FOR THE DESTINATION ASSESSMENT

To gain a comprehensive understanding of the brand's conceptual development requirements for an upcoming launch, Olivia conducted an insightful visit to The Standard London. Chosen for its similarities to the new location in terms of target markets and urban setting, her goal was to immerse herself in the hotel's daily operations. This immersion involved delving into the conceptual narratives woven throughout various outlets, establishing connections with the staff, and grasping the nuances of how the entertainment initiatives shape the city's cultural landscape. Additionally, she aimed to comprehend the rationale behind F&B events and the intricacies of managing the market mix to align with customer expectations.

During her stay in London, Olivia engaged in discussions with heads of departments to unravel current strategies at the property. These conversations provided valuable insights that fueled her analysis of potential ideas to be implemented in the upcoming location. With a keen focus on her three main assessment areas, Olivia returned to her work with a clearer perspective on where to direct her efforts.

4.1. Hotel industry

After her trip to London, Olivia understood that The Standard seeks to be a "chameleon" in the areas it enters, considering design, fashion, and travel trends. The objective is to reflect existing trends and bring a commercially minded perspective to contribute to the local economy and make the destination more appealing.

By recognizing that bringing The Standard to Porto would mark the beginning of a journey that facilitates the enrichment of the city's cultural tapestry and reinforces the brand's reputation on a global scale, Olivia and her team have outlined key characteristics for a potential The Standard Porto hotel:

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- **Key configuration:** comprising 113 keys, the Design Team specified 33 Mini rooms (19-23 sqm), 55 Standard rooms (26-28 sqm), 24 Deluxe rooms (31-39 sqm), and 1 suite (46 sqm).
- **Strategic location:** positioned to the recently renovated Mercado do Bulhão, a historical landmark.
- **Timeline and operations:** anticipated opening in early 2026, with 2030 identified as the stabilized year. Operating year-round with a targeted 70% margin in rooms.
- **Investor appeal:** deemed an attractive project with no planning risk, as approved by the Council as a hotel.
- **Brand perception:** leveraging the brand's perceived "cool" image to facilitate talent acquisition.
- **Market gap:** identifying Porto as a trendy destination lacking global international hotel brands in the upper upscale and luxury segments.
- **LGBTQ+ friendly location:** aligning with the brand's core values as an inclusive destination.
- **Financial viability:** a proforma development to gauge project financial viability for potential investors.
- **Corporate segment targeting:** expressing interest in targeting the corporate segment and expanding on existing global corporate partnerships.

Furthermore, design is pivotal in shaping and reinforcing the brand's identity. The Standard is renowned for its modern and often *avant-garde* approach and offers a distinctive and memorable guest experience. In the context of Porto's market and The Standard's global strategy, design emerges as a crucial differentiator, setting the brand apart from traditional hotel brands. Its commitment to unconventional and innovative design aligns with the brand's ethos, attracting a specific audience and differentiating it in the market. Actively contributing to the

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cultural landscape, the design integrates The Standard's hotels into local culture, resonating with the community.

The design choices convey a particular lifestyle and attitude, influencing the brand's market perception. Whether targeting luxury or a more youthful and adventurous audience, the design aligns with the intended market positioning. In summary, Olivia realized that design for The Standard is a strategic tool influencing brand perception, enhancing guest experiences, and contributing to success in a competitive and dynamic market.

4.2. F&B industry

The Standard's F&B story within all their existing hotels is to have the entire party journey in-house, meaning that it should be able to meet the customer's needs, from the before-dinner drinks to a tasteful dinner and a memorable party to end the night. Therefore, the outlets need to suit that same storyline with an attractive concept that meets the customers' needs and is on-brand with the Standard's identity.

In a preliminary assessment of the building, a proposal for F&B spaces was developed to support the Development Team with financial planning for the future property. On the first floor, home to the pool area, a Pool Kiosk is proposed, with 100 sqm, enabling the placement of around 25 sun loungers. Higher up on the fourth floor, a restaurant and bar are envisioned, with the possibility of developing a connected rooftop terrace right above. In this 220 sqm indoor space, the design team is assessing the possibility of placing around 120 seats. The outdoor space, with 230 sqm, can be home to 100 seats.

When assessing the operational future of these spaces, there are a few things Olivia must keep in mind:

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- Considering the weather specifications of the region, the outdoor areas are expected to be fully functional for seven months of the year;
- The Pool Kiosk is a supporting outlet to the pool, offering a selection of functional drinks and quick bites to the guests enjoying a sunny day;
- The restaurant and bar, being the only all-day dining option in the hotel, have to be the place that delivers all the main meals: breakfast, lunch, and dinner. Operationally, this means being open from 7 AM to 1 AM, delivering different services, rotating teams, and mise-en-place switches to accommodate the different concepts planned for each time of day;
- The Rooftop Terrace will serve as an additional seating place within the restaurant and an independent outlet, staging the perfect place for after-work drinks or setting the beginning of a night out;
- Room Service must be available 24 hours a day to meet the obligations of 5-star hotels and have a very well-thought-of menu and service standard to meet the staff on duty.

4.3. Lifestyle and entertainment

In the strategic planning for the potential The Standard Porto Hotel, the Development Team has meticulously outlined key attributes of the property, particularly emphasizing event spaces, a testament to Standard Hotels' commitment to navigating the intersection of global branding and local cultural engagement. This focus is so integral to the brand's essence that it has institutionalized the role of a music and event coordinator within its organizational structure, underscoring the importance of events in its business model.

The proposed design for the Porto location includes a 230-square-meter rooftop terrace, projected to accommodate around 100 seats. This is complemented by a 100-square-meter pool kiosk with seating for 25 and a substantial 180-square-meter meeting room. These spaces are

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designed with Porto's regional weather patterns in mind, ensuring that outdoor areas can seamlessly operate for approximately seven months of the year.

In this context, several initiatives under the brand's "Culture" department transcend the conventional scope of a hotel, aligning with its "More than just rooms" strategy. Examples include "Standard Sounds, Standard Votes, Standard Talks". Creating experiences tailored to the unique characteristics of each location holds significant importance in the context of entertainment (The Standard, 2023b).

"Standard Sounds" is a multifaceted music platform that provides distinctive venues catering to a broad spectrum of artists. This initiative extends beyond musical performances, encompassing intellectually stimulating talks and events at "Le Bain". These gatherings address a spectrum of topics pertinent to the music industry and its cultural underpinnings, including the role of women in music, an exploration of diverse genres during Black History Month, the history of vinyl records, and the promotion of lesser-known yet talented artists. Such a comprehensive approach underscores the brand's commitment to presenting music and cultivating a deeper appreciation and understanding of the various facets of musical culture.

Beyond music, The Standard distinguishes itself by providing eclectic lifestyle experiences through various curated guides and gastronomic events. These experiences, which include offering non-traditional city guides—such as detailing winter activities in Ibiza—and organizing "Table Talk" featuring international chefs, extend beyond mere entertainment. They explore different cultural patterns, facilitating a deeper brand integration within the local community fabric (The Standard, 2023b).

Standard Hotels focuses on activities such as yoga and wellness or breath workshops in tranquil and health-conscious locations like the Maldives or Miami. Conversely, in more vibrant and dynamic locales like New York and London, there is a noticeable emphasis on cultural and social events under their "Party Patrol" initiative and events like Pride celebrations that raise

awareness. This variance in event focus reflects the brand's adaptability to each location's unique character and tempo.

PART II

1. TEACHING NOTE

1.1. Target audience and learning objectives

This case study is intended for educational application in vocational studies, undergraduate, bachelor's, and master's programs specializing in Hotel Development, Hospitality Expansion, and Internationalization. Its primary objective is to assist students in developing a destination assessment based on market research while fostering critical thinking abilities in the dynamic context of decision-making and innovation within the hospitality industry.

The case study zooms in on the challenges faced by a global hotel chain venturing into Porto, a charming city in Portugal characterized by a distinctive cultural backdrop. It presents the importance of conducting brand-centric market research, outlining the crucial aspects to be explored in three pivotal domains: the hotel industry, the F&B industry, and entertainment and lifestyle.

1.2. Teaching plan

A group assignment focused on analyzing a hotel chain expansion within three pillars: the hotel industry, the F&B industry, and the lifestyle and entertainment landscape. To promote creative thinking and problem-solving, students must present a realistic concept to implement in the upcoming hotel that fits the brand identity and the destination's current market gaps. Therefore, students must undergo thorough market research, and the following notes will guide

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the evaluation criteria, covering academic concepts and frameworks to analyze the opportunity, back up the research, and support the conclusions.

1.3. Assignment topics

1st group assignment: Hotel Industry

The destination assessment within the hotel industry must include:

- **Market area analysis:** defining the geographic boundaries based on potential transient visitors, gathering economic and demographic data about Porto, checking reputable sources, and following specific guidelines for data analysis.
- **Lodging demand analysis:** identifying demand generators and contemporary methodologies in demand analysis. Moreover, understanding the relevance of hotel demand forecasting methodologies, considering the impact of online reviews, social media engagement, and the nuances of consumer preferences.
- **Lodging supply analysis and comp set definition:** identifying and analyzing hotel supply in Porto, defining the comp set for The Standard Porto hotel, evaluating criteria for determining primary competition, and exploring the strategic groups-based approach to identify competitors within the hotel industry.
- **Strategic competitive analysis:** involves a detailed examination of the competitive landscape in Porto's hotel industry, with a specific emphasis on The Standard Porto's comp set. Includes analyzing key aspects such as market positioning, strengths and weaknesses, pricing strategies, market demand and trends, opportunities and threats, and guest experience.
- **Strategic analysis of Porto's hotel industry through Porter's Five Forces Framework:** involves a comprehensive exploration of Porto's luxury and upper-upscale hotel industry, where each force has a distinct research area.

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2nd group assignment: F&B Industry

The destination assessment within the F&B industry must include:

- **F&B market overview:** an overview analysis of the F&B revenues, main emergent markets, average transaction values, and the temporal activity to assess opportunities and strategize approaches of entry in the market.
- **Competitive analysis:** a thorough and structured approach to identifying and analyzing competitors by researching the competition's offerings, strategy, strengths, and weaknesses. Enables a proper understanding of the market, fighting against competitive blindspots to create a value proposition and differentiation strategy that matches the brand and goes above and beyond the competition.
- **F&B industry trends:** a look into the industry's future to predict consumer needs and evaluate strategies to implement in the new opening. Analysis of the main world-recognized stakeholders, assessing differentiators, and the implementation of technological or social trends.

3rd group assignment: Lifestyle and Entertainment

The destination assessment within the lifestyle and entertainment landscape must include:

- **Understanding and aligning with evolving expectations in the luxury hotel and event sectors:** understanding the changing customer expectations, especially in the luxury and lifestyle sectors, and examining this shift in the context of events and entertainment. Additionally, there is a need to emphasize the significance of this aspect within hotels.
- **Key considerations in exploring Porto's cultural and entertainment landscape:** focusing on the cultural elements and entertainment aspects of Porto. Understand which

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trends are emerging, what stands out culturally and musically, what captures local people's interests and holds significance to them, and establish the cultural context.

- **Employing the Research-Based View Framework to ensure brand originality in Porto:** conducting an in-depth analysis of the brand's resources and internal assessment through Resource-Based View (RBV) to achieve brand differentiation and destination alignment and comprehend competitive advantages.
- **A Design-Thinking approach for creating future entertainment concepts in lifestyle hotels:** applying a design-thinking approach to develop a creative concept and evaluating the Sustainable Competitive Advantages (SCAs) within the RBV after conducting a brand and destination trend analysis.

CASE STUDY ANALYSIS

Destination Assessment for the Hotel Industry: The Standard's Expansion Case Study

1. Market area analysis

In the hotel industry, market analysis is pivotal for property valuation. Determining a hotel's highest and best use depends significantly on how accurately and comprehensively the market dynamics are assessed. This includes understanding factors such as local demand, competition, and trends in accommodation preferences (Parli, 2023).

Market analysis in the hotel industry involves an in-depth study of the supply and demand dynamics within a specific market area. It's about comprehending the unique factors influencing the hospitality sector, such as traveler preferences, seasonal variations, and competing hotels. Collecting and studying market data is fundamental for determining the highest and best use of the hotel and applying valuation approaches (Parli, 2023).

Considering that The Standard Porto will be within an 8-minute walk of Mercado do Bulhão, initiating a comprehensive market area analysis is imperative. This analysis should extend beyond the immediate neighborhood and encompass the broader geographic region where the bulk of lodging demand, in competition with the hotel, is concentrated. This approach defines the parameters of lodging demand, considering competing lodging facilities that extend beyond the hotel's immediate vicinity (Rushmore, 2001).

The first step in analyzing the market area involves defining its geographic boundaries based on the furthest points from which potential transient visitors, likely to stay at The Standard Porto, originate. Notably, most competing hotels are also situated within this market area (Rushmore, 2001). Similarly, Parli (2023) mentions market delineation as a crucial phase in market analysis where the specific area in which similar properties compete with the subject property is identified. This step is essential for understanding the competitive landscape and positioning of the subject property.

Overnight travelers commonly travel up to twenty minutes from the point of visitation to their chosen lodging. Therefore, the market area perimeter around The Standard Porto is generally set by a radius of approximately twenty minutes of driving. For enhanced precision in defining the local market area radius, interviews with overnight travelers offer a validation method, providing valuable insights into the specific travel patterns within the designated region (Rushmore, 2001).

After establishing the market area boundaries, collecting economic and demographic data about Porto is crucial. The objective is to discern and analyze forthcoming trends in transient lodging demand, gathering the most relevant information. Historical results might not precisely reflect future trends due to continuous changes, so projections based on reliable demographic and economic data offer the most valuable insights for predicting future market demand. While some collected data may not immediately seem relevant to the lodging market's condition, factors such as age distribution, workforce characteristics, and the local business and industry landscape collectively contribute to gauging lodging demand strength and the prospective success of The Standard Porto in the hotel market (Rushmore, 2001).

Therefore, market delineation in the hotel industry is a precision-oriented process. It involves defining the competitive boundaries, understanding the specific guest segment the hotel targets, and evaluating connections to crucial elements like transportation and attractive amenities. This analysis forms the foundation for strategic decisions regarding the hotel's positioning, target market, and overall potential within the competitive landscape (Parli, 2023).

In the pursuit of establishing The Standard Porto Hotel, comprehensive data collection across various domains is crucial. Hence, the focus areas include:

- **Demand trends and drivers:** involves assessing domestic and inbound tourism visits, key performance indicators (KPIs) (e.g., overnight stays, RevPar, occupancy rate, and average length of stay), air traffic statistics (emphasizing top nationalities), and insights

into MICE activities and the affluence of attendees. For instance, key indicators include passenger counts at Francisco Sá Carneiro airport and the Leixões Port. As emphasized by Rushmore (2001), the nature and location of an airport significantly influence the percentage of arriving passengers seeking hotels. Also, fluctuations in passenger counts mirror local business activity and provide insights into a region's overall economic well-being.

- **Supply trends:** encompass understanding total supply, pipeline hotels, and supply breakdown by category.
- **Workforce characteristics:** examining local employment and labor market, following Rushmore's insight that the composition of the workforce reflects the nature and volume of short-term visits, especially from businesses in sectors like finance, insurance, real estate, wholesale trade, and the service industry, which often generate significant visitation less influenced by pricing considerations (Rushmore, 2001).
- **Spending statistics and consumer characteristics:** involves studying the spending behaviors of both Portuguese and foreign consumers.
- **Consumption in hotels and accommodations:** analyzing monthly operations in Porto and the preferences of the top 12 nationalities.
- **Hospitality investments and investor profiles:** assessing the top deals in 2022/2023 and understanding Porto's investment landscape.
- **Corporate growth:** evaluating major businesses and industries and office space dynamics as potential commercial transient visits indicators. Nationally focused companies draw more visitors than local businesses, with labor-intensive and financial activities more likely to generate overnight visits than highly mechanized firms with fewer employees. Fluctuations in occupied office space serve as reliable indicators of

transient lodging demand, impacting commercial lodging demand proportionally and indirectly influencing transient meeting demand (Rushmore, 2001).

- **Future performance prediction:** aiming to predict the future performance of the property, which involves a disciplined, long-term economic study of the hospitality market, considering factors such as evolving travel trends, technological advancements, and changing consumer preferences (Parli, 2023).

To acquire accurate economic and demographic data and the latest information on Porto, one must focus exclusively on official sources, reputable statistical agencies, and reliable databases (see Appendix 3 for some of the most pertinent current sources). In addition, reaching out directly to local government offices, statistical agencies, and academic institutes can be a valuable step in obtaining specific and up-to-date information.

For practical data analysis, the collected data should cover at least two years and maintain consistent quality throughout the entire data collection period (Rushmore, 2001). In this particular case, considering the significant impact of COVID-19 on the tourism sector, it is advisable to exclude data for the years 2020-2022. Consequently, a more relevant analysis would focus on data up to 2019 and include 2023. Lastly, when analyzing data, it is crucial to ascertain the direction and rate of change by dividing data from the more recent year by that of an earlier year (Rushmore, 2001).

Expanding the historical scope beyond five to eight years might lead to potentially deceptive conclusions. Consider a new suburban area, for instance, which could undergo swift expansion for the initial ten years before stabilizing to a 3 percent annual growth rate. Opting for shorter time frames also enhances visibility into the effects of regular business cycles, often marked by periodic downturns (Rushmore, 2001).

2. Lodging demand analysis

A comprehensive examination of lodging demand in the upcoming hotel market area is crucial for assessing the feasibility of a proposed facility or the value of an existing one. The process is initiated by identifying the demand generators, which represent the reasons why individuals choose to visit and stay overnight in a particular market area. Typical demand generators include airports, amusement parks, casinos, colleges and universities, museums, festival sites, historical attractions, hospitals, theaters, beach settings, and tourist attractions (Rushmore, 2001). Overnight stays serve as the unit of measurement employed to quantify demand alongside metrics like RevPar and occupancy rates.

Historically, the *demand generator* and *lodging activity build-up* approaches were utilized to quantify current demand. However, contemporary methodologies leverage sources like Smith Travel Research (STR) reports, *Amadeus Demand 360* reports, and other consultancy-provided reports for this information.

While gaining insights into tourism demand can enhance comprehension of hotel demand forecasting, it is crucial to recognize inherent distinctions between the two domains. Notably, hotel demand forecasting presents heightened complexity compared to tourism demand forecasting. Unlike tourism demand, which often relies solely on historical data, hotel demand forecasting taps into multiple sources, leveraging advance booking and cancellation data. Additionally, the myriad factors influencing hotel demand further contribute to its intricacy. Variables such as online reviews, location, and hotel dynamics play significant roles. Therefore, these conditions render hotel demand forecasting notably intricate and challenging (Huang and Zheng, 2023).

While hotel demand forecasting may not be crucial to the destination assessment during hotel development, its significance becomes paramount once the hotel is operational. Precise demand forecasting is paramount in the hotel sector as it empowers managers to formulate

effective pricing strategies and optimize resource allocation. With the rapid advancement of information technology, researchers leverage abundant content from the internet, including search query data and social media data, to enhance forecasting precision. Big data emerges as a valuable resource, providing insights into potential consumer interests and engagement for robust demand forecasting (Zhang and Niu, 2023).

On another note, current business analysis highlights a surge in social media engagement among users. Additionally, 76% of consumers reportedly “always” or “regularly” peruse online reviews while investigating local businesses. In the hotel industry context, 83% of TripAdvisor users consistently consult user reviews before finalizing their reservations. Consequently, the online reviews of a hotel’s competitors serve as a benchmark against which consumers assess reviews of a focal hotel, potentially influencing their perceptions and impacting bookings (Cho *et al.*, 2023).

A recent study’s discoveries unveil a notable impact on the hotels' booking performance not only from a hotel’s reviews but also from reviews of its competitors. Furthermore, the timing of when competitor reviews wield a more significant influence on demand is shaped by both pricing and review volume. Higher prices accentuate the impact of the hotel and competitor’s review sentiments (Cho *et al.*, 2023).

Additionally, a hotel sees a surge in bookings as its review sentiment improves yet faces a decline in bookings when its competitor’s sentiment score improves, mainly when it accumulates a high volume of its own and competitor’s reviews. This realization underscores the pivotal role of review volume in shaping consumer confidence (Cho *et al.*, 2023). For instance, *ReviewPro* is used by many hoteliers as one of the best reputation management tools.

Lastly, this study's nuanced examination discerns different impacts of review sentiment on hotel demand across consumer segments. More than their leisure counterparts, business travelers exhibit heightened sensitivity to reviews, emphasizing concerns about stay quality

over pricing. In contrast, leisure travelers are predominantly swayed by price considerations. This distinction becomes more pronounced when consumers rely on others' experiences to gauge hotel quality, where review sentiment holds more significance than attributes like location, for which objective information is readily available (Cho *et al.*, 2023).

Lastly, Zhang and Niu's study (2023) highlights the significant potential of combining deep learning techniques with online reviews to enhance the accuracy of hotel demand predictions. This innovative integration of methodologies introduces a novel approach to hotel demand forecasting, opening avenues for further exploration and research in the field.

3. Lodging supply analysis and comp set definition

The lodging supply within a specific market area encompasses all establishments catering to transient overnight visitors, including conference centers, bed and breakfast inns, health spas, and hotels (Rushmore, 2001). While all these transient lodging facilities within a market area compete to some extent, the focus of a hotel market study is typically on primary and secondary competitors.

The analysis of lodging supply commences by defining the market area, which, in the case of The Standard Porto, is defined by a radius of approximately twenty driving minutes. However, the market area for supply might extend beyond the demand-determined area, particularly when demand generators are situated near the outer boundary of the new hotel's normal demand market, typically no more than five to ten travel minutes beyond its perimeter. These peripheral demand generators might be close to other lodging facilities that, although outside the market area, are considered somewhat competitive with the upcoming hotel (Rushmore, 2001).

The subsequent steps involve identifying the total supply, assessing the current number of available rooms in the market area, and evaluating pipeline room counts in the region. When

specifically analyzing the competitive set, it is crucial to discern the prevailing rate structure of area lodging facilities, their historical occupancy rates, market orientations, and offered amenities (Rushmore, 2001). This information can be sourced from STR reports of the selected competitive set, *Amadeus Demand 360* reports, hotel official websites, annual financial reports (if available), and interviews with competing lodging facilities.

The competitive landscape within a market area can be assessed through two primary approaches: one involves scrutinizing the local demand, understanding the choices made by transient visitors in terms of accommodations, while the other entails a review of the local supply, identifying facilities that share a similar market orientation (Rushmore, 2001).

When defining The Standard Porto's competitive set, it is important to consider the statement from SI's Senior Vice President of Sales (Appendix 1, question 17), in which he explains that the competitive set involves a meticulous examination of physical attributes and rates. In the context of opening The Standard Porto, the focus is initially on hotels within a mile radius with a comparable structure regarding room numbers and meeting space. The emphasis shifts to examining the hotel's style, favoring those with similar lifestyles and branding. However, the analysis also acknowledges that certain global hotel brands in the city might be considered competitors if they match room count, event space, and rates. Consequently, the crucial factor becomes brand perception and loyalty program advantages, allowing a nuanced understanding of competitive positioning.

To assess whether a hotel serves as primary competition, Rushmore (2001) proposes the following criteria:

- **Location:** does the potential competitor share a comparable location with the upcoming hotel, ensuring swift access for the market area's demand generators? In this context, evaluating if the rival hotel strategically positions itself near Mercado do Bulhão and Porto's downtown is important.

- **Facilities:** is the competitor hotel similar to the upcoming property concerning the variety of facilities it provides? Specialized facility types may include convention, suite, extended stay, and conference center.
- **Amenities:** do the amenities the competitor hotel offers align with those of the upcoming property? Answering this question encompasses considerations such as restaurants, rooftop bars, lounges, meeting spaces, swimming pools, gyms, and spas.
- **Quality and pricing:** does the competitor hotel resemble the upcoming property concerning quality and pricing? Different categories of lodging facilities include luxury, upper-upscale, upscale, mid-scale, and economy/budget. In this case, the main focus is luxury and upper-upscale hotels.
- **Image:** does the competitor hotel possess a similar image to the upcoming property? In this case, factors influencing image include the competitor hotel's brand name, local/international reputation, LGBTQ+ friendliness, event agenda, management proficiency, and other unique or distinctive features, such as unconventional design.

Direct competition emerges among hotels that exhibit similarities regarding the range of facilities provided, class or category, and overall image/brand awareness. The significance of the location is not consistently as critical as it used to be for guests looking for accommodation. Certain hotels within the market do not pose competition to the subject property and are excluded from the competitor analysis. Therefore, properties differ significantly from the upcoming hotel, making the probability of shared demand highly unlikely. For instance, a five-star hotel is improbable to directly compete with an economy/budget property (Rushmore, 2001).

As per the resource-based theory, companies attain strategic competitive advantages by acquiring insights into their competitors. This collection of information, known as competitive intelligence, empowers managers to formulate superior strategies and make more informed

decisions regarding resource allocation, ultimately resulting in enhanced overall performance (Hesford *et al.*, 2020). Similar to Rushmore's approach, Hesford *et al.* mention that one of the methods to identify competitors within an industry is the strategic groups, according to which competition is seen through the lens of managers selecting firms with similar characteristics and strategies as potential competitors (2020). Consequently, not all firms within an industry may directly compete with each other. This approach suggests that firms with comparable traits are more likely to present a competitive challenge to one another, with common characteristics often encompassing aspects such as size, geographical location, and pricing strategies.

When testing one of their hypotheses, the authors conclude that companies seem to achieve better performance when their comp sets closely align with strategic groups-based comp sets. Additionally, it is essential to maintain the strategic groups-based size at six hotels. Increasing the size of a strategic groups-based comp set, for instance, from 6 to 10 hotels, has been reported to yield minimal insights (Hesford *et al.*, 2020). Therefore, following the strategic groups-based approach and keeping the comp set size to five or six hotels is recommended when defining The Standard Porto's comp set.

4. Strategic competitive analysis

In the ever-changing global economy, the tourism and hotel sectors witness increasing competition, both on the international and domestic fronts. The key success in these industries often lies in possessing distinctive competitive advantages (Tsai *et al.*, 2008).

A destination's economic prosperity and stability, coupled with local community developments such as office complexes, shopping centers, and entertainment venues, significantly impact the hotel industry. Various factors, including input, process, output, and outcome considerations, shape the competitiveness of this industry. Hotels leverage input factors to produce a diverse range of products and services (outputs), and their strategic and

competitive positions within a region significantly influence these outputs. Tangible outcomes manifest through measures like market share and price competitiveness within the regional market (Tsai *et al.*, 2008).

Competition catalyzes companies to continuously reassess and enhance their product portfolios, understanding the evolving needs, expectations, and perceptions of different market segments. Therefore, after defining the comp set, a competitor analysis becomes instrumental in identifying a distinctive competitive advantage, serving as the foundation for the organization's willingness to compete (Adom *et al.*, 2016). The hotel industry's competitive advantage can include brand awareness, high-quality service, top-notch amenities, a renowned staff, or competitive pricing.

Competitor analysis serves as a wellspring of new ideas and contributes to more accurate predictions about the future, including how competitors plan to position themselves. It compels management to evaluate prospective actions, anticipating potential responses by competitors. It aids in focusing on specific aspects of a company's products or services that require emphasis and brings attention to competitors' weaknesses. Consequently, competitor analysis is a valuable contemporary managerial practice with multifaceted benefits (Adom *et al.*, 2016).

Effective competitor analysis is foundational for companies aiming to identify their strengths and weaknesses compared to similar entities within the industry. It helps identify opportunities and threats, clarify emerging ideas, anticipate surprises, develop market penetration, and share growth strategies. Competitor analysis links with traditional SWOT analysis, gathering the implications of competitive data for strategic direction (Adom *et al.*, 2016).

This framework is more valuable when it is comparative, so it should be used in the competitive analysis of The Standard Porto comp set, providing a general summary of the Strengths and Weaknesses identified among competitors, and the Opportunities and Threats

explored in Porto's hotel industry (see Appendix 4 with proposed rules for a proper SWOT analysis). A TOWS matrix (see Appendix 5) directly extends insights gained from a SWOT analysis. In each section of the TOWS matrix, one can pinpoint strategies that cater to a distinct interplay of internal factors (Strengths and Weaknesses) and external factors (Opportunities and Threats) (Whittington *et al.*, 2020).

Recognizing the added value of competitor analysis in conducting a destination assessment within the hotel industry, the scope of research should cover:

- **Market positioning:** involves identifying competitors' unique selling propositions (USPs), target market segments, and marketing strategies. The goal is to help the upcoming The Standard Porto hotel differentiate itself effectively and find potential niche markets.
- **Strengths and Weaknesses:** encompasses analyzing the competitors' strengths and weaknesses to determine areas where the new hotel can excel or needs improvement. For instance, if a certain competitor is known for its impeccable customer service, the upcoming The Standard Porto Hotel may focus on providing an even higher level of service, seeking a customer intimacy or customer obsession approach.
- **Pricing strategies:** comprises understanding the pricing strategy of the comp set to define competitive and realistic pricing for rooms and services. It will ensure that the upcoming The Standard Porto hotel will be attractive to guests and financially viable. To note that the financial viability of a new hotel project must include a pro forma.
- **Market demand and trends:** implicates understanding popular services, valued amenities, and how competitors adapt to changing market preferences. This information is pertinent to aligning The Standard Porto Hotel's upcoming offer with market expectations.

- **Opportunities and Threats:** involves identifying the challenges competitors might face and capitalizing on those challenges for a competitive advantage. Additionally, it is important to understand external factors that impact the hotel industry in Porto.
- **Guest experience:** includes exploring the guest experience provided by competitors for inspiration in innovating and improving services and guest satisfaction.

In summary, competitor analysis in a destination assessment is valuable for strategic decision-making, differentiation, and successful market entry in the hotel industry. It guides hotels in understanding their initial market position, learning from competitors, and tailoring their offer to meet evolving guests' needs.

5. Strategic analysis of Porto's hotel industry through Porter's Five Forces Framework

Porter's Five Forces Framework, a valuable tool for industry analysis, provides insights into an industry's attractiveness based on five competitive forces (see Appendix 6). The interplay of these forces defines industry structure, making industries with strong competitive forces generally unattractive. Effectively using this framework involves identifying strategic positions for organizations to defend against or influence these forces (Whittington *et al.*, 2020).

It is crucial to note that a five forces analysis focuses on the entire industry, not individual companies. When conducting a destination assessment within Porto's hotel industry, this framework is essential to devising strategic actions, examining industry favorability for investment and growth, identifying opportunities, threats, and risks, and understanding the relative power of industry entities.

Whittington *et al.* highlight the importance of establishing distinct boundaries for the industry, explaining that such boundaries should remain consistent in determining which entities fall within and outside the industry (2020). Having this in mind and considering the

intrinsic characteristics of The Standard as a brand, narrowing the focus to the luxury and upper-upscale categories within Porto's hotel industry is advisable.

Having Porter's Five Forces as the theoretical background (see Appendix 7 for the detailed explanation of Porter's Five Forces and Appendix 8 for a comprehensive selection of research topics based on Porter's Five Forces theoretical background), general research topics within each force include:

(i) Competitive Rivalry

- Analyzing competitor concentration in luxury and upper-upscale hotels.
- Investigating the connection between local tourism and Porto's hotel industry.
- Examining how luxury and upper-upscale hotels manage high fixed costs and their impact on pricing.
- Assessing exit barriers and their effect on industry dynamics.
- Exploring product and service differentiation among luxury and upper-upscale hotels.
- Analyzing external forces (e.g., economic conditions) and internal dynamics (e.g., price war triggers).

(ii) Threat of Entry

- Assessing scale and experience requirements for new entrants.
- Understanding how existing luxury and upper-upscale hotels control distribution channels.
- Analyzing capital requirements and potential government impacts on entry.
- Investigating expected retaliation and new entrants' perceptions of the competitive environment.

(iii) Threat of Substitutes

- Identifying alternative accommodations and understanding factors influencing guest choices.

- Examining technology's role in shaping customer choices.
- Analyzing price/performance ratio and customer feedback on substitutes.

(iv) Power of Buyers

- Analyzing customer distribution and loyalty programs.
- Investigating buyer switching costs through tourist surveys.
- Assessing the purchasing behavior of different buyer groups.

(v) Power of Suppliers

- Analyzing supplier distribution and historical data fluctuations within luxury and upper-upscale hotels.
- Investigating challenges and costs associated with transitioning to alternative suppliers.

(vi) Complementors

It is possible to go beyond Porter's Five Forces and expand the scope of analysis:

- Exploring partnerships between hotels and local attractions.
- Investigating collaborations between existing luxury and upper-upscale hotels and transportation services.
- Assessing how diverse dining options and experiential packages contribute to hotel competitiveness in Porto (see Appendix 8 for a detailed explanation of potential research topics, including (vi) Complementors).

In conclusion, applying Porter's Five Forces to assessing Porto's hotel industry offers a systematic approach to understanding the competitive landscape, making informed decisions, and formulating strategies for entrance and growth in a dynamic market.

CONCLUSION

The destination assessment not only equips The Standard Porto with a roadmap for market entry but also contributes valuable knowledge to the broader field of hotel industry analysis. As the hotel industry evolves, strategic foresight and adaptability will be pivotal, and this assessment provides a solid foundation for such endeavors. The diverse methodologies employed, from traditional demographic studies to the integration of cutting-edge technologies in demand forecasting, exemplify the holistic and forward-thinking approach necessary in today's dynamic business landscape.

Turning to F&B, concluding the destination assessment report involves providing a knowledge-based analysis for future business planning of the new opening. Olivia must present a condensed overview of all the findings, encompassing three key steps. Firstly, identifying demand drivers aligned with the region's reality and assessing key indicators and primary markets is crucial for developing the new concepts. Secondly, a highly detailed competitive analysis will be conducted to guide business developers on pertinent considerations and clarify the dimensions of direct competitors. Lastly, identify the overarching industry trends that will shape the future of F&B in hospitality.

Additionally, after examining the Lifestyle and Entertainment sector developments and understanding Porto's structural nuances, Olivia must conduct an RBV analysis for the brand. This analysis involves integrating personalized needs and sector trends. Moreover, while Design Thinking has been proven valuable in scenario forecasting and shaping future-oriented designs, its application in this domain has been observed to be quite limited (Selin *et al.*, 2015). Traditional innovation approaches often start with the organization and end with general hotel concepts. Olivia's application of these frameworks in the destination assessment for the entertainment sector positions the brand advantageously, enhancing efficacy and success.

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APPENDIX

Appendix 1 - Interview with SI's Senior Vice President of Sales

1. How much in advance do you start promoting pipeline hotels?

A.: We are growing into other markets, and sometimes we might say that we are looking at a market and pitching a project, but nothing is signed yet, so we kind of give a loose idea of where our goals are and what we aim for.

Thinking of pipeline properties in particular, we start promoting them **about 12 months in advance**. For example, for Porto, we have not started talking about it at all, and we do not have anything in the press at the moment either. So, the last 12 months is the crunch period.

2. How much in advance do you open bookings at a pipeline hotel?

A.: Opening bookings range depending on the markets we are in but around **three to four months in advance**.

Of course, for some companies, it could be even prior. If some destinations have a longer lead time, we will open it a bit further out, but many of our bookings are within a month to two months, which is our **average lead time**. Additionally, we aim towards that same ramp-up for our type of traveler.

3. What channels are used to promote a new/existing hotel (e.g., social media, website, email marketing)?

A.: First is the **Press**, so going out to more journalists to see where we can get any sort of free PR versus advertising, for example. Then, we would go to **advertising, our channels**, including social media, website, SEO targeting, e-mail marketing, etc. Also, we would do any trade channels, which is more so from the sales team. So, trade shows connect with travel agencies.

4. What channels are used for sales at new/existing hotels (e.g., direct sales, corporate partnerships, travel agents, OTAs)?

A.: It is similar to question 3. However, in terms of markets, we would use everything in .3 to change the narrative to target specifically travel agents. What we are putting out for direct sales is a different message from what we put out to travel agents. Especially in the beginning, it is easier through travel agents than direct bookings because you can speak more directly to them. Travel agents know the industry and the ins and outs of it, as opposed to having to talk to a consumer who may not know the destination, may not know how bookings work, what the seasonality is, etc. So, messaging a travel agent or a professional in the industry can be a bit more direct.

5. What is the distribution strategy of new/existing hotels (e.g., distribution of hotel's inventory across different channels)?

A.: In general, we would do an exercise of looking into Porto and seeing what the typical split of markets is for like-minded hotels, and we would buy data on that. Consequently, different companies can obtain data, such as STR and *Amadeus Demand 360*. For instance, we would see from their reports that Hotel X gets 20% corporate, and they will be one of our competitors, so we will aim for 20% corporate.

If we were doing it without investing in it, if hotels are in a city or somewhere with any MICE business, this could potentially be your base business. For instance, if you look at a hotel in Porto and you find that hotels are usually 300 rooms and they might have a ballroom or a meeting space for 100 rooms, you would assume that they are going to try to sell 100 rooms/group, filling that meeting space for at least three days a week, such as Tuesday, Wednesday, and Thursday, which are usually your peak nights.

This helps you understand that it is 30% occupancy on those nights but only by 50% of the week, so you are roughly at 15% contribution on the group. For example, 15 to 20% contribution on group, and then you guess from there. Do the rest of the hotels get more or less the same amount of business?

6. Do you do influencer marketing campaigns to promote new/existing hotels? If yes, could you give an example?

A.: Yes, but only for existing hotels. We only do something that would promote a destination after the hotel opens. For example, once the hotels open, we usually work with a local social media agency to help us guide through our marketing campaigns.

7. Does each hotel have its marketing strategy, or does The Standard have a general strategy that can be applied to every property?

A.: Each hotel and The Standard has a marketing strategy. What we have from The Standard would be more brand awareness. Since we are a management company, the hotels pay us to manage the properties. We have a different view in terms of what we look forward to. For instance, we are considering how to impact Lisbon before its opening in 2025. What can we start doing to get the Lisbon market up and running?

Another example could be The Standard London, which would be focused on what they can do to get into London, and sometimes, it might be combined with The Standard's marketing strategy. For instance, The Standard London might be interested in targeting Lisbon because The Standard is also targeting Lisbon, so that they would get Portuguese travelers into the hotel in addition to the brand support.

8. If the marketing strategy is tailored to each property, market segment, and location, what are its development's main priorities and goals?

A.: Our marketing strategy comes hand in hand with the sales strategy. Based on a hypothetical example, let us say the hotel wants to increase their average length of stay because they are only getting bookings on Monday, Tuesday, and Wednesday, and they see from the data that they have on their competitive set that they are getting more bookings for four or five nights. We could target markets that stay longer. By looking at data, you can determine who is coming into the city and assess the average length of stay by city of origin. Taking New York as a hypothetical example, a traveler from Florida, Massachusetts, or Boston only stays one or two nights. At the same time, a traveler from California would stay three to four nights, while someone from the UK would stay five nights, or someone from Europe would stay six nights. Based on this data, we could put a marketing strategy explicitly targeting European and UK businesses to help us increase that specific property's average length of stay. Therefore, we will put more of our advertising dollars into those markets, and we can also use OTAs to geo-target, such as anyone with an IP address in Europe getting an additional 10% off rate versus someone booking from Boston.

9. What are the primary marketing efforts to increase website traffic?

A.: A lot of this will come down to SEO, and we could look at trying to increase traffic from a particular area. Generally speaking, a common strategy for hotels is to target people booking on OTAs and then drive them to the website directly. For example, bringing traffic to the website results from initiatives of brand awareness campaigns, whatever we do on Instagram, EDM, etc.

Many hotels use member rates to convert users into buying customers. They could log in and get a discount instead of going to an OTA, which would charge a higher commission to

the hotel over the same rate. Hotels must keep the same rates as OTAs regarding public offerings. However, when you sign up for an OTA, you can become a member and get a lower price, which is a way for them to dodge the contract. Therefore, hotels try to do the same. For instance, if you go to The Standard, you can sign up with your email address and become a member. This allows us to compete more with some of these discounts on the back end.

10. What is your email marketing strategy (e.g., frequency of emails, segments)?

A.: In general, the frequency of emails depends on what the campaigns are. If it is a busy period, we might be doing more, but we try to be as infrequent as possible on emails because we feel it is a bit of an intrusive channel. For example, social media is more so where we want to push.

11. What social media platforms do you use to promote new/existing hotels?

A.: Generally speaking, we have a heavy presence on Instagram and LinkedIn, and we are now starting to get into TikTok. Additionally, we do influencer campaigns, a kind of third-party promotion. So, we may pay for a TikTok influencer to promote the hotel.

TikTok blew up in the pandemic, but many hotel companies, as did we, scaled back on their labor models during that period. So, as TikTok was growing, we shrunk our teams. Now, we are trying to catch up and get back to bigger teams while having the resources to do it. Some of the ways we are trying to catch up are instead of us having to do TikTok campaigns, paid advertising, and posts, we invite an influencer who stays at the hotel and shares about the experience (e.g., if you are in New York, here is the top hacks you want to see when staying at one The Standard hotels). This is a way to promote the property for people to get eyes on, but we do not necessarily have to do all the content. We simply ask someone to do it for us.

12. What is the marketing team structure at new/existing hotels? Does each property include different marketing roles, or does the HQ exclusively manage the marketing processes and decisions?

A.: We have a marketing team at each property and then a marketing team in The Standard HQ. They work very similarly to how we set the overall marketing plan. Consequently, there is one set by The Standard HQ, and then we work with each property to sign off on what they want to do at their hotel. The relationship between colleagues is relatively informal because of our brand. Still, there is much structure in terms of the relationship, meaning that we all know what we are working towards regarding our sales and marketing plan.

We usually touch base every quarter but speak with local teams daily, weekly, or monthly. Therefore, if one property needs more attention, our team from headquarters might be working with them every day. If the hotel is doing well, then it is easier.

13. What is the general size and composition of the sales team at new/existing hotels?

A.: For a 200-room hotel, between sales and marketing, you have probably around four to five people, including a marketing director and a sales manager. For hotels of 300 to 400 rooms plus event space, rooftop, etc., the team could grow to 12 to 10 people. Of course, the team's size also depends on that specific hotel's needs and plans.

14. Do you have any customer retention strategy (e.g., giveaways, loyalty programs)?

A.: We do not have a loyalty program. Instead, we work with member rates to target direct business versus going to an OTA. Customer retention is built around our marketing strategy regarding returning guests who stay in our hotels. Our software tracks how often people stay with us, their likes and preferences, etc. In other words, we have a guest experience program, but it is not necessarily loyalty in terms of you staying ten times, getting a free night,

or something like that because there is so much more of a cost involved. We do not see the need to do it for now, but it may be something that comes up for us as we grow and extend our portfolio.

15. What is the pricing strategy for a new hotel (e.g., regular rates, promotions, packages)? Is it based on the comp set and existing properties worldwide, or are there other criteria?

A.: Our pricing strategy is mainly based on the competitive set. All the data that we buy allows us to understand the comp set. CBRE is a consulting and real estate company that publishes data on hotel projections, for instance, for a 70% occupancy with a €300 rate. Furthermore, their reports break it up by 5-star upscale, upper upscale, midscale, etc. So, it gives us an idea of what macro decision could be made. Of course, a lot of this is set by the trade. For instance, by asking for data from Deloitte, Ernst & Young, Facebook, or Google, some global companies might say that in Porto, the corporate segment does not pay more than €270/night. Then, we get the idea that for 15% of corporate business, we might be able to target at X rate.

Different rates in different hotels never conflict because the market is different. For example, London and Lisbon are set in different markets, so everyone in the area charges differently. Even if you look at a bigger hotel chain, such as Hilton, their hotels on one side of London versus the other side of London would be charging a different rate. Therefore, it does not get in conflict for us, and that is why when setting the rates, we do not necessarily look at the existing properties.

Picking another example, if we open in Melbourne, Australia, its market is similar to Sydney and Brisbane. Then, based on the CBRE report and the data bought, we see that all three cities run an 80% occupancy at a \$350 rate, and we have a hotel located in one of those cities. That hotel's performance will be similar to some of the other hotels opening up.

16. How do you manage reviews and feedback from guests/partners (reputation management)?

A.: Our software gets the retention of data and automatically emails guests asking how their stay was. On another note, guests mostly share their feedback on global channels (e.g., TripAdvisor, Google, etc.). So, someone in each of our hotels always reads guests' reviews daily. Furthermore, we also goal our hotels on their TripAdvisor rating. For instance, The Standard Miami is number one at the moment, so this property's goal is to stay number one for the year. They need to do what they can to encourage positive TripAdvisor reviews.

In terms of how we impact that from a guest loyalty standpoint, at each property, we have guest experience managers who are kind of concierges who know their top guests, what their likes are, which room they prefer, etc. All of this information is stored in our software so that when they have a booking again, the hotel gets an alert and curates the experience to the guest's preferences.

17. When looking into the competitive set, what are the main takeaways of your assessment that might be relevant to your sales and marketing strategy?

A.: First, we would look at the physicality of the hotel and the rates. For instance, if we are opening a hotel in Porto with 200 rooms and X amount of meeting space, we would look at similar hotels within a mile radius. Let us say four or five hotels have a similar makeup to that property, and we would look into those first. If not, then we would go a bit further out.

We would also look at the style of the hotel. If we find a lifestyle hotel like ours with similar branding and experiences, we would pick it over a Hilton, for example. On the other hand, we could also consider that a particular Hilton hotel will compete against us because of technically having the same number of rooms and event spaces and running a similar rate to what we think we could target. In this case, branding is the competitive edge, based on who

does it better. Maybe guests come to The Standard because they like the brand, or they go to Hilton to get more points within their loyalty program.

18. How frequently do you adapt the marketing strategies of new/existing hotels over time? In general, what are the areas that require more adaptability?

A.: Sometimes, we need to adjust our strategies every week. When things are not working according to plan, we should try more tactics and not change the whole strategy. On the contrary, if the strategy is working, we continue going with it and revise it at least once a quarter, maybe monthly, if we see things changing considerably.

19. What is your focus regarding future trends?

A.: Design is the most significant part for us and travel trends, so where are people going? As a brand, in the past, we used to look at only what was “cool”, so only fashion trends, and then where that fashion was popping off (e.g., people going to Scandinavia because they love its fashion and architecture). Then, we would look at trying to get a hotel there. However, the brand is growing, so we are trying to be more commercially minded. For example, why would we choose to have a project in Brussels? It is not necessarily because it is a culturally “cool” spot in Europe, but The Standard could go in there and help change that, making the destination a bit “cooler”. We have done this in other locations, such as Kings Cross in London, which was not “cool” when we moved in. Still, in the meantime, a lot of other factors came into fruition: now there is a design college, Tom Dixon has a studio, there are a lot of tech companies moving in, etc.

In sum, we need to be a chameleon within the areas that we are in. We look at design, fashion, and travel trends, and then we try to see how we can bring a commercially minded

aspect to that to make money off it while bringing something new to the places we are moving into.

Appendix 2 - Current portfolio 2023

KEY	YEAR	LOCATION	KEYS	F&B OUTLETS	FEATURES
<i>The Standard, Hollywood</i>	1999-2021	California, USA	NA	NA	NA
<i>The Standard, Downtown LA</i>	2002-2022	California, USA	NA	NA	NA
<i>The Standard Spa, Miami Beach</i>	2005	Florida, USA	100	2	The Standard Spa; Adults only; Bayside dock
<i>The Standard, High Line</i>	2009	New York, USA	338	8	Outdoor art installations; Beer Garden
<i>The Standard, East Village</i>	2012	New York, USA	144	3	Pop-up Restaurant; Event venues
<i>The Standard, London</i>	2019	London, UK	266	5	The Library Lounge; Historic Townhouses
<i>The Standard, Maldives</i>	2019	Huruvalhi Island Raa Atoll, Maldives	115	6	The Standard Spa; Tennis Court; Photo Studio

<i>The Standard, Hua Hin</i>	2021	Hua Hin, Thailand	199	3	Spa program; Kids club
<i>The Standard, Ibiza</i>	2022	Ibiza, Spain	67	2	Rooftop pool; Casa Privada
<i>The Standard, Bangkok</i>	2022	Bangkok, Thailand	155	2	Tea room; Rooftop bar

Appendix 3 – The most pertinent sources to gather economic and demographic, data and the latest information on Porto

- **City of Porto Municipal Government:** the official website provides statistical reports, publications, and contacts for relevant departments to obtain specific data.
- **Instituto Nacional de Estatística (INE):** as Portugal’s official statistical institute, this platform offers census data, economic indicators, and other statistical reports categorized by NUTS I, II, and III.
- **Pordata:** a statistical database covering Portugal, its municipalities, and Europe.
- **Consultancy companies:** firms such as *Cushman and Wakefield* and *Amadeus Hospitality* can offer valuable insights.
- **Porto Airport:** the official website provides insightful information about tourist arrivals, including its distribution across months, nationalities, origins, and destinations.
- **Smith Travel Research (STR):** provides data, analytics, and marketplace insights for the hospitality industry, mainly focusing on the hotel sector.
- **Sibs Analytics:** presents organized and aggregated consumption data, showcasing activities across various channels overseen by SIBS.

- **TravelBI by Turismo de Portugal:** is a freely accessible tourism knowledge management portal sharing KPIs and competitive analysis within the tourism industry.
- **Eurostat:** as the statistical office of the European Union, Eurostat provides data on various economic and demographic indicators for European cities.
- **Portuguese Central Bank:** while primarily focused on the national level, it may have information relevant to Porto's economic context.
- **Chamber of Commerce and Industry of Porto:** could offer insights into the economic landscape of Porto, including business-related data.
- **Porto Business School:** this entity may conduct research and provide reports on the local business environment.
- **University of Porto:** the university's research departments may publish studies or reports containing economic and demographic information about the city.

Appendix 4 – Whittington *et al.* (2020) proposed rules for a proper SWOT analysis

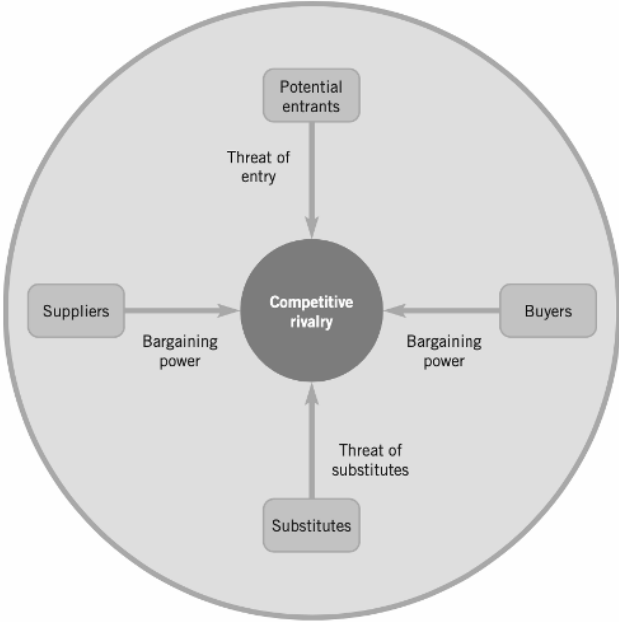
- Concentrate on distinctive strengths and weaknesses concerning competitors, omitting aspects where the organization stands on an equal footing with others;
- Direct attention toward opportunities and threats that hold direct relevance for the particular organization and its industry, excluding broad and generic factors;
- Synthesize the findings and derive specific conclusions from the analysis, considering the TOWS matrix as a supportive tool in this process.

Appendix 5 – TOWS matrix

		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	SO Strategic options Generate options here that use strengths to take advantage of opportunities	WO Strategic options Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	ST Strategic options Generate options here that use strengths to avoid threats	WT Strategic options Generate options here that minimise weaknesses and avoid threats

Source: Whittington *et al.*, 2020.

Appendix 6 – Porter’s Five Forces Framework



Source: Whittington *et al.*, 2020.

Appendix 7 – Porter’s Five Forces theoretical background

The core element in the five forces analysis is the **rivalry** among existing players within an industry. Organizations categorized as competitive rivals target the same customer groups with similar products and services. Some factors collectively shape the rivalry landscape within

an industry, impacting the strategies and profitability of the involved organizations. Whittington *et al.* (2020) highlight the following factors:

- **Competitor concentration:** numerous or equally powerful competitors may lead to intensive rivalry as they vie for dominance, often through aggressive pricing.
- **Industry growth rate:** high growth allows organizations to grow with the market, while low growth prompts fierce competition for a market share, often resulting in price wars.
- **High fixed costs:** industries with substantial fixed costs tend to be highly competitive as companies aim to spread these costs by increasing volumes, often triggering price wars.
- **High exit barriers:** industries with high barriers to exit, such as significant closure or disinvestment costs, contribute to increased rivalry, particularly in declining sectors.
- **Low differentiation:** rivalry intensifies in markets where products or services lack differentiation (commodity markets). Poor differentiation leads to increased competition primarily based on price.

Moving on to the **threat of entry**, the ease of entering an industry significantly influences the level of competition. Higher threats of entry pose challenges for existing players. An attractive industry is characterized by high barriers to entry, reducing the threat from potential new competitors. Barriers represent the hurdles that new entrants must overcome to compete effectively. Whittington *et al.* (2020) highlight five entry barriers:

- **Scale and experience:** industries with significant economies of scale, like pharmaceuticals, present high entry barriers. Experience curve effects provide existing players with cost advantages due to efficient learning.

- **Access to supply or distribution channels:** existing players' control over supply or distribution channels acts as a barrier. Bypassing traditional channels, as seen in e-commerce strategies by companies like Amazon, is an exception.
- **Capital requirements:** industries with high financial demands, such as pharmaceuticals with extensive research needs, limit potential entrants. Capital-intensive entry requirements can restrict the number of likely new players.
- **Legislation or government action:** legal constraints, from patent protection to market regulations, are entry barriers. Government actions, like deregulation, can remove such protections and increase vulnerability to new entrants.
- **Expected retaliation:** the anticipation of strong retaliation by existing firms can be a barrier. The fear of price wars or intense marketing responses may discourage potential entrants, even without actual retaliation.

When analyzing the **threat of substitutes**, they are characterized as products or services that serve the same or similar functions and provide similar benefits but differ in nature. Examples include aluminum as a substitute for steel, a tablet as a substitute for a laptop, and charities as substitutes for public services. Managers often concentrate on industry competitors and may overlook the threat of substitutes. Substitutes have the potential to reduce demand for a particular product or service, leading customers to switch to alternatives and, in some cases, making the original product obsolete. Even if an industry has no direct competitors, the prices it can charge may be constrained by substitutes. For instance, while having direct train service competitors, Eurostar trains are influenced by the cost of flights between Paris and London (Whittington *et al.*, 2020).

Whittington *et al.* (2020) highlight two points when analyzing substitutes:

- **Extra-industry effects:** substitutes originate from outside the industry and should not be confused with threats from competitors within the same industry. Managers must look beyond their industry to recognize more distant threats and constraints. Low switching costs for buyers increase the threat of substitutes.
- **Price/performance ratio:** a substitute can still pose a threat even if it is more expensive, as long as it offers performance advantages valued by customers. The relative price value to performance is crucial, not just the absolute price.

When assessing the **power of buyers**, it is important to note that buyers refer to the immediate customers of an organization, not necessarily the ultimate consumers of its products or services. Powerful buyers can demand low prices or costly improvements in products or services, influencing the dynamics of the supplier-buyer relationship. Whittington *et al.* (2020) highlight the following conditions leading to high buyer power:

- **Concentrated buyers:** when a small number of customers contribute significantly to total sales, buyer power increases. This is evident in sectors like grocery, where a few retailers dominate the market.
- **Low switching costs:** buyers have stronger negotiating positions when they can easily switch between suppliers. This is common for standardized and undifferentiated products, such as commodities like steel.
- **Buyer competition threat:** buyers with the capability to supply themselves or acquire such capability tend to be powerful. They can leverage the threat of doing the suppliers' jobs themselves, known as backward vertical integration. This is observed when companies secure their own sources of supply, as seen in some steel companies acquiring iron ore sources.

- **Low buyer profits and impact on quality:** industrial or organizational buyers become more price-sensitive and pose a greater threat if they are unprofitable and pressured to reduce purchasing costs. Additionally, if the quality of the buyer's product or services is minimally affected by the purchased product, they become more price-sensitive.

When evaluating the **power of suppliers**, it is important to note that suppliers provide the necessary inputs, including fuel, raw materials, equipment, labor, and finance, for the organization to produce its products or services. Whittington *et al.* (2020) highlight the following factors increasing supplier power:

- **Concentrated suppliers:** when a small number of suppliers dominate the market, they have more power over buyers. This is exemplified in industries like iron, where a few producers control the supply, giving them negotiating leverage over fragmented buyers, such as steel companies.
- **High switching costs:** suppliers gain power when it is costly or disruptive for buyers to switch to another supplier. Microsoft, for instance, is a powerful supplier due to the high switching costs associated with changing operating systems.
- **Supplier competition threat:** suppliers are more powerful when they can enter the industry directly or bypass intermediary buyers. This is observed in the airline industry, where airlines negotiate tough contracts with travel agencies due to the rise of online booking, allowing direct access to customers (forward vertical integration).
- **Concentration of supplier analysis:** given that organizations deal with numerous suppliers, it is essential to focus the analysis on the most critical ones. If supplier power is high, they can capture the potential profits of their buyers by increasing prices.

Some industries require consideration of a sixth factor, Complementors, in addition to Porter's Five Forces. Complementors are organizations that enhance each other's business attractiveness to customers or suppliers (Whittington *et al.*, 2020).

Appendix 8 – Comprehensive research topics based on Porter's Five Forces theoretical background

(i) Competitive Rivalry

Competitor concentration: analyzing the competitive landscape of hotels within the luxury and upper-upscale categories of Porto's hotel industry, assessing how its concentration or equal distribution affects competitive strategies, pricing and overall market dynamics.

Industry growth rate: analyze the connection between the growth rate of local tourism and Porto's hotel industry and if the industry is currently facing high growth, attracting new entrants and stimulating competition. Also, it might be relevant to assess how the increased preference for personalized experiences influences the growth of the luxury market segment in the city.

High fixed costs: investigate how luxury and upper-upscale hotels manage high fixed costs and whether it contributes to price wars or strategic differentiation.

High exit barriers: investigate the exit barriers within Porto's hotel industry. It may be helpful to look for case studies showcasing closure costs or disinvestment challenges during COVID-19.

Low differentiation: explore the level of product and service differentiation among luxury and upper-upscale hotels, assessing its potential impact on competitive strategies, pricing decisions, and customer preferences.

Additionally, it might be relevant to assess how certain external forces (e.g., economic conditions, regulatory changes, and technological advancements) shape the competitive dynamics within Porto's hotel industry. Similarly, research should include internal dynamics,

such as the triggers that might have initiated price wars among hotels in Porto. Understanding hotels' strategies to navigate and survive price wars is essential for developing effective tactics in a highly competitive environment.

Lastly, exploring consumer perceptions, preferences, and the strategic responses hotels adopt to cope with intensive rivalry provides valuable insights into how the industry adapts to evolving market conditions, offering a holistic view of competitive strategies within the local market.

(ii) Threat of Entry

Scale and experience: assessing new entrants' scale and experience requirements within the luxury and upper-upscale categories, inferring how existing hotels leverage their experience to maintain cost advantages.

Access to supply or distribution channels: understand how existing hotels control or utilize distribution channels and whether there are opportunities for new entrants to innovate in this aspect.

Capital requirements: understanding the financial demands, especially in a sector like hospitality where capital-intensive requirements are common, can help potential entrants and investors assess the feasibility of entering the hotel market in Porto.

Legislation or government actions: analyzing how specific regulations or policies in Porto's municipality impact the entry of new hotels and if government actions facilitate or impede entry.

Expected retaliation: through surveys or interviews with potential new entrants, industry experts, and policymakers, assess the perception of the competitive environment and the likelihood of strong retaliation.

(iii) Threat of Substitutes

Identifying alternative accommodations such as vacation rentals, Airbnb, or boutique inns that serve the same or similar functions as hotels, assessing the factors that lead guests to

choose these substitutes over traditional luxury and upper-upscale hotels, such as cost, amenities, or unique experiences. Additionally, understand the role of technology in shaping customer choices and how platforms like Airbnb or other online booking services act as substitutes for traditional hotel booking.

Extra-industry effects: examining trends in adjacent industries that impact travel and accommodation choices (e.g., shifts in consumer preferences for experiential tourism).

Price/performance ratio: research could involve price sensitivity analysis and customer feedback on substitutes.

(iv) Power of Buyers

Concentration of buyers: analyzing the customer distribution among luxury and upper-upscale hotels in Porto, identifying whether a small number of guests contributes significantly to total sales in certain establishments.

Low switching costs: research might involve surveys or interviews with local tourists to understand their experiences and considerations when switching hotels.

Buyer competition threat: not considered relevant to assess given the hotel industry's improbability of buyers adopting a backward vertical integration.

Low buyer profits and impact on quality: assessing the purchasing behavior of different buyer groups within the luxury and upper-upscale category (e.g., corporate clients). It might also be relevant to assess the effectiveness of loyalty programs in retaining customers and influencing their purchasing decisions.

(v) Power of Suppliers

Concentrated suppliers: analyze the distribution of suppliers among luxury and upper-upscale hotels in Porto, identifying whether a small number of suppliers dominate the provision of inputs such as raw materials, goods, labor, or finance.

High switching costs: research might involve surveys or interviews with general managers to understand the challenges and costs associated with transitioning to alternative suppliers for various inputs.

Supplier competition threat: not considered relevant to assess given the hotel industry's improbability of suppliers adopting a forward vertical integration.

Concentration of supplier analysis: research might involve identifying and studying the most critical suppliers luxury and upper-upscale hotels rely on for inputs.

Additionally, it might be relevant to analyze historical data or case studies to understand how fluctuations in supplier power have influenced hotel costs and pricing strategies.

(vi) Complementors

It is possible to go beyond Porter's Five Forces and expand the scope of analysis. On the one hand, by exploring partnerships between luxury and upper-upscale hotels and local attractions (e.g., museums) to understand the impact on customer satisfaction and overall hotel attractiveness. Another avenue involves investigating how hotels integrate with transportation services, like taxis or shuttle services, and how this influences their appeal, particularly for leisure tourists and business travelers.

On the other hand, the research could delve into collaborations with local restaurants and food delivery services, assessing how diverse dining options contribute to a hotel's competitiveness. Examining experiential packages created through collaborations with local businesses, event venues, wellness services, and technology providers offers insights into how these partnerships enhance the overall guest experience and the hotel's appeal.