CUBES is the accommodation choice to any traveller to be hosted in a modular solution within a blue ocean in the hospitality sector thanks to the innovative idea of using second hand ship containers. CUBES key success factor is the flexibility leveraged by a green and eco-friendly reputation.

Therefore, CUBES is the right option for visionary investors seeking for innovative projects with consistent dividends policy and high return on investment. This is assured by the growing tourism industry together with music and sport events that gather large quantity of potential customers.

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Diego Rodríguez Martín
Juan Víctor Véliz Chacolla

Global MBA 2010-2011
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Executive Summary - CUBES

1. COMPANY DESCRIPTION

CUBES is going to develop its business plan within the hospitality sector by permanent and temporary modular accommodation services.

The business idea was generated from the following steps:

1. Low Cost travellers’ problems: SLEEPING ON THE FLOOR
2. Unexpected problems causing flight delays: WEATHER, STRIKES
3. Expected inconveniences of flights: EARLY FLIGHTS, LONG CONNECTIONS
4. Large and temporary customer segment: EVENTS
5. Need of providing a modular place at an affordable price: SHIP CONTAINERS
6. Sustainable accommodation: 2nd HAND SHIP CONTAINERS
7. CSR – Natural Disasters: SOCIAL HOSTING

The result has been an enterprise with 2 different business lines:

**Events CUBES**
- Modular and temporary accommodation for:
  - Music festivals
  - Sport events
  - Local festivities

**Airport CUBES**
- Two modular and permanent hotels next to:
  - Madrid Barajas
  - El Prat, Barcelona

In addition, and within CUBES’ CSR strategy, it is also included Aid CUBES, providing modular aid accommodation in the case of natural disasters with the collaboration of governments.

The combination of all lines will offer both permanent and seasonal sources of revenues.
CUBES MISSION AND VISION

| Mission | “Provide a convenient place with a flexible and sustainable accommodation service that absorbs the demand of the events industry and would enable the optimization of the time travellers spend at the airport”.

| Vision  | “Be the best company providing timely sustainable modular accommodation services fulfilling the events industry demand and travellers needs”.

SERVICES DESCRIPTION

**Airport CUBES**

› **Private rooms**: Double rooms fitted with a “double-2singles” bed, double wardrobe and eco-friendly recycling system bathrooms.

› **Lounge**: An open and comfortable space fully equipped with coaches, tables, chairs, television, etc. with a locker service to keep the luggage in a safe place.

**Events CUBES**

- **Standard rooms**: 12 people rooms with bunk beds and wardrobes. It will be common eco-friendly toilets and showers.

- **Complementary services**: WiFi connection, heating – Air-conditioning, daily cleaning service, bed & bath linen and food and beverages service.

Both services will be done in modular building as the ones shown in the photos:
Executive Summary - CUBES

2. MARKET RESEARCH AND STP

MARKET RESEARCH

- Spain received in 2010 a total of 52.7 million international tourists:
  - 83% for leisure and vacation
  - 77% arrived by plane
- Tourist expenditure 2010: € 48,929,000
- 82.8% of travellers stayed at regulated establishments - such as hotels

In the case of the 2 different business lines:

- Airport CUBES
  - **Madrid Barajas**
    - Barajas had a total of 49.9 MM passengers in 2010
    - Madrid received 15.5 million international passengers
    - 21.5% of the international arrivals in Madrid were made by Low Cost Airlines

  - **El Prat, Barcelona**
    - El Prat had a total of 29.2 MM passengers in 2010
    - Cataluña received 11.4 million international arrivals
    - 32.3% of the international arrivals were made by Low Cost Airlines

- Events CUBES
  - 57.1% of people between 15 and 24 years old have attended a music festival
  - People usually pay between 10 to 30 € per night at festivals
  - 40.9% of the population attends live performances
  - € 368.3 per year is the average expenditure in culture per capita

In the segmentation methodology has been used a **Customer and Company Value Matrix** to identify and normalize which events add more value to both customers and CUBES. The results are included in the following chart.
Executive Summary - CUBES

According to the graph CUBES will cover the following events:

- FIB – Benicasim
- Las Fallas – Valencia
- F1 – Montmeló
- San Fermines – Pamplona
- La Tomatina – Buñol
- Moto GP - Cheste

Once the market research has been carried out, it has been decided that CUBES target will be the following:

<table>
<thead>
<tr>
<th>Airport CUBES target</th>
<th>Events CUBES target</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30 years old people</td>
<td>18-30 years old people</td>
</tr>
<tr>
<td>Medium/ High incomes</td>
<td>Medium incomes</td>
</tr>
<tr>
<td>Airport travelers (airport hubs)</td>
<td>Students &amp; Workers</td>
</tr>
<tr>
<td>Internationals: British, Germans, Italians &amp; French</td>
<td>International Target: British, German, Italian &amp; French</td>
</tr>
<tr>
<td>Nationals: Cataluña, Andalucía, Comunidad Valenciana, Castilla y León, País Vasco and Galicia.</td>
<td>Music festivals and sports followers</td>
</tr>
<tr>
<td>Low Cost Airline and Internet users.</td>
<td>Internet users</td>
</tr>
</tbody>
</table>
And the positioning:

“CUBES is the accommodation choice that offers its services wherever is needed by a modular, sustainable and convenient solution. This is possible thanks to the innovative idea of using second hand ship containers to host travellers”

3. EXTERNAL AND INTERNAL ANALYSIS

PEST

<table>
<thead>
<tr>
<th>Political and legal</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Tourism sector is regulated at a regional level.</td>
<td></td>
</tr>
<tr>
<td>- ISO is in charge of shipping container’s regulation.</td>
<td></td>
</tr>
<tr>
<td>- OCU protects Customer’s rights</td>
<td></td>
</tr>
<tr>
<td>- Household average expenditure has dropped in the last two years.</td>
<td></td>
</tr>
<tr>
<td>- Total tourism expenditure = 10% GDP.</td>
<td></td>
</tr>
<tr>
<td>- International tourist expenditure = € 49 Million</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 2010’s economic recovery. Forecasts show a slow pace of growth.</td>
</tr>
<tr>
<td>- Reactivation of private consumption and productive investment.</td>
</tr>
<tr>
<td>- AENA’s forecast a growth on air traffic in Spain for the following years with an average of 3.7%.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technological</th>
</tr>
</thead>
<tbody>
<tr>
<td>- International growth of the use of the Internet in hospitality industry.</td>
</tr>
<tr>
<td>- Online booking and e-commerce facilitating consumers’ choices.</td>
</tr>
</tbody>
</table>

PORTER 5 FORCES
## SWOT

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scalable and Flexible</td>
<td>High initial investment</td>
</tr>
<tr>
<td>Sustainable and Eco-Friendly</td>
<td>Complex logistics – synchronization</td>
</tr>
<tr>
<td>Diversity of sources of income</td>
<td>Storage fees of containers</td>
</tr>
<tr>
<td>Agreements with freight businesses</td>
<td>Fear of the airport passengers of going out of the airport</td>
</tr>
<tr>
<td>Low cost solution for airport travellers</td>
<td></td>
</tr>
</tbody>
</table>

### Opportunities

| + Availability of non used containers |
| + Fits on a niche segment between campsites and hotels – Events |
| + Large customer segment |
| + Growing tourism demand and airport passengers |
| + Easy to internationalize |
| - High probability of delays from outsourced companies. |
| - High bargaining power of local organizations |
| - Hotels and lounges as alternatives for the airport lounge |

### Threats

## 4. MARKETING STRATEGY

### Airport Marketing Strategy

Advertising through Internet websites will be the main focus due to its quick and big impact. In the airport, through mupis, airport travellers will see our ads and also, in free national newspapers.
Events Marketing Strategy

Advertising through Internet websites will be the main focus due to its quick and big impact. In the airport, through mupis, airport travellers will see our ads and also, in free national newspapers.

5. COMPETITIVE STRATEGY AND POSITIONING AIM

CUBES strategy will be based on:

- There are medium-high barriers of entry due to the high initial investment needed.
- Economies of Scale when purchasing, transporting and assembling the containers.
- First-mover advantage allows an accumulative know-how of managing the firm.
- Blue ocean strategy which add value through innovation.
- CSR strategy by governments sponsorship
- Differentiation strategy; competitors do not offer CUBES’ attributes:

\[ \text{CUBES} = \text{Closeness} + \text{Comfort} + \text{Security} + \text{Price} + \text{Eco-friendly} \]

Therefore, CUBES’ positioning aim merges proportionally sustainability, flexibility and convenience.
6. OPERATIONS PLAN

The key facts of the operation plan are:

- The raw materials are second hand 40 ft ship containers.
- **Just-In-Time** containers purchase strategy to reduce storage fees and utilities services such as cranes.
- **Lean management strategy** to eliminate those activities that do not add value to the business. Then, CUBES only purchases containers and outsource the rest of the activities that other firms can do them more efficiently.
- **Fitting out processes:**
  - **Outside:** Adaptation for accommodation use. The outside painting will be decided through a contest launch to design students.
  - **Inside:** Eco-friendly furniture and fixed to the container.
- Containers storage and transportation will be done by **Renfe** which also provide all the cranes and machinery needed to manage the containers. Transportation from Renfe warehouses to the events will be done by truck by Transmodal S.A..
- **Long-term contracts** with suppliers and partners to meet a **win-win situation**.
- **Think global, act local** philosophy; local assembling enterprises will be outsourced and local events staff will be hired.
- The marketing strategy is based on customer trends. **Internet** will be the main distribution channel.

7. HR & MANAGEMENT TEAM

The international variety of backgrounds enable the development of all organizational areas needed to succeed in business with a global perspective.
8. FINANCE

The necessary investment will be covered by:

- Initial capital of € 80,000 (25%) owned by the Chief Officers.
- € 1.7 millions from external investors or a loan from Aval Madrid.
- A € 2 million loan from ICO.

CUBES time schedule is as follows:

Within the financial plan it has been done 3 different scenarios: realistic, pessimistic and optimistic. The latter includes 2 new Airport CUBES branches in London and Sao Paulo.

The most important results are shown in the following table and charts.
9. STRATEGIC GROWTH

As it has already been explained in the previous sections, Airport CUBES is going to enlarge its business scope in the El Prat airport in Barcelona. Moreover, if results are favourable for CUBES, it will take advantage of the large number of potential customers thanks to the Olympic Games in London 2012 by placing a branch next to Heathrow airport. Other important events are the FIFA World Cup in 2014 and the Olympic Games 2016, both in Brazil. Then, CUBES will offer accommodation for the travellers that use Guarulhos Airport in Sao Paulo.