2012 Annual Conference

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THE HEAT IS ON!
A New World Competition

Marketing Relay
"Speed + Endurance"

Sound Bites

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"…creating stable yield…"

"…global structural shift…"

"…hyper informed…hyper connected…"

"…distribution…the new wild west…"

"…innovation has disrupted our business model"

"no longer cultivate repeat business, cultivate the sense of wanderlust"

Are you out of breath yet?

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ISHC Annual Conference – THE HEAT IS ON!

Digital Marketing + Distribution =

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Like trying to shoe a horse on a dead run

Hotels 101

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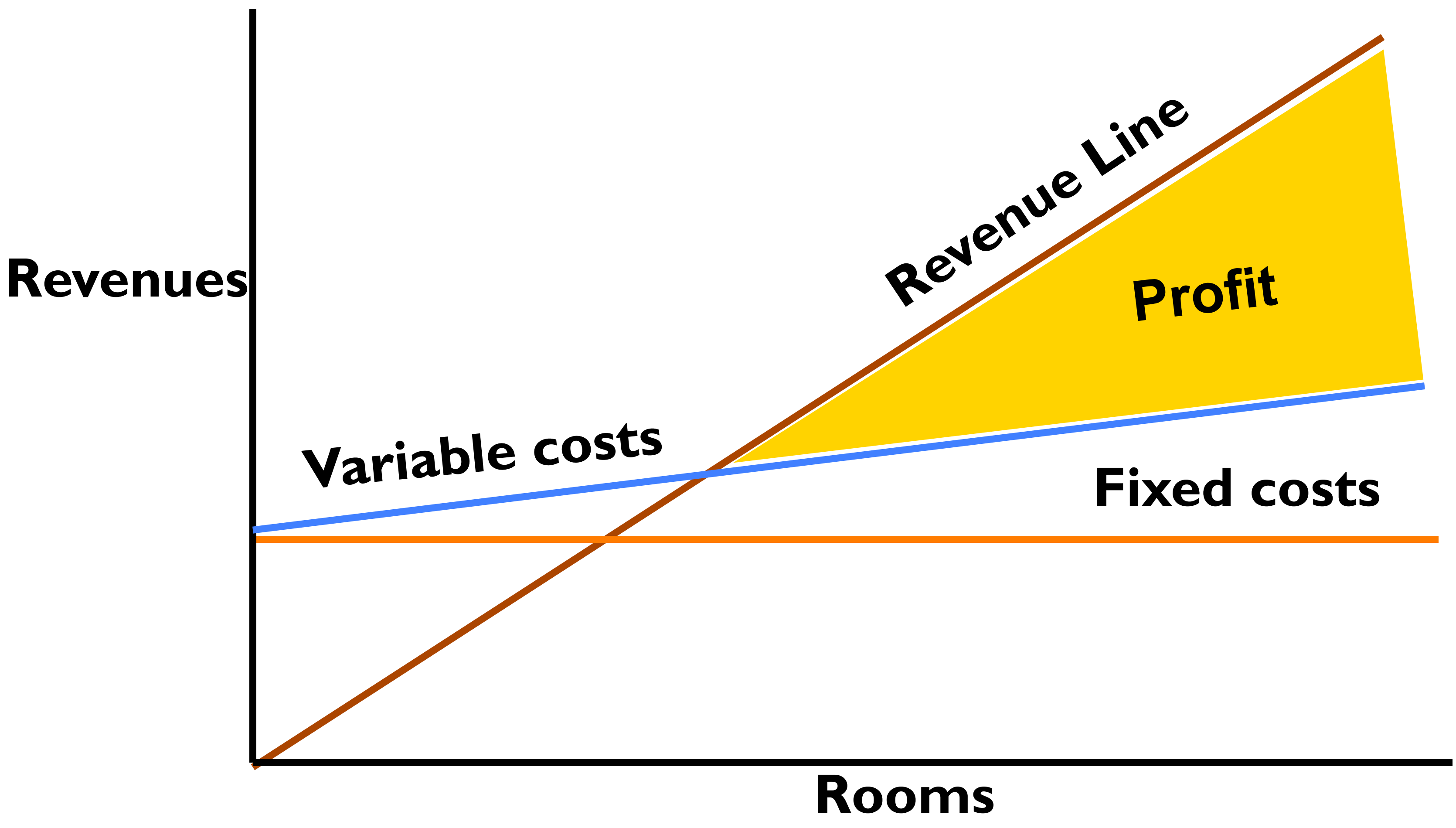
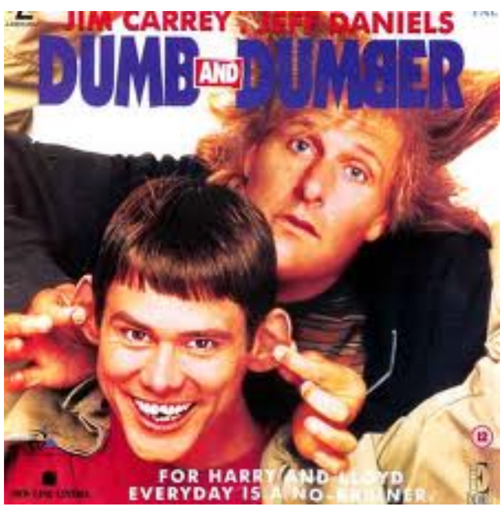


Reality Check

“Hotel demand in the U.S. market is “price inelastic” on an industry wide basis for all hotel types. That means lowering prices will not stimulate enough incremental demand to make up for the rate reductions.”

Cindy Estis Green & Mark Lomanno

Distribution Channel Analysis: A Guide for Hotels



Using price as the primary weapon to generate demand means you’re only as good as your dumbest competitor.

New Breed of Intermediary

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"Hotels rooms are for sale in a dynamic and volatile distribution landscape that is launching many market savvy and financially well-endowed "gatekeepers" who will become a new breed of third party intermediary (e.g., Google, Facebook, Apple); their power will grow as they gradually become the preferred points of entry for consumers to do travel shopping and buying. They will charge fees for referrals to hotels and, while there is no firm evidence pointing to an exact number, it is plausible that upwards of half of

the hotel business could ultimately pass through third parties before being delivered to a hotel or brand."

Cindy Estis Green & Mark Lomanno

Distribution Channel Analysis: A Guide for Hotels

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THE HEAT IS ON!
A New World Competition

Marketing Relay – 1st Leg

Search & Mobile

Max Starkov

President & CEO, HeBS digital

Agenda

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The Smart Hotelier's Guide to 2013 Digital Marketing Budget Planning

Online Travel: Unstoppable Growth

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Region	2011	2012	Growth	Online Travel Penetration Rate
North America	$105B	$114B	9%	54%
Europe	$107B	$115B	8%	39%
APAC	$62B	$71B	14%	20%
Latin America	$11B	$14B	29%	<10%

Hotel Distribution

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Hotel Distribution Shifts to the Online Channel

CRS Bookings Top 46 Hotel Chains	2011	2010	2009	2008	2007
Internet Bookings	**53.5%**	52.3%	50.4%	47.6%	**42.0%**
GDS Travel Agent Bookings	21.7%	22.1%	21.3%	27.3%	29.3%
Voice Bookings	24.8%	25.6%	28.3%	25.1%	28.8%

(2012 eTRAK Report, HeBS Research)

Which Channel is Good for the Industry?

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	A Full-Service Hotel in Atlanta			
	Flash Sales [Groupon]	**OTA**	**GDS**	**Hotel Website**
BAR (Best Available Rate) - 2 nights	$400	$400	$400	$400
Deal Face Value	$200	$400	$400	$400
Third-Party Commission	35%	25%	12.5%	0%
Net to Hotel	$130	$300	$350	$390
Cost of Reservation	**$270**	**$100**	**$50**	**$12**
Overall Deal Discount	**67.50%**	**25%**	**12.50%**	**0%**

Independent Hotels: OTA Dependent

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Room Demand Share - as % of Total Roomnights

Independents U.S.	2009	2010	2011
OTA	**14.2**	**15.7**	**17.3**
Brand.com	**11.0**	**12.6**	**13.8**
CRS/Voice	13.9	13.6	17.0
GDS	6.9	6.6	8.3
Property Direct	53.9	51.5	43.7

Time Period: YTD June 09,10,11 2011 STR

Property Direct: groups, meetings, contract business, walk-ins

True Cost of OTA distribution: $2.5 billion in merchant commissions (STR)

Independent Hotels: 42% of bookings from the Internet, YET:

- **OTAs = 76%**
- **Hotel websites = 24%**

Branded Hotels

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Branded Hotels = Overly Brand-Dependent

Brands - good job on:
- national/global level
- corporate travel
- Fortune 500 corporate meetings

Brands - poor job on:
- local and state level
- leisure travel
- mid-size/smaller corporate meetings
- social/special events
- SMERFs

Branded Hotels MUST have Local Direct Online Channel Strategy:
- ✓ Vanity Website: desktop, mobile, tablet
- ✓ SoLoMo, SEO, SEM, Email, Online Media, Mobile, Social Media

Misguided Ad Spend

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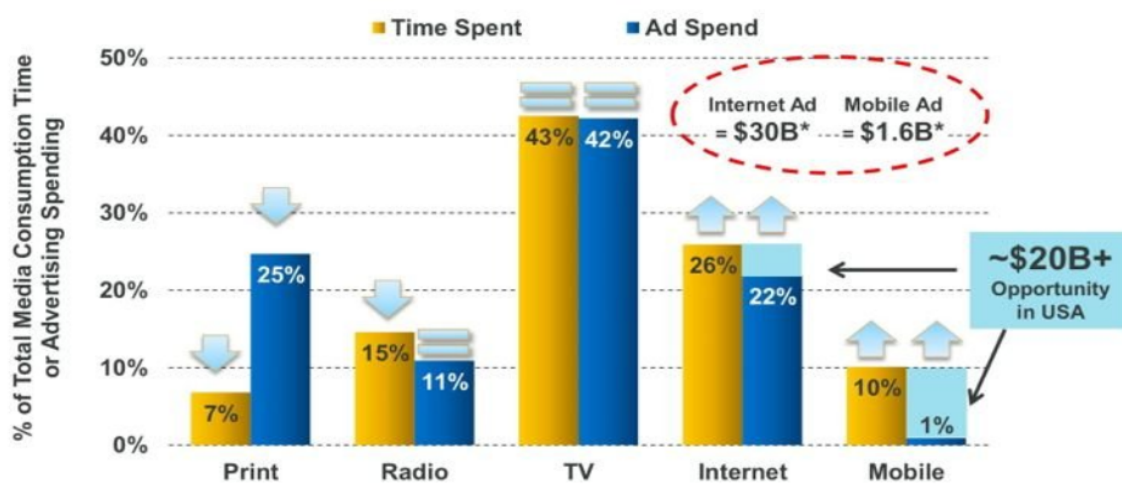
U.S. Internet Ad+Mobile Ad "Underspend" = $20 Billion!

**Good News =
Material Upside for Mobile Ad Spend vs. Mobile Usage**

% of Time Spent in Media vs. % of Advertising Spending, USA 2011



KPCB

Note: *Internet (excl. mobile) advertising reached $30B in USA in 2011 per IAB, Mobile advertising reached $1.6B per IAB. Print includes newspaper and magazine. $20B opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share. Source: Time spent and ad spend share data eMarketer, 12/11, Internet and mobile ad dollar spent amount per IAB.

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Making Sense of It All

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The online space has become even more convoluted:

The linked image cannot be displayed. The file may have been moved, renamed, or deleted. Verify that the link points to the correct file and location.

What Worked in 2012?

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HeBS Digital's Sixth Annual Survey on Hotel Digital Marketing Budget Planning - 2012

"Of your total Internet marketing budget, where did you spend your money?"

33.0%	Website re-design/design
27.2%	SEO
26.0%	SEM (paid search)
24.3%	Email Marketing
15.7%	Display Advertising (banners)
15.6%	Mobile Marketing
14.0%	Local Search/Linking
13.4%	Social Media

The 2013 Digital Marketing Budget

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The 2013 budget should take a three-silo approach and include:

- **The Core Digital Marketing Campaigns**:
  - Tried and true initiatives: SEO, SEM, Email, Online Media
- **Business-Need Driven Marketing Campaigns:**
  - Multi-channel approach to address a concrete business need
- **Capital Investments, Consulting & Operations:**
  - Follow best practices; maintain "healthy" website"

The Core Digital Marketing Initiatives

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SoLoMo (Social-Local-Mobile):

SoLoMo:

Convergence of Social Media, Local and Mobile:

- Hotel guests are avid SoLoMo users
- Most social engagements are via mobile
- Local content=Mobile Content
- Local search = 3%-5% of total website revenues
- **Recommended 2013 Spend: 3%-4%**

The Mobile Channel is Exploding

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OTAs vs. Supplier Direct Mobile Sizing and OTA Focus and Challenges

	2010	2011	2012	2013
Total Supplier Direct Mobile Bookings	210	1,449	2,671	4,249
Total OTA Mobile Bookings	177	1,136	2,388	3,838

Opportunities	Challenges
End-to-End Services	Use deeper insight to provide end-to-end services
In- Destination Services	Build in-destination for continuous engagement
Social Media	Keep travelers engaged before, during and after the trip

Hospitality:

- $1.368 Billion in Direct Mobile bookings in 2012
- $2.155 Billion in 2013
- **63 % year-over-year growth (PhoCusWright 2012)**

Mobile Devices Underperform Tablets

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HeBS Digital Hotel Client Portfolio January - July 2012			in percentage from total		
Source	Page Views	Mobile Visits	Bookings	Nights	Revenue
Mobile (Excluding Tablet)	9.66%	13.57%	2.59%	1.74%	1.10%
Tablet	8.34%	8.12%	5.68%	5.23%	5.71%
iPad	7.56%	7.39%	5.45%	5.06%	5.60%
iPad as % of Tablet	90.62%	91.05%	96.02%	96.69%	98.16%
Desktop	81.99%	78.31%	91.74%	93.03%	93.20%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Tablets vs. Mobile Devices
300% more roomnights
520% more revenues

Tablets = New Channel

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Tablets = separate device category from desktop, mobile

Users searching Google use:

✓Desktop during the day (office)

✓Mobile during lunch break + happy hour

✓Tablet later in the evening when lounging i.e. the tablet is a "lounging" device

WW global tablet sales:

232 million 2016 vs. 64 million 2011

U.S. tablet users:

75.6 million 2013 vs. 13 million in 2010

Marketer)

Google Searches by Device Category

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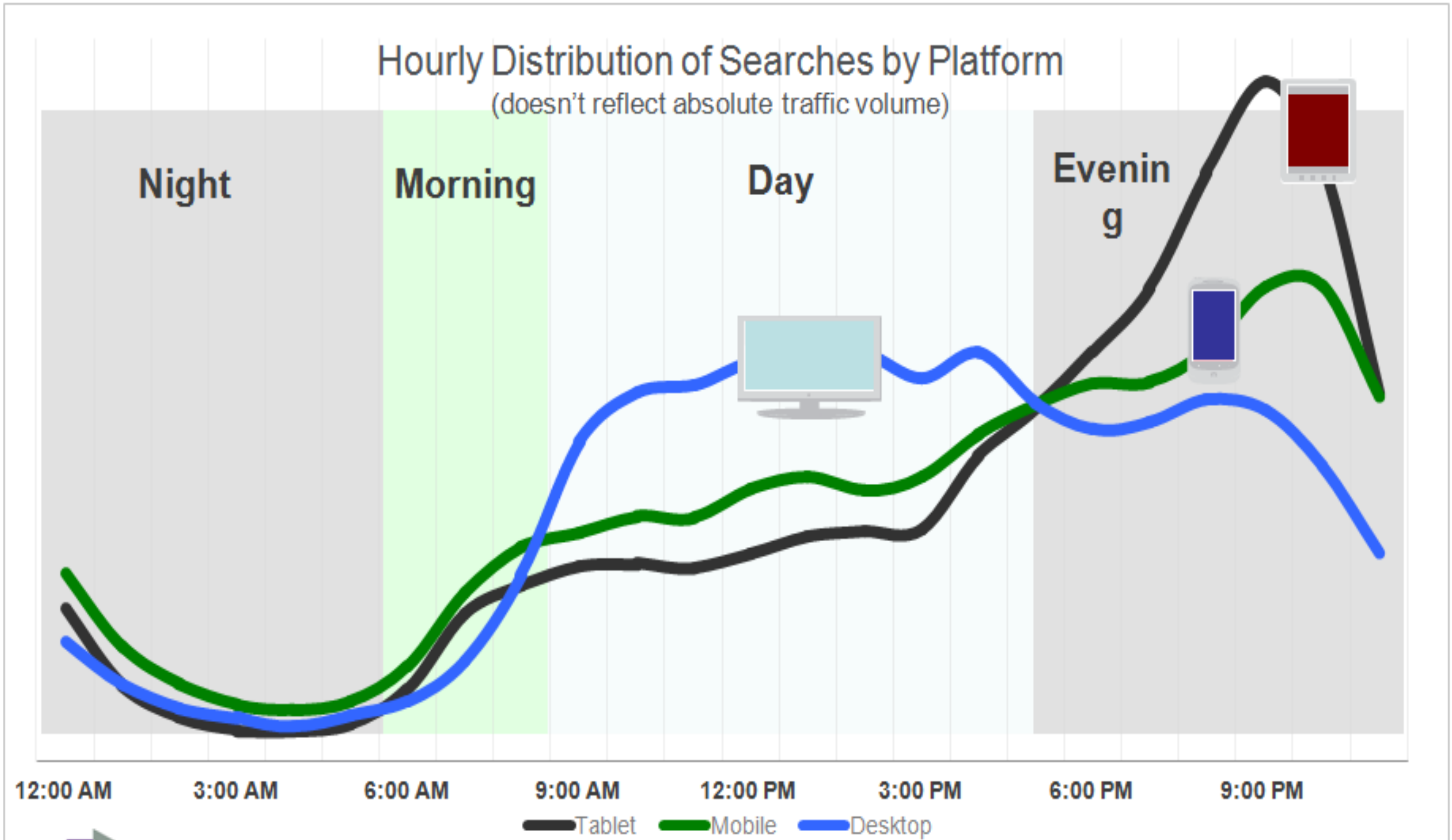
Tablets compliment other screens



The Core Digital Marketing Initiatives

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Mobile Marketing Initiatives:

- Mobile website, SEO, SEM, mobile media, SMS Text Marketing, etc.
- Focused on generating room bookings, RFPs and leads
- Recommended 2013 Spend: 7% - 8%

Tablet Initiatives:

- Address unique touch-screen environment and user experience
- Tablet website version of the desktop website
- Recommended 2013 Spend: 3% - 5%

Treat MOBILE and TABLET as two separate channels

Integrate both channels in hotel's multi-channel marketing strategy

Other Core Digital Marketing Initiatives

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TripAdvisor "Show Prices" CPC Marketing:

- The largest travel website in the world (55M visitors/month)
- One Billion CPC clicks in 2011
- Recommended 2013 Spend: 5% - 10%

Email Marketing Initiatives:

- Generates 3%-5% of total website revenues
- Recommended 2013 Spend: 2% - 3%

Online Media and Re-Targeting

- Google Display Network, TripAdvisor Banners, Adara, etc
- Recommended 2013 Spend: 5% - 10%

Business-Need Digital Marketing

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Why Business-Need Digital Marketing Initiatives:

- Tackle occupancy needs; group cancelations; weekend vs. weekday
- Target key customer segments: meeting planners, SMERFs, leisure
- Recommended 2013 Spend: 15% - 20%

Multi-Channel Initiatives to Address Business Needs:

- SEM with Limited Time Offer - LTO (e.g. weekend package)
- SEO: new LTO landing page and weekend content
- Email launched with the LTO
- Online Media: GDN Re-Targeting with LTO banners
- Social media: promote the LTO
- Mobile Marketing: Google Mobile SEM about the LTO
- Online PR about the LTO

Capital Investment, Consulting, Operations

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Capital Investments:

- Website re-design a MUST if website older than 18 months
- Implement latest digital marketing technology
- Accommodate the new hyper-interactive travel consumer
- Recommended 2013 spend: 15%-25%

Online Channel Consulting:

- Online channel strategy + best practices
- Stay ahead of the competition and generate incremental revenues
- Recommended 2013 spend: 8%-10%

Website Operations + Web Analytics:

- Cloud hosting and CDN(Content Distribution Network) is a MUST
- Investment in advanced web analytics = more revenues and higher ROIs
- Recommended 2013 spend: 4%-6%

Case study: How to Manage Content on Hotel's Desktop + Tablet + Mobile Websites ?

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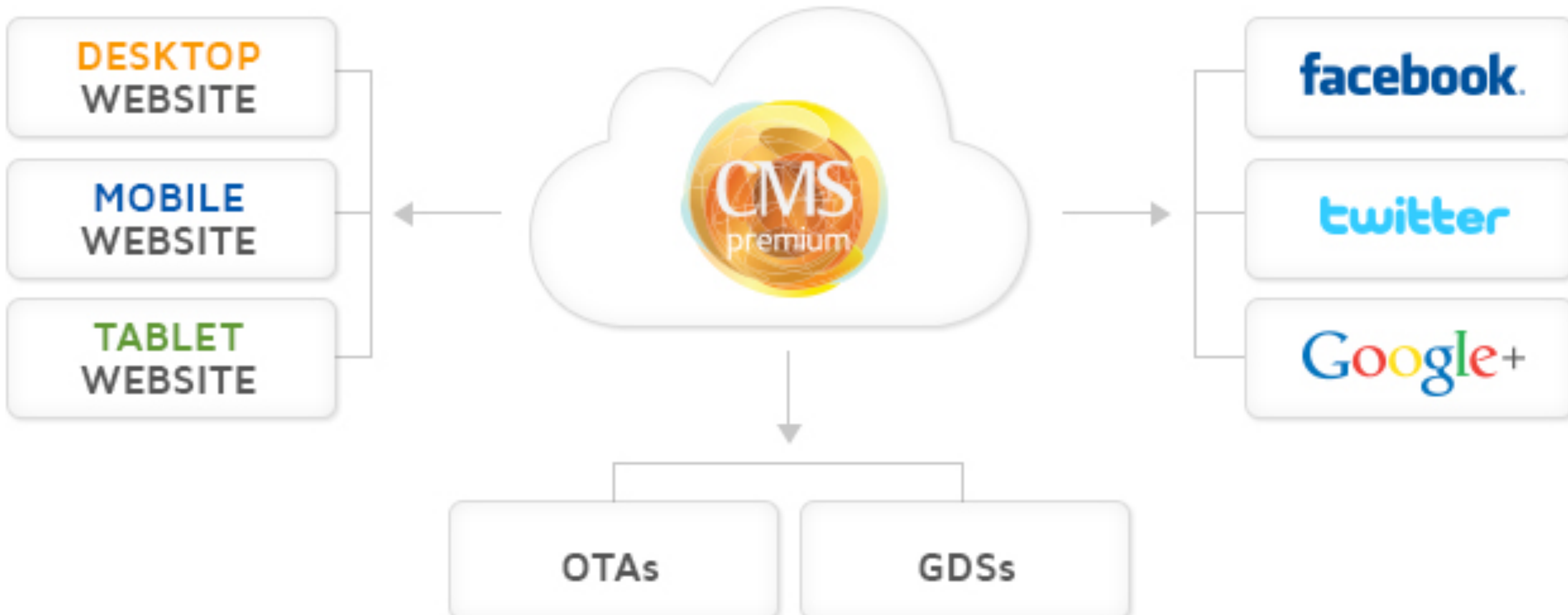

Solution: HeBS Digital's CMS Premium:

Website Content + Digital Marketing Asset Management System

- Manage desktop + mobile + tablet website content
- Push to social media profiles Facebook, Twitter, Google+
- Push visual content to OTAs, GDS, IDS, etc.

2013 Marketing Tip

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The hotel's marketing efforts MUST be managed in a multi-channel marketing fashion.

The whole is exponentially greater and more valuable than the sum of its parts.

Summary: The 2013 Digital Marketing Budget

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Budget Line Item	% of Budget to Allocate
Core Initiatives	
SEM	25%-30%
SEO	8%-10%
"Show Prices" CPC Program on TripAdvisor	5%-10%
SoLoMo	3%-5%
Mobile Website & Marketing	5%-8%
Tablet Website	2%-3%
Email Marketing	2%-4%
Online Video	2%-4%
Remarketing & Retargeting	4%-8%
Reputation Management	2%-3%
Business-Needs Driven Campaigns	
Multi-Channel Initiatives to Tackle Concrete Business Needs	15%-25%
Capital Investments, Consulting & Operations	
Website Re-Design+ CMS Technology Upgrade	15-25%
Consulting & Campaign Management	8%-10%
Web Analytics & Campaign Tracking	2%-3%
Website Operations	2%-3%

Questions?

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HeBS digital

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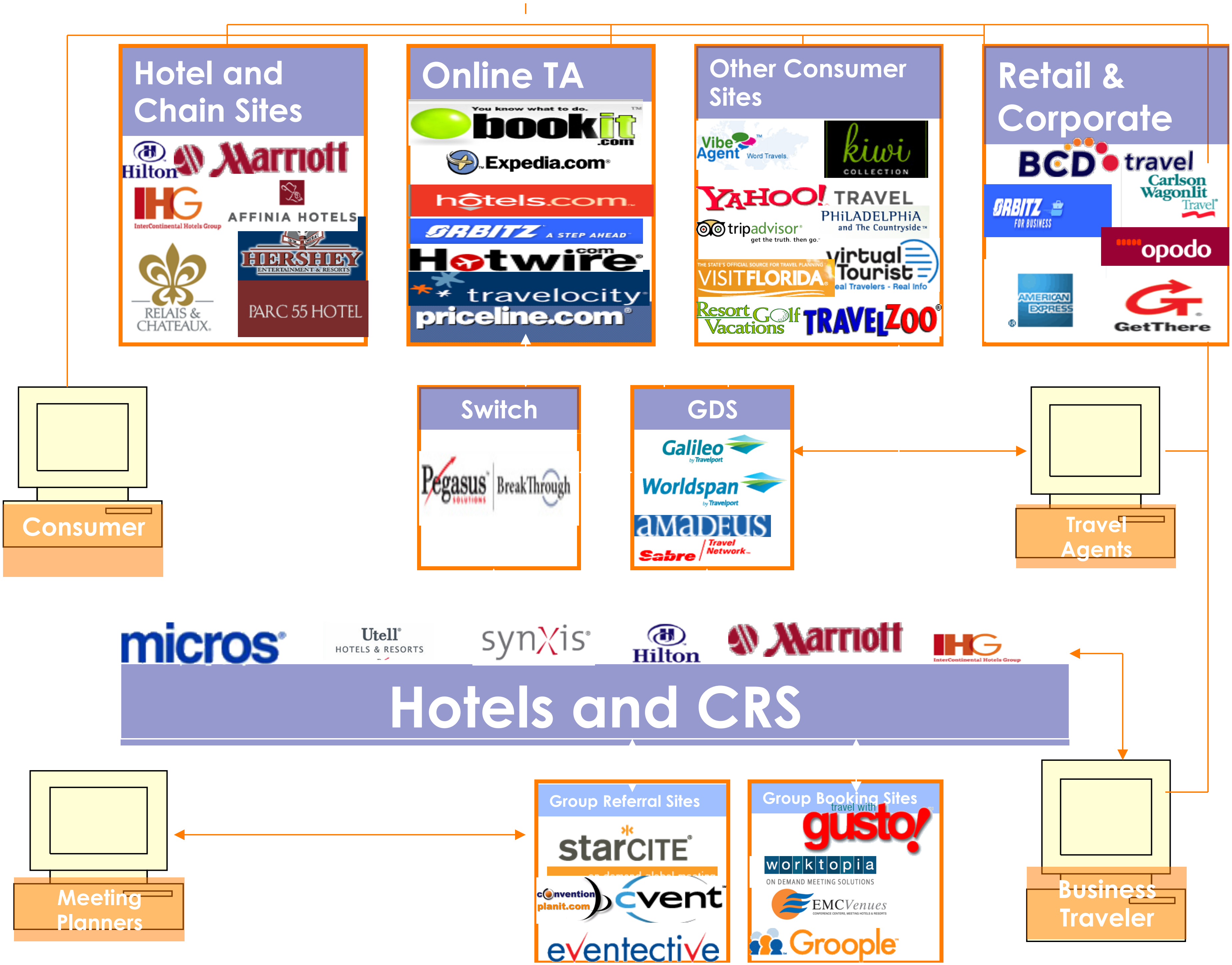
Marketing Relay – 2nd Leg

Distribution

John Burns
President, Hospitality Technology Consulting


Hotel and Chain Sites
Hilton
Marriott
IHG
InterContinental Hotels Group
AFFINIA HOTELS
HERSHEY ENTERTAINMENT & RESORTS
RELAIS & CHATEAUX
PARC 55 HOTEL
Online TA
You know what to do. bookit.com
Expedia.com
hotels.com
ORBITZ A STEP AHEAD
Hotwire.com
travelocity
priceline.com
Other Consumer Sites
Vibe Agent
kiwi COLLECTION
YAHOO! TRAVEL
PHiLADELPHiA and The Countryside
tripadvisor get the truth. then go.
VISITFLORIDA
virtual Tourist
Resort Golf Vacations
TRAVELZOO
Retail & Corporate
BCD travel
Carlson Wagonlit Travel
ORBITZ FOR BUSINESS
opodo
AMERICAN EXPRESS
GetThere
Consumer
Switch
Pegasus SOLUTIONS
BreakThrough
GDS
Galileo by Travelport
Worldspan by Travelport
amadeus
Sabre Travel Network
Travel Agents
micros
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synXis
Hilton
Marriott
IHG InterContinental Hotels Group
Hotels and CRS
Meeting Planners
Group Referral Sites
starCITE
convention planit.com
cvent
eventective
Group Booking Sites
travel with gusto!
worktopia ON DEMAND MEETING SOLUTIONS
EMCVenues
Groople
Business Traveler

Distribution … is Essential

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- Property direct reservations remain the majority….. but an electronic presence, and a compelling proposition, are essential for every hotel
    - Remember, most of those property direct bookers have researched the hotel – and guest reviews about it – online prior to contacting the property

Distribution Requires a "Hub"

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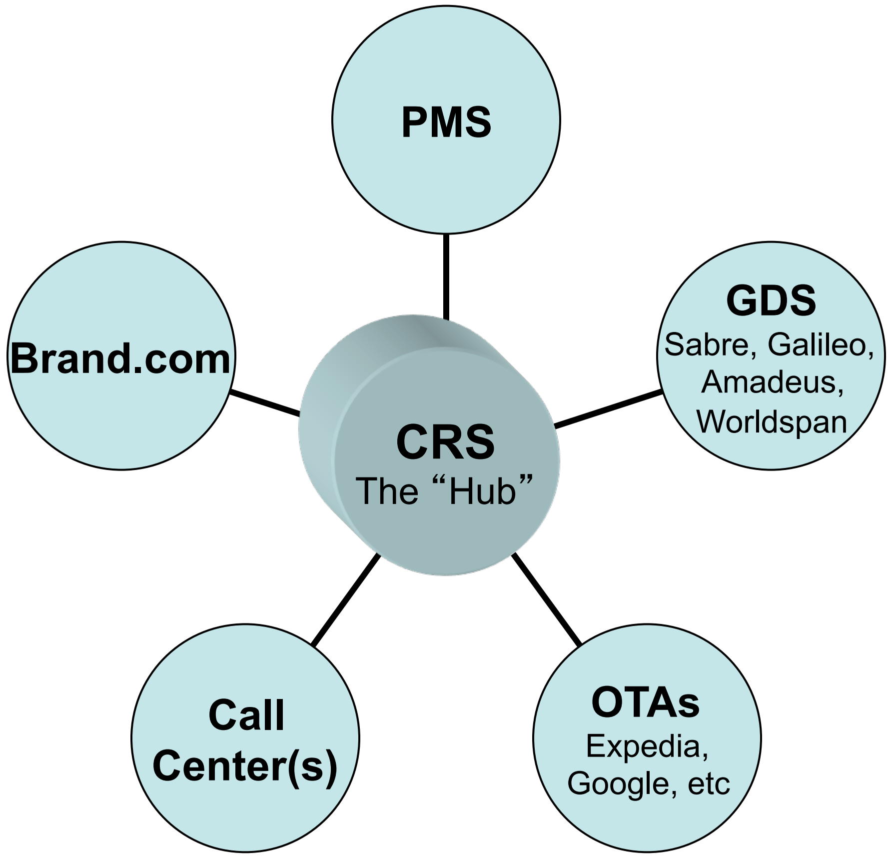

Hotels Secure CRS Services

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- Branded Hotels: Via their brand affiliation
  - The brand operates its own CRS or utilizes that of a reservation representation company
- Independent Hotels: Through use of a representation company
  - Offering two service models
    - Connectivity
    - Connectivity + sales services
      - Sometimes via a “soft” brand

Representation Companies

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- Connectivity (GDS, IBE, OTAs, Voice)
  - FastBooking, Genares, InnLink, Pegasus Solutions, Sabre Hospitality Solutions (SynXis), Sceptre Hospitality TravelClick, Trust, etc.
- Connectivity + Sales Services
  - Luxe Hotels, Preferred Hotel Group, Small Luxury Hotels, SupraNational, The Leading Hotels of the World, Utell, etc.

Several Interesting Developments

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- Representation companies have been replacing or substantially modernizing their CRSs. Examples:
    - Pegasus Solutions – RVNG
    - Sabre Hospitality – SynXis
    - Sceptre & InnLink – Windsurfer
    - Trust – yourVoyager
  - Adding vital functions and eCommerce "horsepower"

Developments ….

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- Major brands often use legacy CRSs
  - For which they now struggle to find capable, reliable and affordable replacements
- With "look-to-book" ratios of 3,000:1 and the need to effectively support new directions – social, local, mobile, multilingual, loyalty-driven and personalized --- this is a problem!

Developments ….

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- Representation companies themselves face a new challenge – brands!
  - "Our biggest threat at LHW is not the other Rep companies, it's Marriott's Autograph Collection"
    - Ted Teng, CEO, Leading Hotels

AUTOGRAPH
COLLECTION℠

Developments ….

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- Autograph Collection
  - Launched 2010, 40 hotels by 12/12
    - Incl. Turnberry Isle, Miami
    - Adding 1 hotel per month
  - Extensive distribution and loyalty participation
  - Occ: 70.1%; ADR $177.36,
    RevPAR: $124.28, RevPAR Index; 118.8%
  - 5-year goal: 1,000 hotels

Bringing eCommerce to Hotels

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"OTA success is a hotel brand failure"

- OTAs successfully <u>claim</u> greater choice, ease and value
  - Valid or not, perception is reality
- Good news: Hotels are beginning a transition from 'booking engines' to e-Commerce

From 'Booking Engine' to e-Commerce

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A long journey begins from:

- "Welcome back, John Burns" and then generic rates
  - And no loyalty tier recognition, amenities, etc.
- Two adults + two kids, in Friday, out Sunday – but no featured weekend rates, packages, kids' program
- Arriving Dec. 23, out Dec. 27… Christmas?

From ‘Booking Engine’ to e-Commerce

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The long journey includes:

- Personalization
- Experiential shopping
- Intuitive offers
  - Christmas!
- Seasonal “look & feel”
- Community information and offers

Total RM

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- Optimizing entire hotel asset (revenues & profits)
- Impacts all revenue streams
- Finding the most profitable mix of business
- Down to the NOI level

Don’t We Do This Already?

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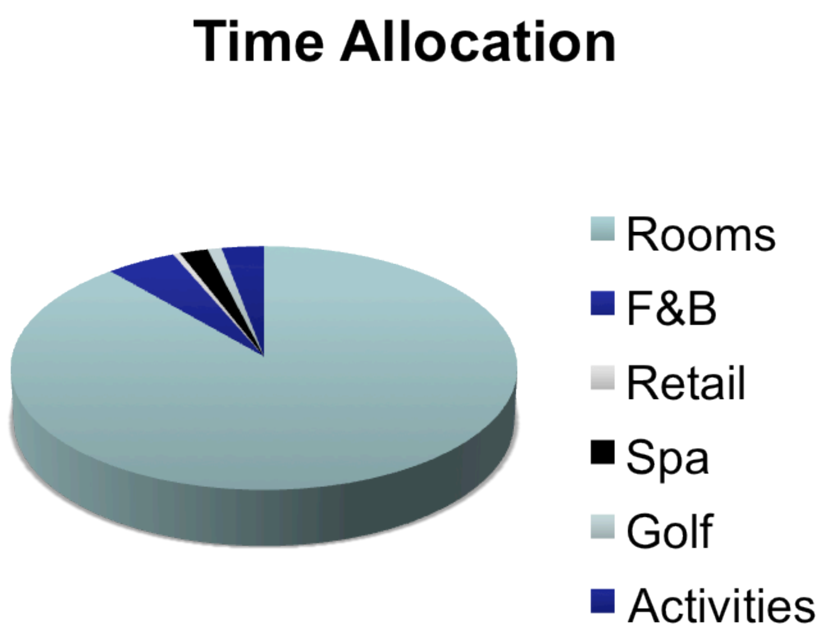
- Yes…but…
- We try to choose the best pieces of business
- Many decisions based on anecdotal information
- Hotels must sophisticate approach to profit optimization



Resources



RM – Evolving Discipline

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1st Generation

Reservations Manager

2nd Generation

Revenue Manager

3rd Generation

Director, Demand Management & Profit Optimization

Questions for Your Clients

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1. Specifically, how are you allocating your marketing $’s in 2013 and what is the rationale?
2. What is your distribution strategy and how is this connected to the marketing initiatives?
3. Do you have the right revenue management resource & structure to optimize total hotel profit?

Engage a Youth Mentor

Teenager

Twenty-something

Thirty-something