

2012 Annual Conference

ISHC  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

**THE HEAT IS ON!**  
**A New World Competition**

**Game Changers: Enhancing Asset  
Value Through Disruptive Innovation**

**Leland C. Pillsbury**

CoChairman and CEO  
Thayer Lodging Group, Inc.



InterContinental Buckhead Atlanta, Georgia

September 20-23, 2012

# What is Disruptive Innovation

**ISHC**  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS



*ISHC Annual Conference – THE HEAT IS ON!*

# How can you get to DI?

rachel smith | @eninmah | #theCLA  
Jan. 17 2012  
THE BOULDERS



<http://www.disruptive-thinking.com/>



# Disruptive Innovation All Around

## Overview

- Business Models
- Technology (8 Track to Vinyl to Tape to CD to MP3 to Streaming, Mobile, Digital Cameras replaced Polaroid and Film/Kodak, Cloud)
- Travel & Tourism



# Disruptive Innovation All Around

ISHC  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

- Business Models

amazon.com<sup>®</sup>



ISHC Annual Conference – THE HEAT IS ON!

# Disruptive Innovation All Around

ISHC  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

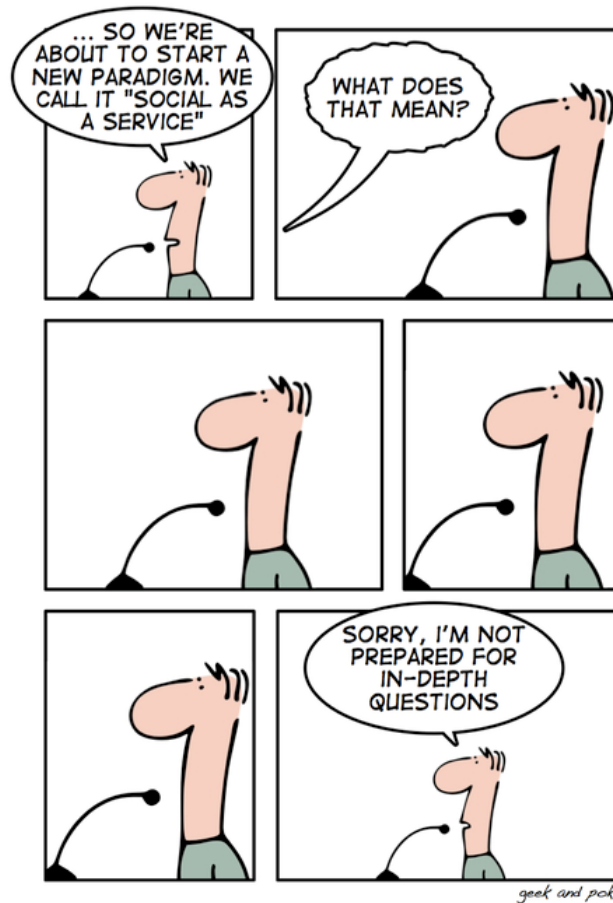
- Technology



ISHC Annual Conference – THE HEAT IS ON!

# Disruptive Innovation All Around

**ISHC**  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS



**ISHC Annual Conference – THE HEAT IS ON!**



# Hospitality & Travel Industry

## Statistical Profile

- Global tourism was worth an estimated \$1 trillion in 2011, up 1.7% from 2010 after declining approximately 3.6% in 2009.
- Industry revenue forecasted to increase by 4.9% per annum over next 5 years.
- US hotel unmanaged business spend expected to grow from \$32B to \$46B by 2016.

## Trends

- China will emerge as the largest single country for outbound tourists, followed by India.
- Wider use of new aircraft with capacity of about 800 passengers will continue to lower real average international airfares and improve economies of scale in air transport.
- By 2015, 625,000 hotels in the world generating \$565 billion, employing 4 million people.

### Global Travel Growth

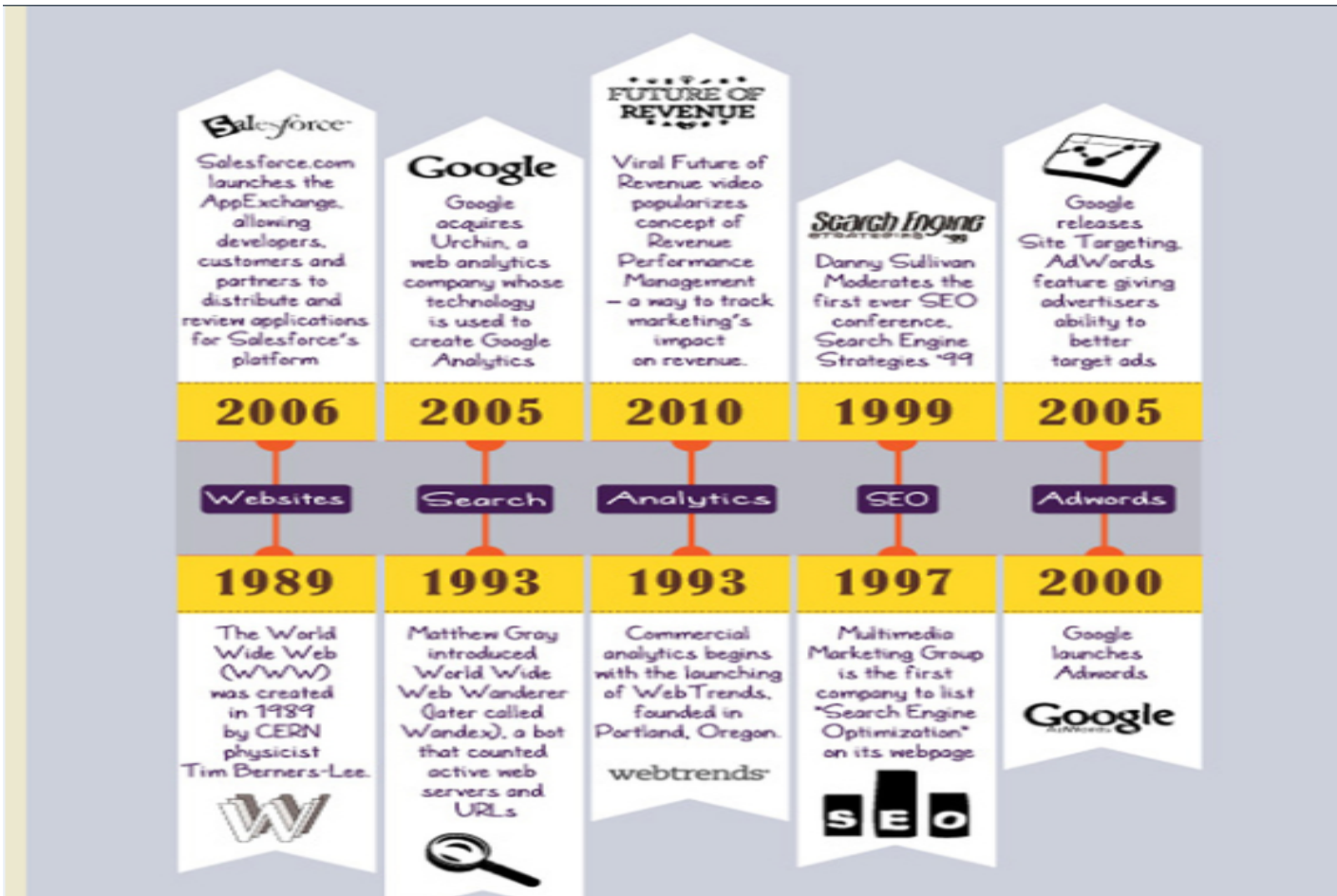
Country	Travel & Tourism activity (2000 US\$ billions)*	2005	2010	% Change 2010 v 2005	2011	2012	2013	2014	2015	% change 2015 v 2010
United States	Personal	626	609	-2.7%	624	650	677	701	724	18.9%
	Business	211	194	-7.8%	199	209	220	232	242	24.2%
United Kingdom	Personal	141	128	-9.3%	130	135	129	144	149	16.4%
	Business	28	24	-13.7%	25	26	27	28	30	21.9%
Japan	Personal	279	273	-2.0%	274	282	290	298	304	11.4%
	Business	72	71	-0.6%	72	74	78	81	83	17.1%
China	Personal	74	108	44.7%	118	133	151	169	187	73.5%
	Business	26	36	38.8%	39	44	49	55	62	73.2%
India	Personal	38	54	40.5%	58	63	70	76	82	53.1%
	Business	7	9	18.3%	9	10	11	13	14	63.1%

\* US\$ billion, expressed at 2000 prices and exchange rates (excludes the effect of price changes)  
Source: World Travel and Tourism Council, Economic Data Tool, extracted 20 March 2010





# Disruptive Innovation All Around



Source: Eloquo



# Travel Industry

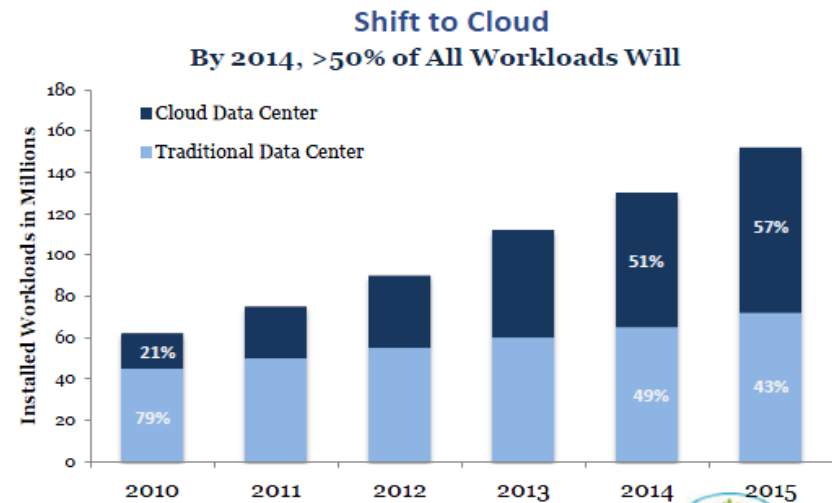
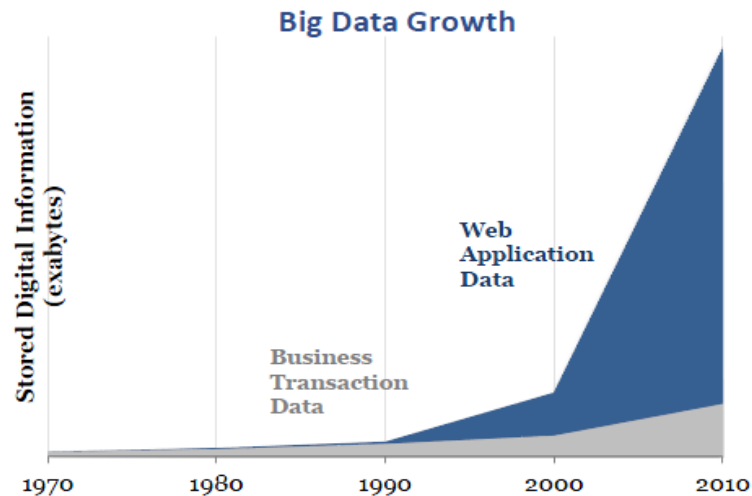
## Emerging Technologies

### Statistical Profile

- Digital data is growing at 62% Y/O/Y vs. structured data at 22%
- Global mobile data traffic estimated to grow 25x over the next 5 years. Driven by video
- 375 million tablets projected to be sold in 2016 – 760 million in use by end of that year
- Analytics leader IBM looking to generate \$20 billion from new initiatives by 2015

### Trends

- Smartphone tipping point (500 million in use), 77% of the planet owns mobile device
- More than 50% of smartphone owners have downloaded a travel app
- Travel e-commerce grew 73% from '05 to '10 to \$85 billion in US
- Mobile e-commerce to reach \$163 billion worldwide by 2015



# Travel Industry

## Online Travel- First Wave

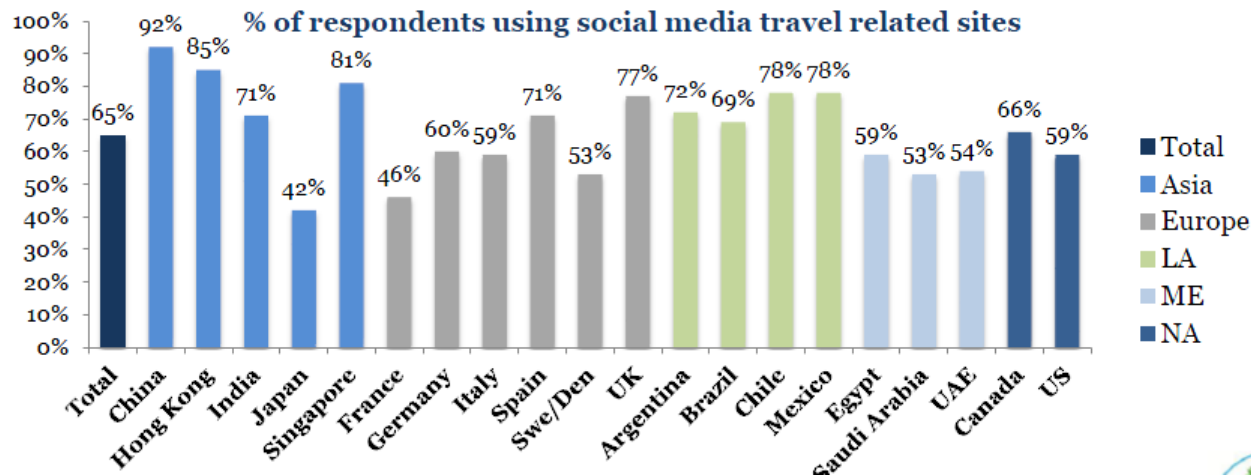
### Statistical Profile

- Travel e-commerce grew 73% from 2005 to 2010 to \$85 billion.
- 84% of leisure travelers used the Internet to make reservations in 2011.
- 82% of online travelers say they can find everything to plan and book a vacation online
- Only 22% say they have developed a travel planning routine.

### Trends

- Hotels, airlines and other operators trying to dis-intermediate Online Travel Agencies (OTAs)
- Traveler data developing into most valuable non-PII information on the web
- Advertisers continuing to seek new ways to target online travelers
- Social media gaining traction as a legitimate source of travel information

### Social Media Becoming More Relevant for Travel



# Hipmunk

**ISHC**  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

## Company Overview

- Launched by MIT grad Adam Goldstein and reddit co-founder Steve Huffman in 2010
- Hipmunk puts the fun back in travel planning with a user-friendly interface that takes the “agony” out of travel planning and organizes relevant flight information it into a useful visual (rather than text-based) interface

## Investment Thesis

- Viral growth (traffic has seen month-over-month double digit growth for 6 months)
- Opportunity to steal market share from OTAs and other booking engines
- Ability to grow through hotels and ancillary services

## Thayer Role

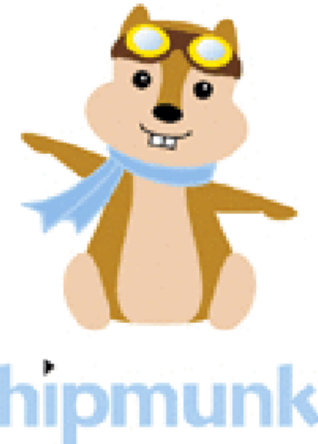
- Great value add through airline relationships
- Thayer will continue to play large role particularly in hotel space

## Investment Data

- Originally invested \$100,000 on May 4, 2011
- IVP led Series B round in May, 2012 at 2.5x original investment – Thayer invested an additional \$250,000

## Exit Scenarios

- Hipmunk has received multiple inbound M&A inquiries – multiple acquirers in the mix
- Investors believe allowing viral growth and traditional marketing campaigns to continue prior to sale will add significant value



**ISHC Annual Conference – THE HEAT IS ON!**

# New BrandAnalytics



## new BrandAnalytics

### Company Overview

- nBA generates customer satisfaction insight and competitive intelligence from social media feedback for the Hospitality, Restaurant, and Retail industries

### Investment Thesis

- Deep technical IP (Social Guest Satisfaction™)
- Natural language platform & industry-tuned index of sentiment terms
- Exponentially expanding database
- Key bench heads and partnerships with leading customers

### Thayer Role

- Adding significant value through relationships in foodservice sector
- Chris Hemmeter has played an active role in the company

### Investment Data

- Originally invested \$75,000 on March 21, 2011 (currently marked up 3.3x)
- Total investment of \$571,568 over two subsequent rounds
- NEA and Revolution Partners led the most recent financing in October 2011

### Exit Scenarios

- Multiple buckets of acquirors include SaaS, social media and hospitality companies
- New investors and new CEO create significant financial and growth upside



**ISHC Annual Conference – THE HEAT IS ON!**

PURE

ISHC  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

PURE®

Live without boundaries.

**33%** of hotel bookings have someone in the room that suffers from asthma or other respiratory allergy.

*ISHC Annual Conference – THE HEAT IS ON!*

# hotelme

**ISHC**  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

**hotelme**  
Real Reviews from People Like You

## What are "Verified Reviews"?

This is your assurance that the reviews you are reading have undergone our authentication process and are from real guests who actually paid and stayed at the hotel.

## What is "Authentication?"

Simply stated, it means that the participating brands and hotels have joined our authentication platform (patent pending) which reviews information against property records to ensure that he or she truly stayed at the property they reviewed.

## What does this ultimately mean for you?

It means that you can trust the reviews you find on this site, because they're based on Real Stays<sup>SM</sup>. We believe it's just one of the key factors that set HotelMe apart, as a source that you can trust for your travel planning needs.

***ISHC Annual Conference – THE HEAT IS ON!***



# hotelme

# ISHC

INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

**hotelme** beta  
Real Reviews from People Like You

find hotels by name or destination

hotel reviews guides sign in

in association with **USA TODAY**

**Real Reviews.**  
From People Like You.

Finding it hard to trust online travel reviews? HotelMe offers **Verified Reviews** based on Real Stays.™ Join us in creating the most credible source of hotel reviews on the Web.

Traveled lately? Write a review.

Write a **real review** for a chance to win a **real getaway** from **Hard Rock & hotelme**

This week, Hard Rock Hotels is giving away 6 weekend stays and 1 six night stay!

**A New Winner Everyday!** Details ▶

NO PURCHASE NECESSARY. Ends 11/1/12. To enter and for Official Rules, visit www.hotelme.com/win.

Recently Reviewed Hotels

 Annapolis, MD <b>Annapolis Marriott Waterfront</b> <a href="#">book now!</a>	 Annapolis, MD <b>Hilton Garden Inn Annapolis</b> <a href="#">book now!</a>
--	--

The brands below have nothing to hide and are committed to enhancing your travel planning by verifying stays at their hotels. While not every brand has taken a stand with us against fictitious reviews, new hotels are joining every day.


**ISHC Annual Conference – THE HEAT IS ON!**

# Other Innovations



## **Nor1 Upsell Solutions Increase Hotel RevPAR and Boost Guest Satisfaction**



**Duetto Edge™ helps you optimize demand -- to maximize revenues and minimize expenses, easily and efficiently. It highlights opportunities to raise rate or shift mix, monitor competitors, identify parity problems, reduce technology costs and eliminate the need for tedious data entry. Duetto Edge is more than just a revenue management system. It's where innovation and insight meet.**

Questions?

ISHC  
INTERNATIONAL SOCIETY OF  
HOSPITALITY CONSULTANTS

Questions?



*ISHC Annual Conference – THE HEAT IS ON!*