

Drowzey Hotel

Table: Milestones

Milestones					
Advertising	Start Date	End Date	Budget	Manager	Implemented by
New print ad design	2/1/2010	2/28/2010	\$2,000	Marketing Mgr	Ad firm
Start running new print ads	3/15/2010	4/15/2010	\$0	Marketing Mgr	Ad firm
Pay-per-click campaign revision	1/15/2010	1/31/2010	\$1,000	Marketing Mgr	PPC company
Total Advertising Budget			\$3,000		
PR	Start Date	End Date	Budget	Manager	Implemented by
Hire new PR agency	2/1/2010	3/31/2010	\$0	Marketing Mgr	Marketing Mgr
Renew press contact list	4/15/2010	4/30/2010	\$2,000	Marketing Mgr	PR agency
Total PR Budget			\$2,000		
Direct Marketing	Start Date	End Date	Budget	Manager	Implemented by
Design postcard mailing template	3/15/2010	3/31/2010	\$2,000	Marketing Mgr	Ad firm
Design letter mailing template	4/15/2010	4/30/2010	\$2,000	Marketing Mgr	Ad firm
Total Direct Marketing Budget			\$4,000		
Web Development	Start Date	End Date	Budget	Manager	Implemented by
Hire blog editor	5/1/2010	5/31/2010	\$1,000	Marketing Mgr	Marketing Mgr
Begin regular blog posts	6/15/2010	6/15/2010	\$0	Marketing Mgr	Blog Editor
Virtual tour update and redesign	2/1/2010	2/28/2010	\$5,000	Marketing Mgr	Ad firm
Total Web Development Budget			\$6,000		
Other	Start Date	End Date	Budget	Manager	Implemented by
Plan first focus group	4/1/2010	5/31/2010	\$1,000	Marketing Mgr	Marketing Mgr
Hold first focus group	6/15/2010	6/15/2010	\$10,000	Marketing Mgr	Marketing Mgr
Total Other Budget			\$11,000		
Totals			\$26,000		

12.0 Critical Numbers

The critical numbers of the business will be tracked through the following means:

- Leads, testimonials, and referrals will be tracked through the CRM system. These will be entered automatically as the leads come over the Web and by hand by the customer service or sales person dealing with them otherwise.
- Leads converted (through room reservations) are logged automatically in the CRM system, which doubles as an accounting software suite.
- Marketing expenses are entered, as they are incurred, into the system by the accounting department.
- All departments are required to make all entries within 24 hours of when they are incurred to keep the system up to date at all times.

12.1 Sales Forecast

Sales are currently higher in the category of introductory level rooms. As marketing efforts pay off over the next two years, unit sales for mid-level and premium level rooms are expected to increase relative to introductory level rooms. Room service sales are driven by room nights sold. Generally, every night of a premium room rental corresponds to a room service purchase, 75% of mid-level room rentals and 50% of introductory-level room rentals.

Prices are expected to rise on average over the next three years as the business can

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command higher prices from customers.

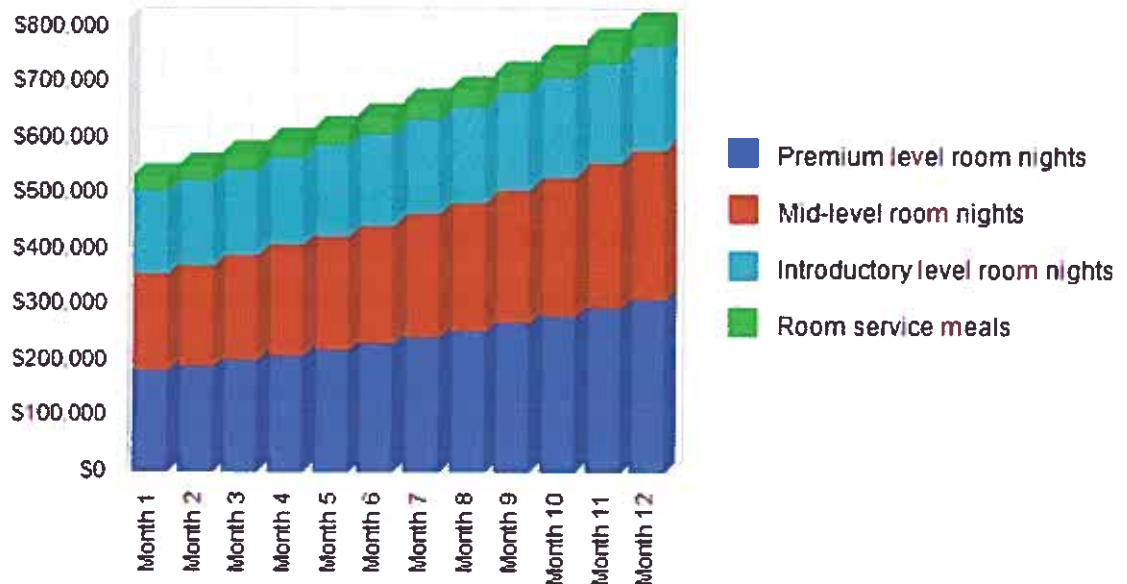
Sales are projected to rise towards full capacity (50 rooms x 365 nights per year = 18,250 room nights) but not reach more than 80% of this number. This is due to the fact that it is in the best interest of the hotel to not discount rooms so highly that they are all used at all times. Off-peak times will be slower, but the hotel will maintain its premium-level pricing for the most part through this method.

Table: Sales Forecast

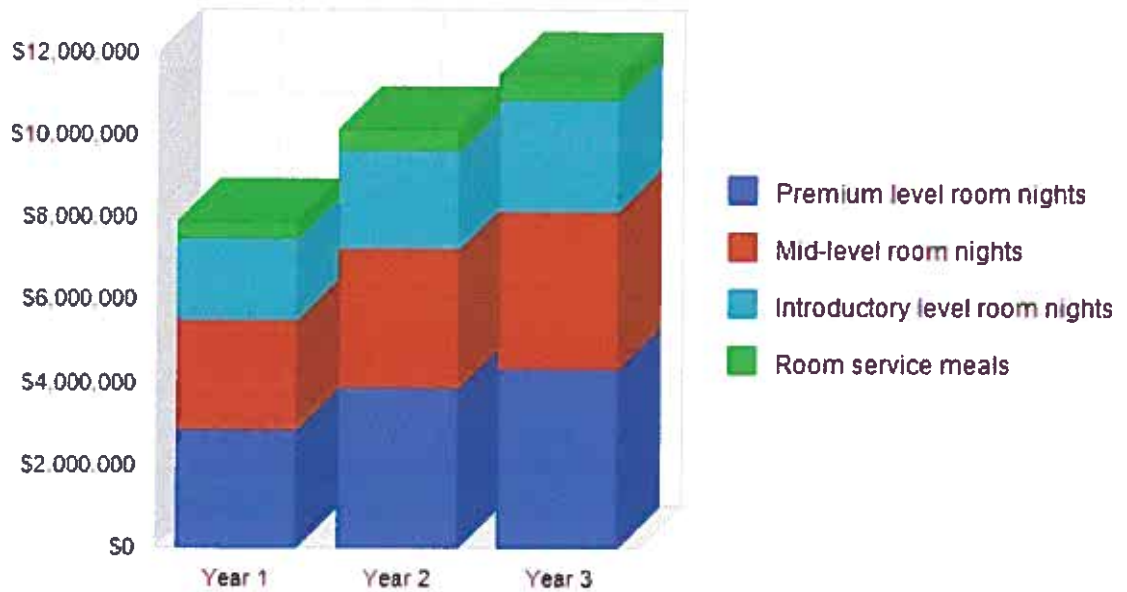
Sales Forecast			
	Year 1	Year 2	Year 3
Unit Sales			
Premium level room nights	3,183	4,187	4,564
Mid-level room nights	3,756	4,665	5,084
Introductory level room nights	4,024	4,521	4,928
Room service meals	8,013	9,946	10,841
Total Unit Sales	18,976	23,318	25,417
Unit Prices			
Premium level room nights	\$900.00	\$925.00	\$950.00
Mid-level room nights	\$700.00	\$725.00	\$750.00
Introductory level room nights	\$500.00	\$525.00	\$550.00
Room service meals	\$50.00	\$55.00	\$60.00
Sales			
Premium level room nights	\$2,865,083	\$3,872,892	\$4,335,546
Mid-level room nights	\$2,629,516	\$3,381,796	\$3,813,266
Introductory level room nights	\$2,011,813	\$2,373,477	\$2,710,285
Room service meals	\$400,629	\$547,018	\$650,454
Total Sales	\$7,907,041	\$10,175,183	\$11,509,551
Direct Unit Costs			
Premium level room nights	\$162.00	\$166.50	\$171.00
Mid-level room nights	\$140.00	\$145.00	\$150.00
Introductory level room nights	\$125.00	\$131.25	\$137.50
Room service meals	\$20.00	\$22.00	\$24.00
Direct Cost of Sales			
Premium level room nights	\$515,715	\$697,121	\$780,398
Mid-level room nights	\$525,903	\$676,359	\$762,653
Introductory level room nights	\$502,953	\$593,369	\$677,571
Room service meals	\$160,252	\$218,807	\$260,181
Subtotal Direct Cost of Sales	\$1,704,823	\$2,185,656	\$2,480,804

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Sales Monthly



Sales by Year



12.2 Marketing Expense Budget

The marketing expense budget divides expenses into their major categories:

- Advertising represents print and online external ads.
- Direct mail represents the postcard and letter mailing campaign to high net worth

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individuals. The mailings will vary between the two formats each month and the expense will fluctuate a bit as the letter mailings are more expensive.

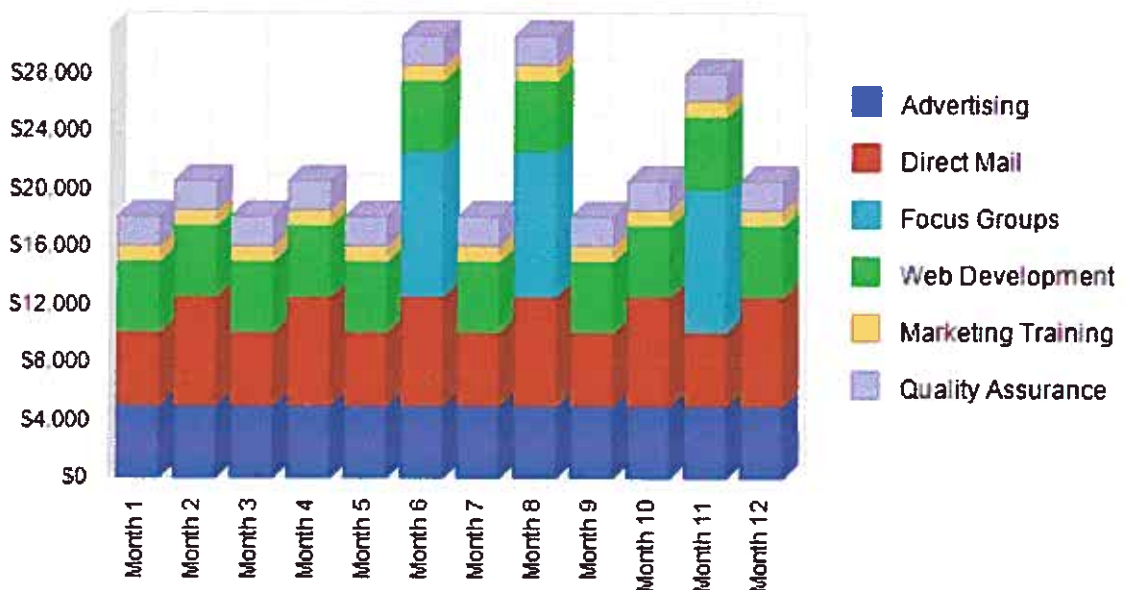
- Focus groups are costly as the discounts and free services offered to customers are logged as an expense on the books, as is the direct cost of the lunch provided.
- Web development includes website maintenance and hosting, virtual tour development, email newsletters, and the company blog.
- Marketing training reflects the cost in time and materials of orientation and ongoing training and exams for staff.
- Quality assurance reflects the cost in time and materials to review customer issues and ratings, as well as the bonuses from the quality assurance program.

Total expenses will increase as some activities, like the focus groups, are ramped up, and as the cost of doing business increases with inflation. In general terms, advertising and direct mail represent the expense of lead generation, focus groups and Web development represent the expense of lead conversion, and marketing training and quality assurance represent the expense of the service experience.

Table: Marketing Expense Budget

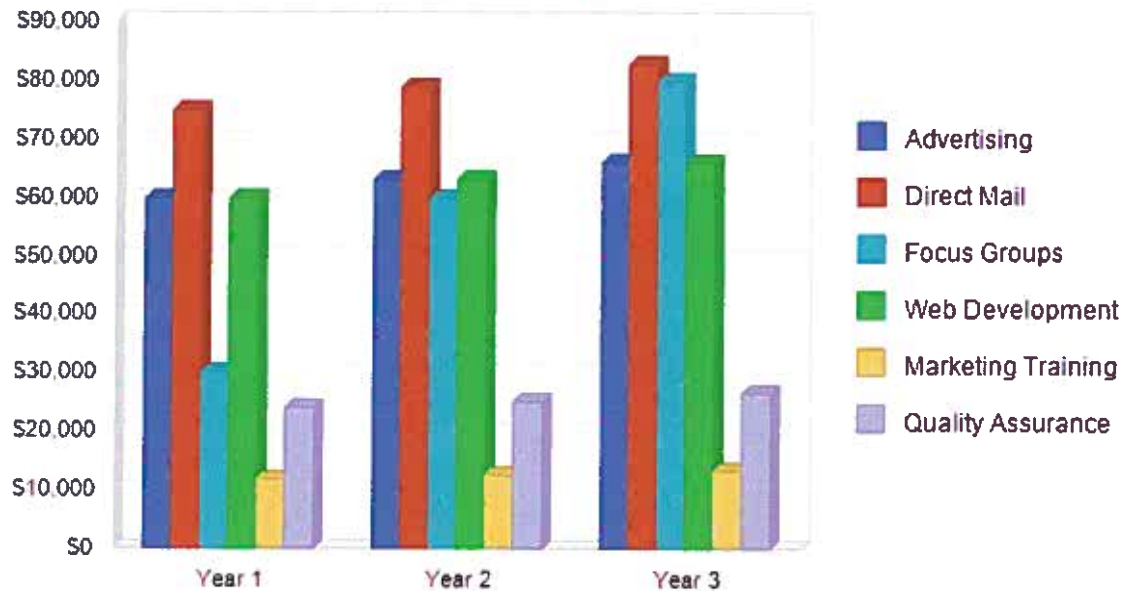
Marketing Expense Budget	Year 1	Year 2	Year 3
Advertising	\$60,000	\$63,000	\$66,150
Direct Mail	\$75,000	\$78,750	\$82,688
Focus Groups	\$30,000	\$60,000	\$80,000
Web Development	\$60,000	\$63,000	\$66,150
Marketing Training	\$12,000	\$12,600	\$13,230
Quality Assurance	\$24,000	\$25,200	\$26,460
Total Sales and Marketing Expenses	\$261,000	\$302,550	\$334,678
Percent of Sales	3.30%	2.97%	2.91%

Monthly Expense Budget



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Annual Expense Budget



12.3 Key Marketing Metrics

The key marketing metrics will be reported each month. The marketing manager will create this report out of the CRM system and share the results with the CEO in the monthly review meeting.

Leads (including all referrals, website queries, and attendees of the virtual tour) are expected to grow at a steady rate. Lead conversion is expected to increase as the hotel establishes its name and preeminence in the Somnigstad area.

The average dollars spent per customer transaction is between one and two nights and will grow as more customers stay two nights or longer and move to higher priced rooms in the coming two years. The ability of the company to charge higher average prices for its rooms as capacity is better utilized will also drive this number up. It is estimated that 20% of leads will be from referrals which will be generated from customers and corporate relationships.

PR mentions will be tracked by the PR agency and they will provide a report on this data to Drowzey Hotel once a month along with all clippings or copies of mentions.

Testimonials will be derived from the best 10% of customer comments. These customers will be asked to expand their comments into a testimonial after their visits in a follow-up email. These customers will be offered a gift of Drowzey Hotel chocolates or other sweets as an incentive for expanding their comment into a testimonial.

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Table: Key Marketing Metrics

Key Marketing Metrics			
	Year 1	Year 2	Year 3
Revenue	\$7,907,041	\$10,175,183	\$11,509,551
Leads	15,917	21,550	22,628
Leads Converted	16.75%	20.00%	21.00%
Avg. Transactions/Customer	1.00	1	1
Avg. \$/Customer	\$1,252	\$1,693	\$1,863
Referrals	3,183	4,310	4,526
PR Mentions	191	300	315
Testimonials	270	345	380
Focus Groups	3	6	10

13.0 Marketing Training Game

All staff interact with customers in one way or another. Even kitchen staff, who may never see the guests they serve, will prepare food according to the Drowzey Hotel's ideal.

All staff members will receive specific technical training, observation, and testing over the course of two weeks. During this time they will also be led in ten one-hour marketing sessions covering the following material:

- Core message and what it means to their job
- Case studies of how the hotel has fulfilled its mission in the past
- The ideal target client description, characteristics, and behaviors
- The current marketing materials and campaign
- The virtual tour

Even staff who will not be directly involved in using the marketing materials and virtual tour need to understand how the hotel is represented in these external messages. These sessions will be led by the marketing director and will be held with multiple new staff members when possible.

Routine education will include quarterly testing on the company's marketing, core message, and how it plays out in real-life situations. To prepare for these quarterly tests, marketing meetings will be held with all staff twice a month to keep a direct connection between the marketing manager and staff. The tests will be administered in a thirty-minute session to multiple staff members at one time to insure their continued understanding of the hotel's marketing vision and tactics.

Appendix

Table: Sales Forecast

Sales Forecast												
Unit Sales												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Premium level room nights	200	210	221	232	243	255	268	281	295	310	326	342
Mid-level room nights	250	260	270	281	292	304	316	329	342	356	370	385
Introductory level room nights	300	306	312	318	325	331	338	345	351	359	366	373
Room service meals	538	558	579	602	625	649	674	700	728	756	786	817
Total Unit Sales	1,288	1,334	1,382	1,433	1,485	1,540	1,596	1,655	1,717	1,781	1,848	1,917
Unit Prices												
Premium level room nights	\$900.00	\$900.00	\$800.00	\$900.00	\$800.00	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00
Mid-level room nights	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00
Introductory level room nights	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
Room service meals	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Total Sales	\$1,160,000	\$1,189,000	\$1,108,450	\$1,289,373	\$1,191,791	\$1,382,731	\$1,431,217	\$1,486,278	\$1,542,942	\$1,600,239	\$1,663,201	\$1,728,861
Premium level room nights	\$175,000	\$182,000	\$189,280	\$196,851	\$204,725	\$212,914	\$221,431	\$230,288	\$239,500	\$249,080	\$259,043	\$269,404
Introductory level room nights	\$150,000	\$153,000	\$156,060	\$159,181	\$162,365	\$165,612	\$168,924	\$172,303	\$175,749	\$179,264	\$182,849	\$186,508
Room service meals	\$26,875	\$27,900	\$28,968	\$30,081	\$31,241	\$32,450	\$33,710	\$35,023	\$36,392	\$37,820	\$39,309	\$40,861
Total Sales	\$531,875	\$551,900	\$572,758	\$594,486	\$617,122	\$640,707	\$665,282	\$690,892	\$717,583	\$745,403	\$774,402	\$804,633
Direct Unit Costs												
Premium level room nights	18.00%	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00	\$162.00
Mid-level room nights	20.00%	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00
Introductory level room nights	25.00%	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
Room service meals	40.00%	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Direct Cost of Sales		\$32,400	\$34,020	\$35,721	\$37,507	\$39,382	\$41,352	\$43,419	\$45,590	\$47,870	\$50,263	\$52,776
Premium level room nights		\$35,000	\$36,400	\$37,856	\$39,370	\$40,945	\$42,583	\$44,286	\$46,058	\$47,900	\$49,816	\$51,809
Introductory level room nights		\$37,500	\$38,250	\$39,015	\$39,795	\$40,591	\$41,403	\$42,231	\$43,076	\$43,937	\$44,816	\$45,712
Room service meals		\$10,750	\$11,160	\$11,587	\$12,032	\$12,496	\$12,980	\$13,484	\$14,009	\$14,557	\$15,128	\$15,723
Subtotal Direct Cost of Sales		\$115,650	\$119,830	\$124,179	\$128,705	\$133,415	\$138,317	\$143,420	\$148,733	\$154,284	\$160,023	\$166,021
												\$172,267

Appendix

Table: Marketing Expense Budget

Marketing Expense Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Advertising	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Direct Mail	\$5,000	\$7,500	\$5,000	\$7,500	\$5,000	\$7,500	\$5,000	\$7,500	\$5,000	\$7,500	\$5,000	\$7,500
Focus Groups	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$10,000	\$0	\$0	\$10,000	\$0
Web Development	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Marketing Training	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Quality Assurance	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Sales and Marketing Expenses	\$18,000	\$20,500	\$18,000	\$20,500	\$18,000	\$30,500	\$18,000	\$30,500	\$18,000	\$20,500	\$28,000	\$20,500
Percent of Sales	3.38%	3.71%	3.14%	3.45%	2.82%	4.76%	2.71%	4.41%	2.51%	2.75%	3.62%	2.55%

Appendix

Table: Key Marketing Metrics

Key Marketing Metrics												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue	\$531,875	\$551,900	\$572,758	\$594,486	\$617,122	\$640,707	\$665,282	\$690,892	\$717,583	\$745,403	\$774,402	\$804,633
Leads	1,000	1,050	1,103	1,158	1,216	1,276	1,340	1,407	1,477	1,551	1,629	1,710
Leads Converted	15.00%	15.00%	15.00%	16.00%	16.00%	17.00%	17.00%	17.00%	18.00%	18.00%	18.00%	19.00%
Avg. Transactions/Customer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Avg. \$/Customer	\$1,000	\$1,040	\$1,082	\$1,125	\$1,170	\$1,217	\$1,265	\$1,316	\$1,368	\$1,423	\$1,480	\$1,539
Referrals	200	210	221	232	243	255	268	281	295	310	326	342
PR Mentions	10	10	10	10	12	14	15	17	20	23	25	25
Testimonials	15	16	17	19	19	22	23	24	27	28	29	32
Focus Groups	0	0	0	0	0	1	0	1	0	0	1	0

Appendix

Table: Gap Dashboard

Gap Dashboard	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Personal												
Speaking engagement requests	0	0	0	0	1	1	1	0	1	0	1	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Business												
Revenue	\$531,875	\$551,900	\$572,758	\$594,488	\$617,122	\$840,707	\$665,282	\$690,892	\$717,583	\$745,403	\$774,402	\$804,633
\$ Per Customer Transaction	0	0	0	0	0	0	0	0	0	0	0	1,282
Leads	1,000	1,050	1,103	1,158	1,216	1,276	1,340	1,407	1,477	1,551	1,629	1,710
Tactical												
Individuals targeted by direct mail	5,000	0	0	0	0	5,000	0	0	0	0	0	0
Focus Groups	0	0	0	0	0	1	0	0	1	0	1	0
Strategic												
Customer satisfaction level at highly satisfactory	0	0	0	0	0	0	0	0	0	0	0	90%
Formes Star Rating	0	0	0	0	0	0	0	0	0	0	0	4