

You're traveling through another dimension — a dimension not only of sight and sound but of mind. A journey into a wondrous land whose boundaries are that of 3rd party competitors imagination. That's a signpost up ahead: your

next stop: The Distribution Zone!

Hotwire

Starwood

Marriott

WizCom

Hilton

UniRez

Cheaptickets.com

iHotelier

Lodging.com

Synxis

WorldRes

InterActiveCorp

Marriott

WizCom

Hilton

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Synxis

iHotelier

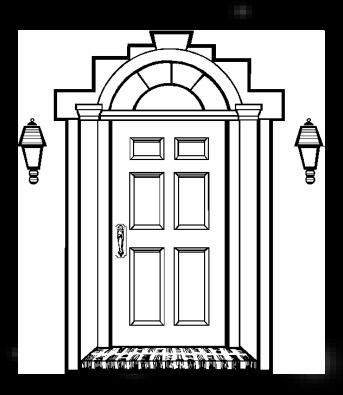
Starwood

WorldRes

InterActiveCorp

You unlock this door with the key of imagination. Beyond it is another dimension: a dimension of **Brands**, a dimension of **Discounts**, a dimension of mind. You're moving into a land of both shadow and substance, of things and ideas. You've just crossed

over into... the Distribution Zone.



The Distribution Zon

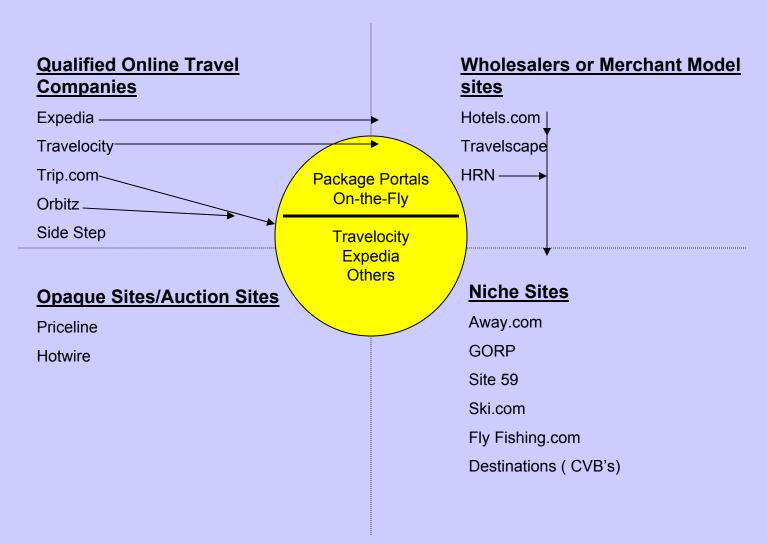


Our Short Time Together

- 3rd Party Sites, Rumor of their demise is greatly exaggerated
- Channel Management
- Channel Conversion
- Search Engines
- 3rd Party Contract Issues 2004
- CyberRisk
- Q&A

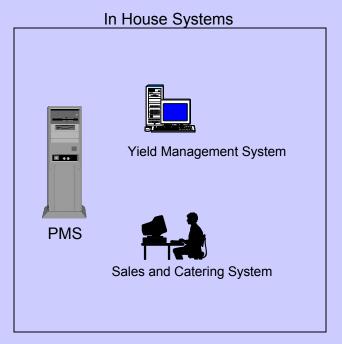


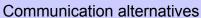
Types of sites

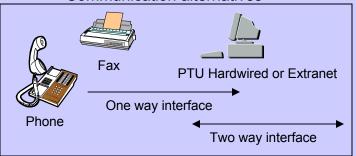


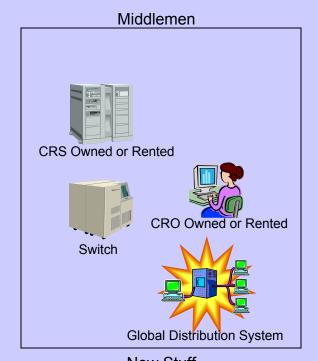


Distribution System Components





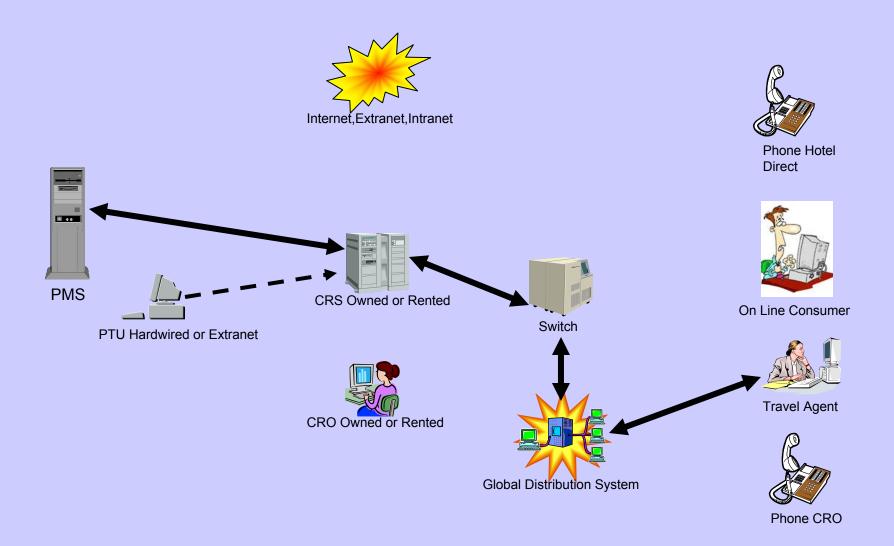




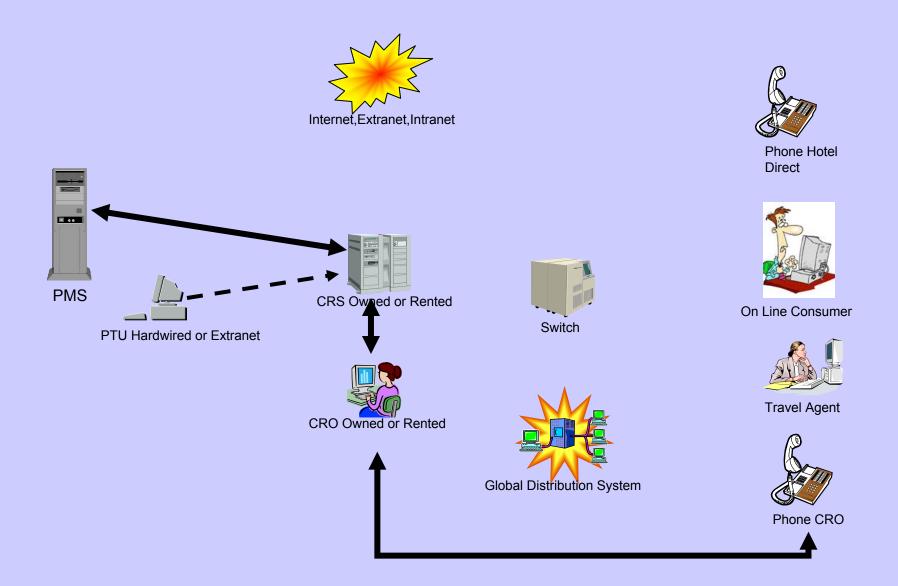




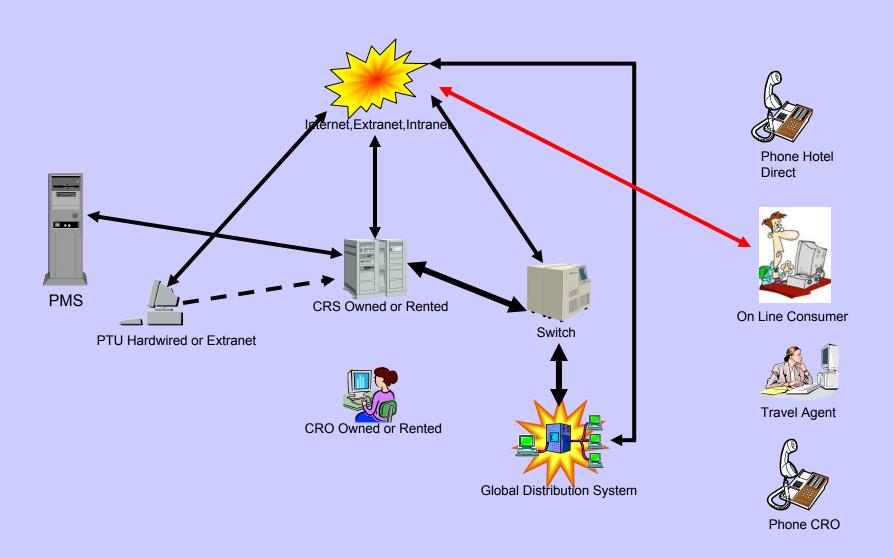
Travel Agent



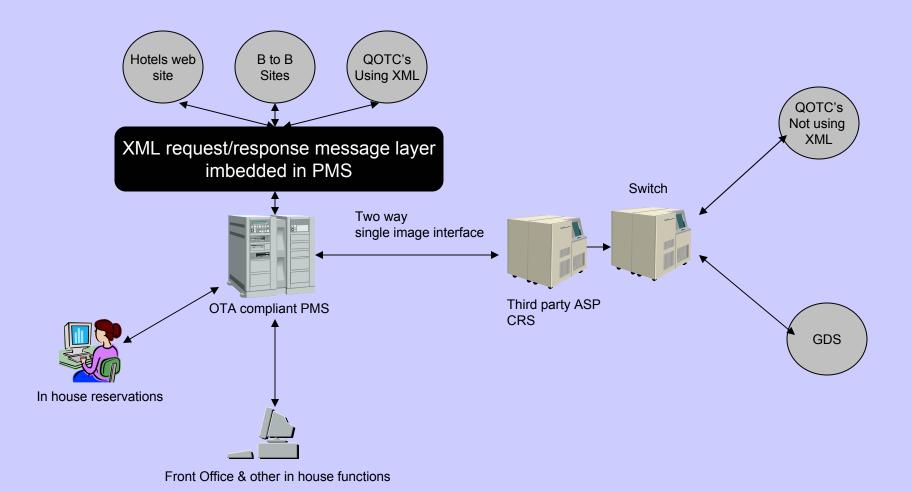
Guest to CRO



Consumer Online



Ideal reservation distribution system





THE PERFECT STORM

2001 & 2002

RECESSION

STOCK MARKET DEFLATION

TERRORISM

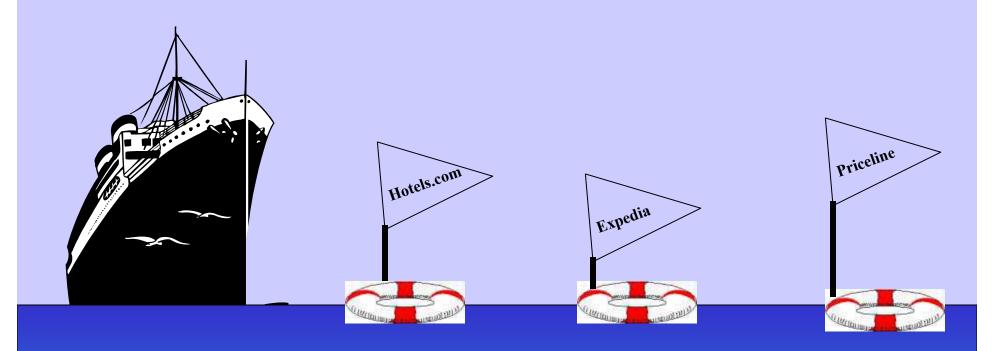
WEALTH LOSS

CORPORATE GOVERNANCE MALFEASANCE

REDUCED CORPORATE TRAVEL

EXPANDING HOTEL ROOM SUPPLY

The Good Ship "Merchant Model"







The Major Sites

Hotel Companies											
Name	Price Mkt Ca										
Choice	\$ 45.85	1.54B									
Starwood	\$ 41.46	8.47B									
Wyndham	\$ 1.00	160M									
Marriott	\$ 44.25	10.12B									

3rd Party Web Sites											
Name	Price	Mkt Cap									
IAC	\$ 34.01	23.65B									
Travelocity	\$ 25.12	3.52B									
Priceline	\$ 27.00	1.04B									

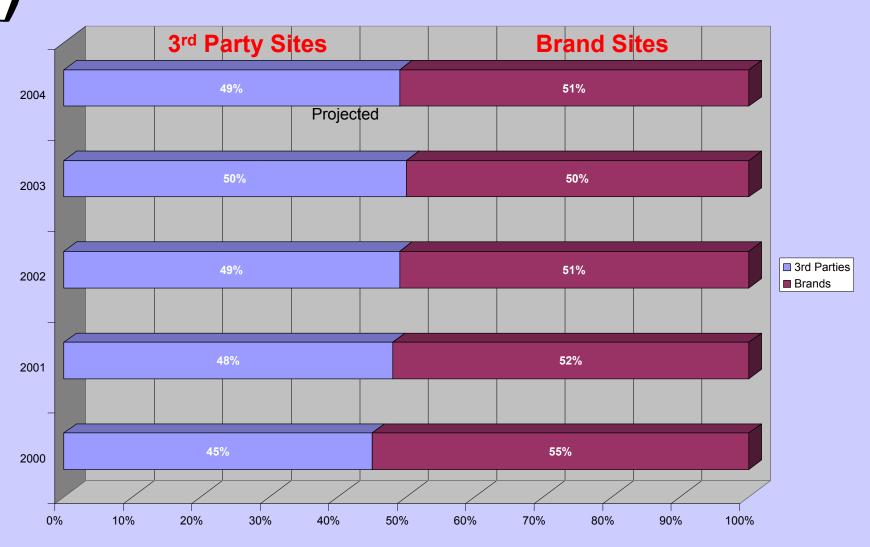
3 Hotel Companies
Top 3 "3rd Parties"

20.13 B 28.21 B

Prices as of noon April 2, 2004



Sales by 3rd Parties vs. Brands The Fight Continues and Brands are Losing





1% Market Share of Online Hotel Sales in 2004

\$118,000,000

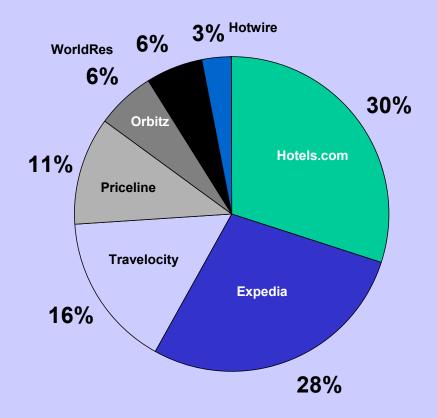


The Consumer is not Happy with Brands

	Offline Agency	Online Agency	Brand
Best Customer Service			
Simplest to Use			
Most Reliable			
Lowest Price			
Broadest Choice			



Market Share of Hotel Sales from 3rd Parties

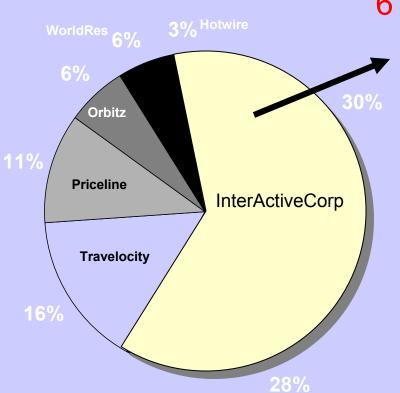


Only 2 Brands make the top 10 in online sales-Hilton and Marriot



Stated differently InterActiveCorp

(Expedia, Hotels.com, Travelscape, Hotwire)



61% Market Share

\$3.5 Billion in '04



Things to Watch in 2004 from our 3rd Party Friends

	Hotels.com	Expedia	Travelocity	Orbitz
Dynamic Packaging				
Loyalty Clubs				
Brands				
Business Travelers				
Group Sales				
SMERF & Weddings				



Mega Players in the Game

InterActiveCorp



Pegasus

Expedia

HRN (Hotels.com)

Travelscape

Hotwire

TripAdvisor

Ticketmaster

Vacation spot.com

Interval

International

Lending Tree

Match.com

WizCom

Trust

Galileo

Cheap Tickets.com

Trip.com

RCI

Hotels

Avis/Budget

Rezoultions/Anasazi

Thisco

Utell

ASP-PMS

TravelWEb.com



Biggest Player you never heard of Liberty Media Corporation

- 20% of InterActiveCorp
- 4% AOL Time Warner
- 3% Cendant Corporation
- 55% On Command
- 100% Starz
- 42% QVC
- 50% Discovery Communications (Travel Channel included here)
- 29% Sky Sports 1,2,3
- 56% DMX Music
- 30% the Wireless Group
- 89% True Position, Inc



Orbitz and Priceline, Give me no lifeline
Where all my business is, no one can tell
The .Com's are booking, My RevPar is looking
Like someone has shot it right straight to hell

Wasting away again in Merchant Modelville Hoping for some ...some rooms to be bought Some people claim, that the web is to blame But I know, it's my own damn fault





priceline.com°











Are you wasting away

In Merchant Modelville?



















If you are going to play you better do...

Channel Management & Channel Conversion



Ways a reservation shows up

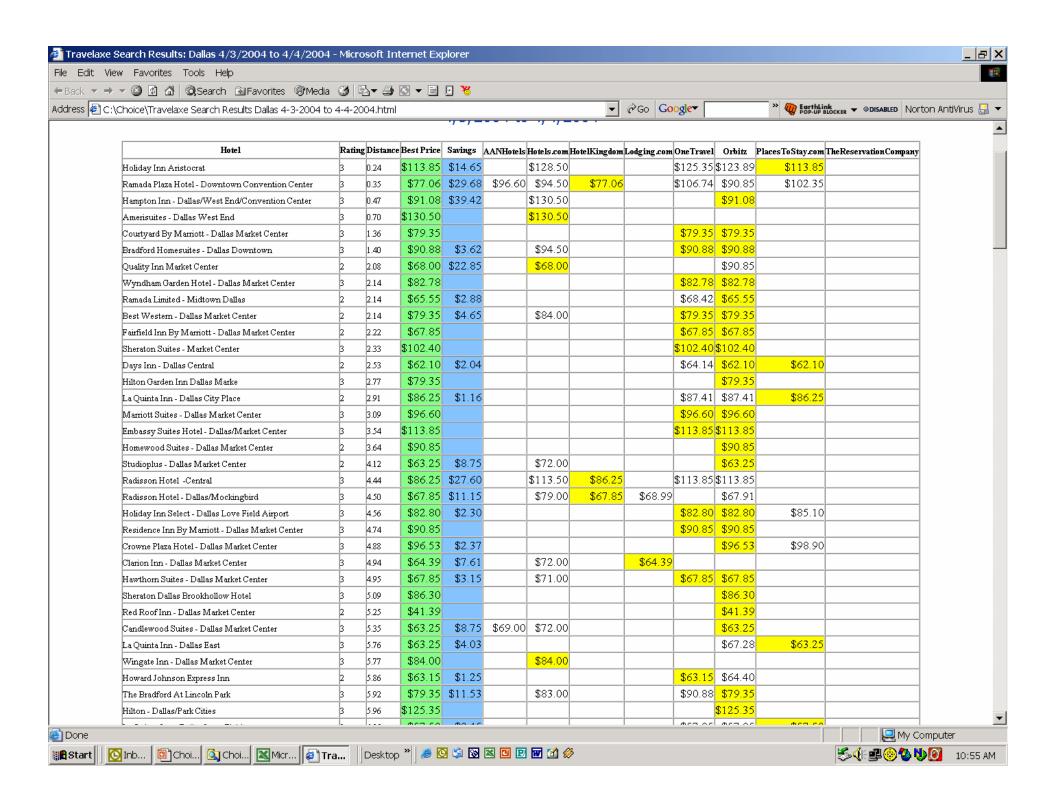
- Hotel Direct
- Internet your site
- Internet 3rd party
 - QOTC
 - Merchant
 - Opaque
 - Other
- Hotel CRS
- Travel Agent (GDS)
- Walk-in

The Goldman Sachs Story- A tale of poor channel management



Tips on Channel Management

- Know who your partners are
- Know where they get their inventory.. Remember the distribution partners for the big boys!
- Get on line or use technology to help you
- Know the consequences of your action
- Empower your staff to make a deal
- This is a daily event!!!



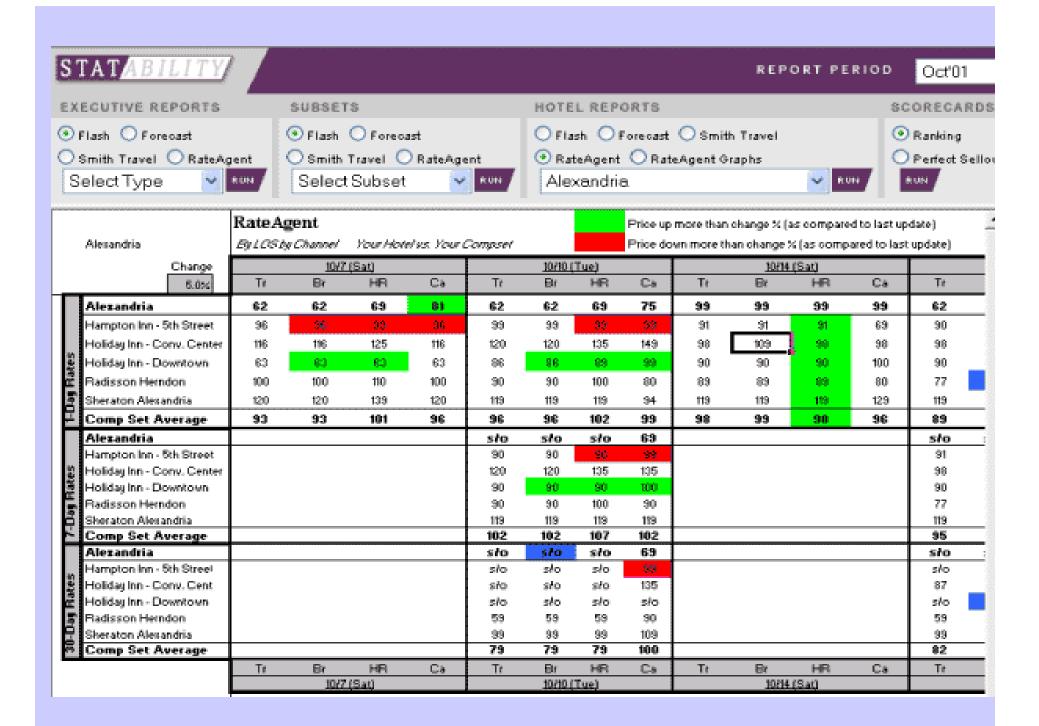
The Distribution Zon Search Done Noon Friday for April 3rd 1 night

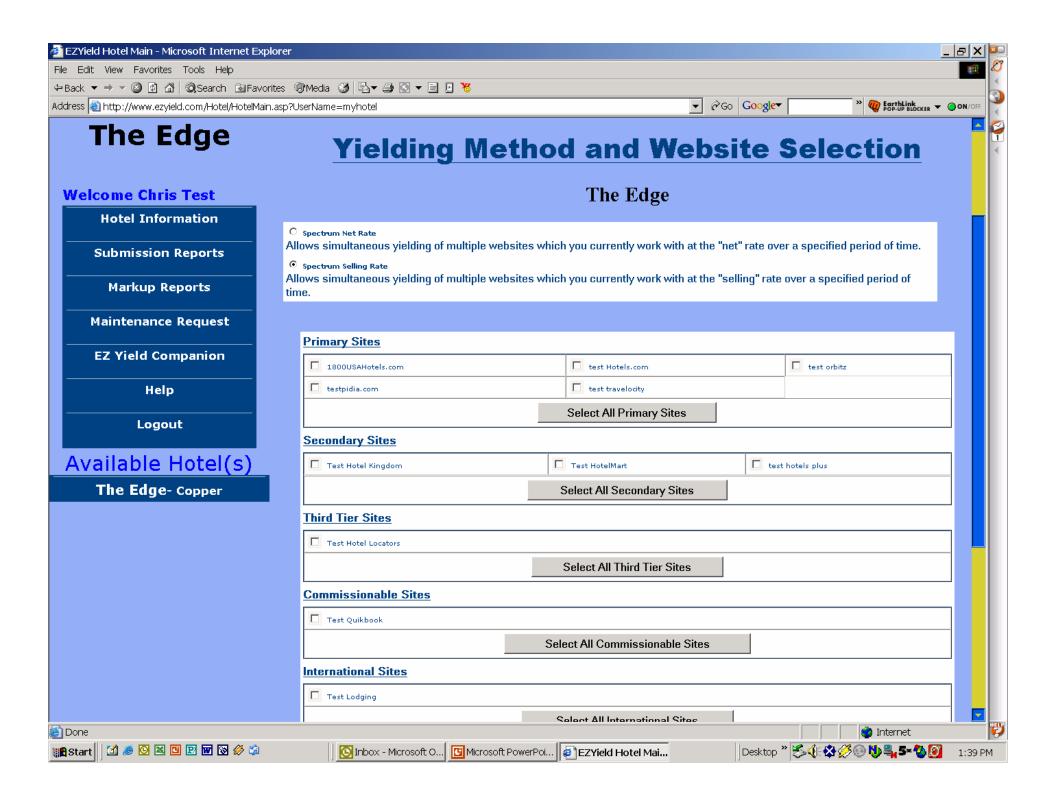
Hotel	Best Price	Savings	Hotels.com	Lodging.com	OneTravel	Orbitz
Comfort Inn -						
Dallas/Addison	\$48.10	\$20.90		\$57.49	\$48.10	\$69.00
Comfort Inn -						
Farmers Branch	\$89.76				\$89.76	\$89.76
Comfort Inn - Forest Hill	\$111.77				\$111.77	
Comfort Inn - Irving/DFW Airport South	\$96.60					\$96.60
Comfort Inn - Mesquite	\$62.10	\$18.34			\$62.10	•
Comfort Inn - Plano	\$71.00	\$1.44	\$71.00		\$72.44	
Comfort Inn - Richardson	\$62.09	\$6.90			\$62.09	\$68.99
Comfort Suites - Dallas	\$95.50	\$77.00	\$95.50	\$97.74	\$155.25	\$172.50
Comfort Suites -						
Lake Ray Hubbard	\$81.65				\$81.65	

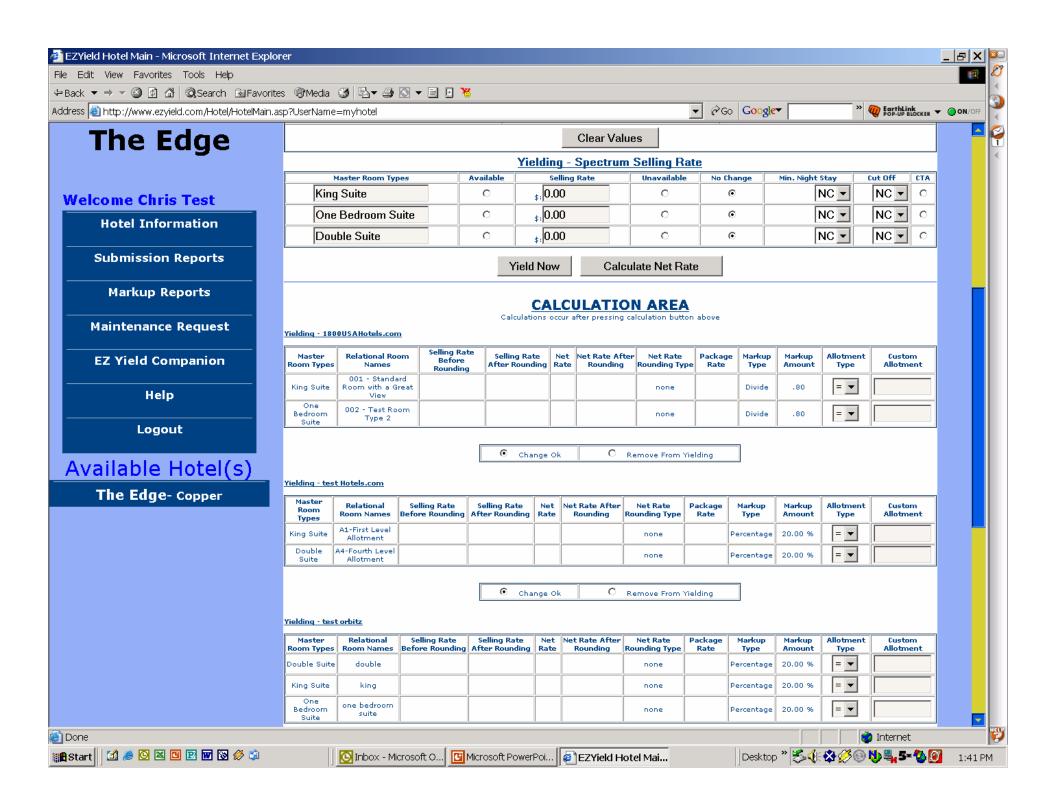
TIMS Report

	- "Low Rate Alert" as specified in Set Rate Alerts											- "High Rate Alert" as specified in Set Rate Alerts																
Low Rate	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed
	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25	7/26	7/27	7/28	7/29	7/30	7/31	8/01	8/02	8/03	8/04	8/05	8/06
BEAR CREEK LODGE AT MOUNTA	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99
THE HOTEL TELLURIDE #59331	189	189	189	189	189	189	189	189	XXX	XXX	189	189	189	189	XXX	XXX	XXX	189	189	189	189	189	XXX	XXX	XXX	189	189	XXX
INN AT LOST CREEK #52364	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325	325
WYNDHAM- WYNDHAM MOUNTAI	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
WYNDHAM-PEAKS RESORT GOL	209	209	209	209	209	209	209	209	269	269	209	209	209	209	209	269	269	239	239	239	239	239	269	269	239	239	239	239
0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

The Low Rate chart analyzes the lowest, non-qualified room rate for a 1 night stay. "XXX" = Sold Out for 1 Night "UTC"=Unable to Connect "MLS"=Minimum Length of Stay "CTA"=("XXX" = Sold Out for 1 Night" "UTC"=Unable to Connect" "MLS"=Minimum Length of Stay "CTA"=Closed to Arrival









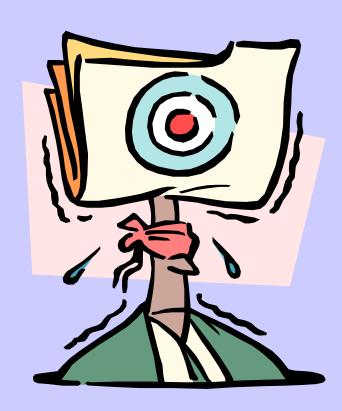
Tips on Channel Management

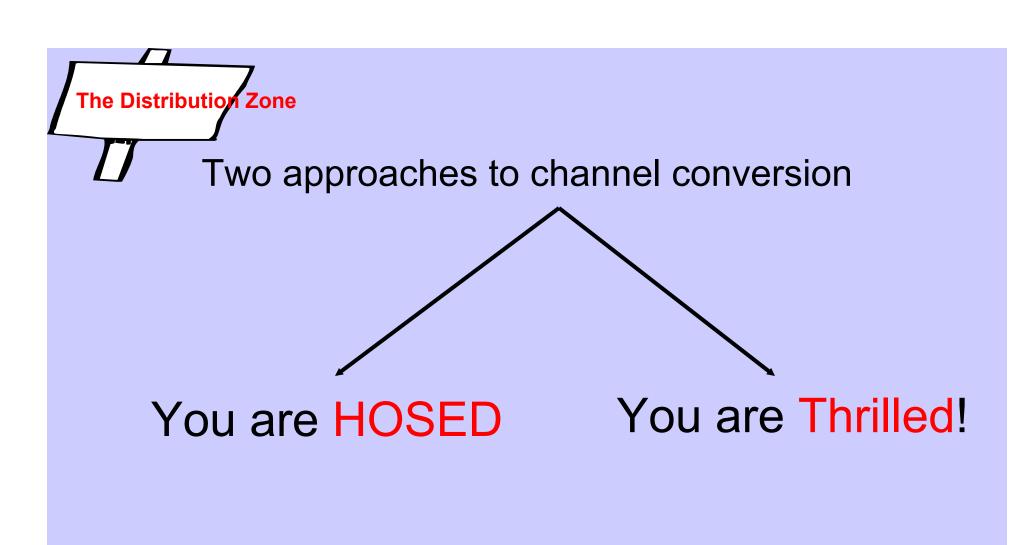
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Channel Conversion

Move them from where they are to where you want them to be!!!







Some Possible Channel Conversion Ideas

- Coupon at Check-in for X off if you book direct
- Double points for this stay IF you book with us next time
- Upgrade to better room type next time
- Sign up with loyalty club at check in
- COLLECT the DATA at check in and use in email program





Are you out on a <u>Limb</u>?

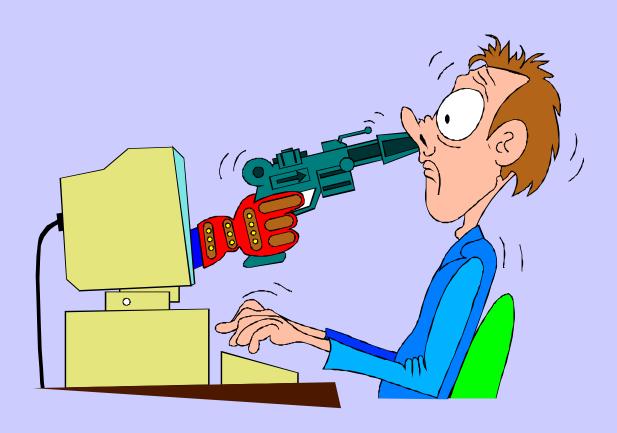


Some 3rd Party Contract "Risks" to Consider

- Tax on net or gross
 - Be sure your contract talks about this
- Is the site your "agent"
 - You hope NOT
- Are you going to get paid?
 - Escrow accounts
- Remember the Sherman Act- Who is setting your prices

Let's talk about search engines

What you see is not what you asked for!!!





Some good facts to know

- 60% of all users do not know that placement is purchased and believe listing priority is "best deal"
- 70% of users do not go past the 2nd page of listings



Placement on Travel Sites

- QOTC's
 - Buy a placement
 - Participate in the partner merchant model
 - Buy search specific placements
 - Buy Thinking time-Interstitial
- Merchant Models
 - Be the most profitable purchase
 - Buy placement within the specific search
 - Brand advertising
- Opaque Models
 - Be most profitable purchase
 - Participate in "packages on the fly"

Don't concentrate to hard, this is all changing in 60 days



Players in the Game

<u>Search Engines</u> <u>Search Software</u>

AOL Yahoo Overture (GoTo)(ad related bids)

Excite Earthlink Inktomi

AltaVista Google LookSmart

Lycos MetaCrawler Infospace (ad related with bids)

MSN Ask Jeeves Google (ad related with bids)

Sprinks HotBot Yahoo (ad related with bids)

WebCrawler Ixquick

Terms to keep in mind How a site lists a hotel

Featured Site Money Key word match (metatags)

Sponsored Site Algorithm Depends on the site

Web Directory Site Utilization Content



Who uses who?

Overture Bid per Search	Infospace, MSN, Lycos, Alta Vista, Yahoo, Inktomi
Inktomi Bid per Search	Look Smart, HotBot, Overture
Infospace Ad's	Excite, Netscape, Look Smart, Excite, AOL,Mobil, AT&T, Sprint
Google Ad's	Yahoo, Ask Jeeves, Earthlink, AOL, Netscape, NY Times, Washington Post



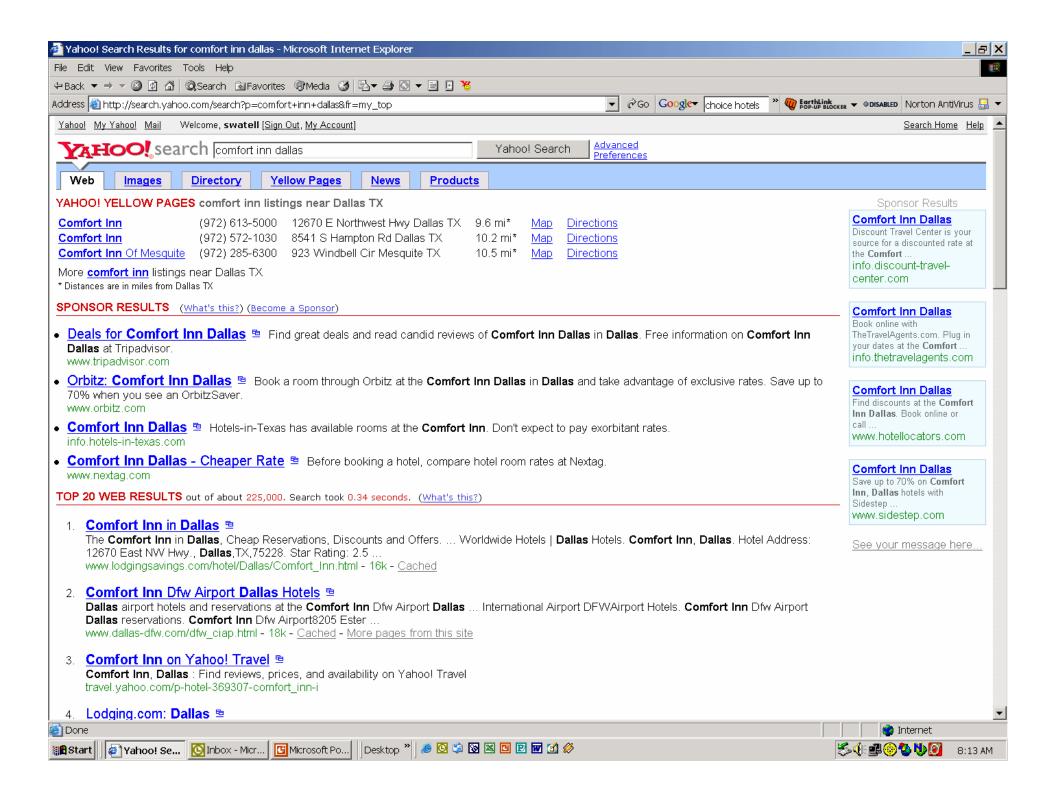
Diversion Marketing

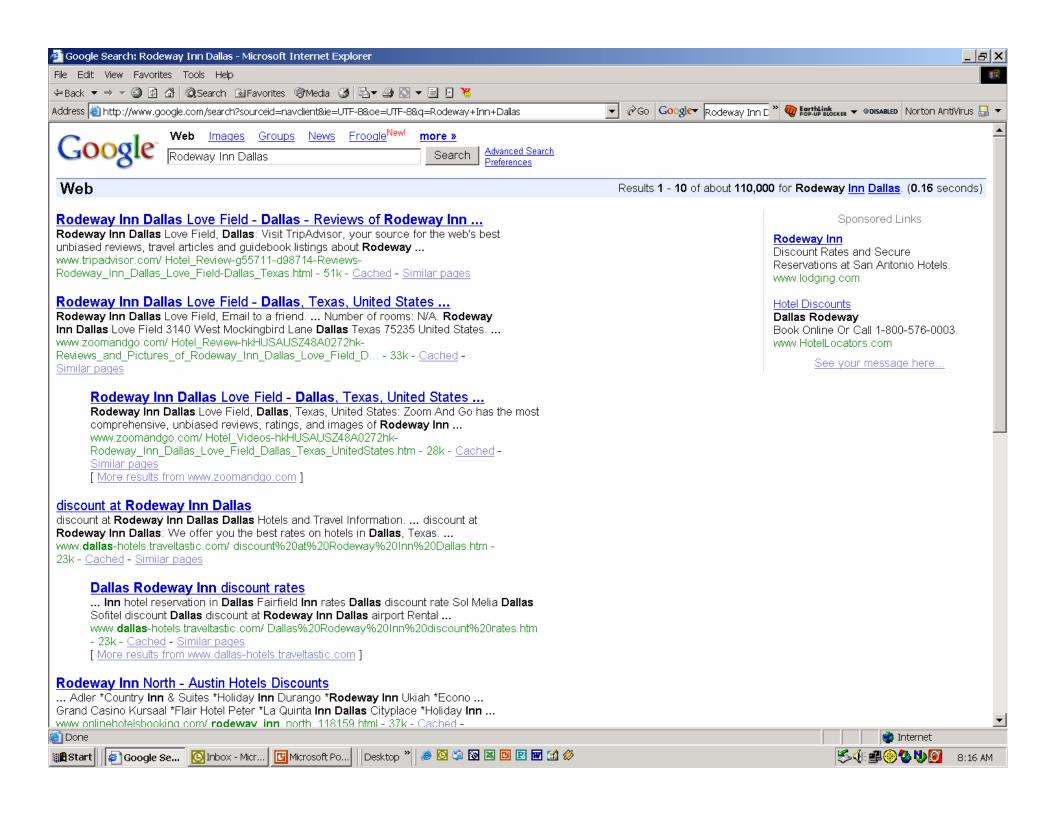
Cyber Squatting

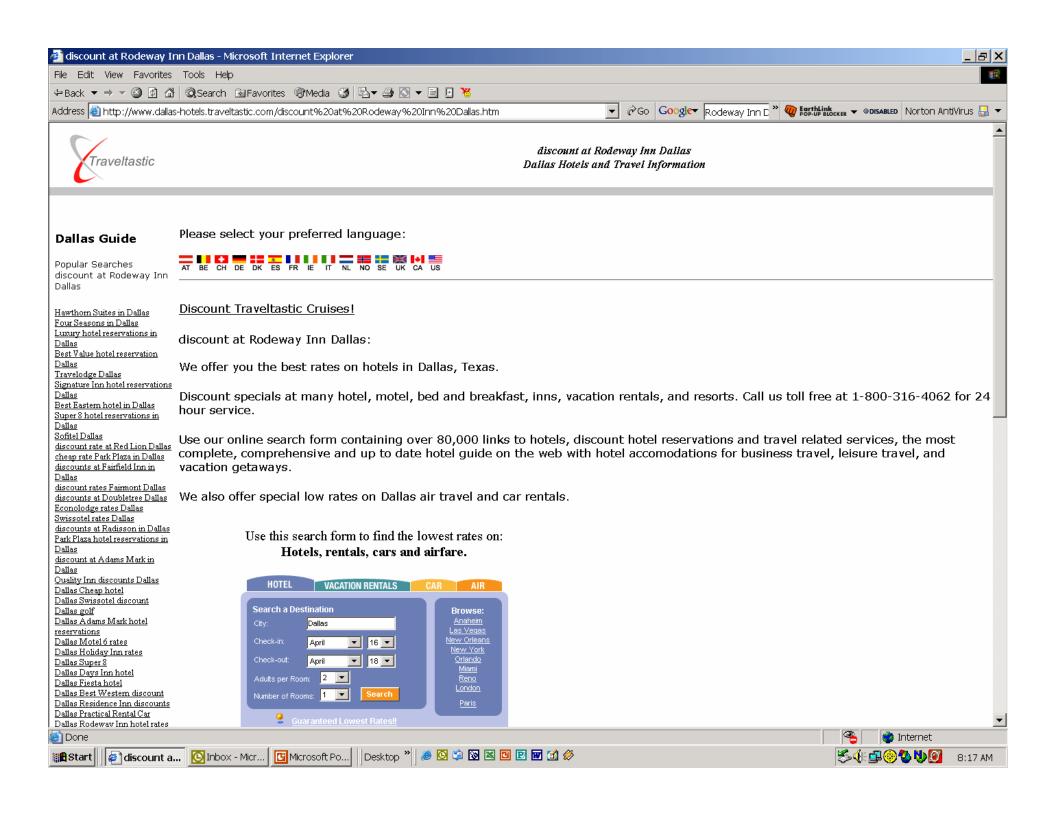


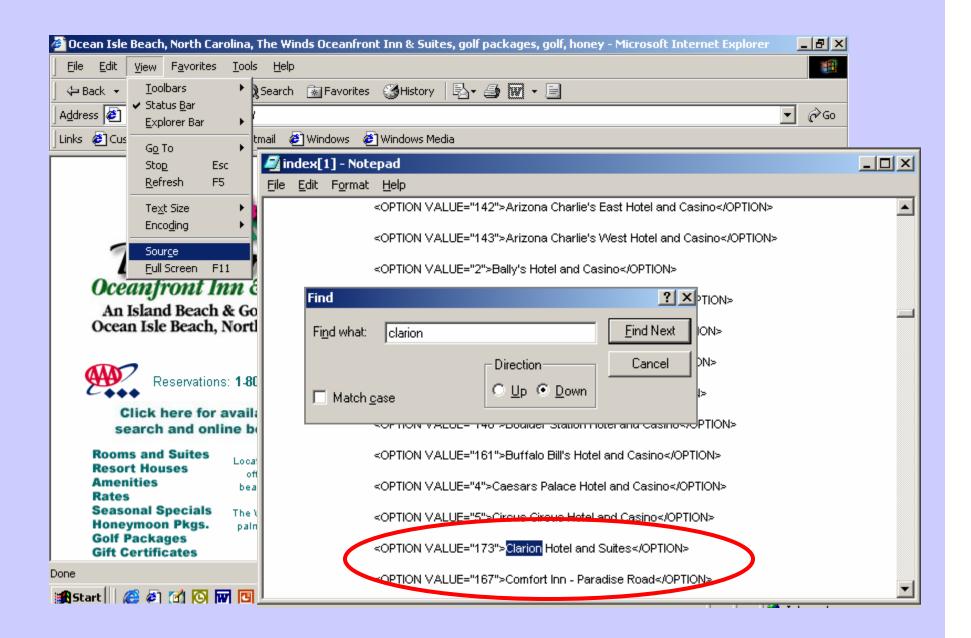
Brand Jacking

URL Knapping











Choice Internet Brand Watch

- Protecting Choice Trademarks Online; symbols, words, brand name, logos, etc. that distinguishes our brands
- Abusers compromising brand integrity & Jeopardizing sales
- Choice put major search engines on legal notice to protect our marks going after unauthorized sites
- In conjunction with Trademark attorneys, using automated tool and search specialists to find abusers of:
 - Domain Names
 - Web Sites
 - Meta Tags
 - Search Engines



E Commerce *Points* To Remember

- 1. Protect your web site investment
 - Don't link to external web sites promoting your competition
 - Choicehotels.com booking engine does not cost you more link to it
- 2. Avoid legal risk gain approval before using "other" brand names, images, etc.
- 3. If you find an offender abusing Choice trademarks and brands contact us at ehelp@choicehotels.com



Brand Protection

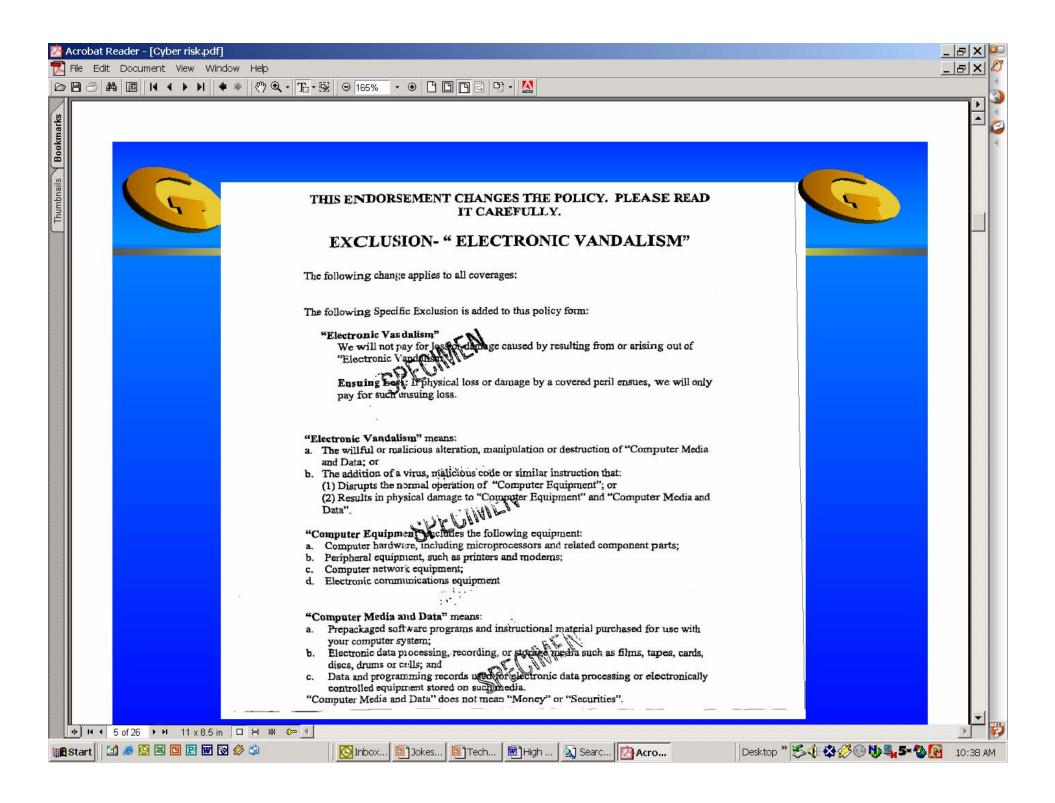
- How is your name being used
- Have you allowed it
- Send a C & D notice
- Keep checking

The Distribution Zone

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"Dear Senator: Last week a policy holder tripped over his shoelace while using a cell phone. The insurance industry urges you to consider new legislation banning the use of cell phones by anyone with feet..."





CyberRisk-What you don't know may get you

- Insurance forms generally don't cover online exposures
 - Property and Crime Coverage
 - Intangible Property- Loss of databases
 - Business Interruption-When your site is down
 - Cyber Extortion- "If you don't _____, I will take down your site or sell your data"
 - Credit Card Fraud- Online credit card fraud
 - Electronic Liability
 - Downstream Liability- What if someone from your center uploads a virus?
 - Breach of Security- What if that great database you created is hacked and the data gets out
 - Errors and Omissions- God forbid someone posts a rate of \$25 instead of \$225.



Questions?

