

Market Analysis for Hotel Ipsum- WHERE WE ARE NOW?

TRENDS AND CUSTOMER BASE

Trends in Bogota

- Economy boomed fueling internal tourism
- Political Stability
- More Investment into Hotels
- Occupancy levels maintained
- More education, demand for value

Competitors

- Hotel Estelar Calle 93
- Cite Hotel (Direct Competitor)
- Hotel Pavillion
- Hotel BH Parque 93

Customer Base

- Mostly Business Travellers mainly international
- Some business travelers which are national travelers
- Few non business travelers

61% International (mostly USA, Spain, Mexico)

39% National

90% Business Travelers

10% Tourists

SWOT ANALYSIS

Strengths

External Factors

- Location of Hotel Ipsum, Bogota is main industrial and economic center of the country
- Established as well known business hotel with corporate contacts from some of the largest corporations

Internal Factors

- Minimum relaxing decor with boutique environment, comprehensive business facilities with personalized customer support, high gastronomy offer, low number of rooms, conference facilities
- Walking distance from some of the best restaurants, bars and nightlife in the city

Weakness

External Factors

- Performance lower than expected by shareholders, ROI must be above 6% and expected EBITDA should be above US\$864000
- Occupancy rate falls during weekday to 20%

Internal Factors

- Lack of facilities like swimming pool that some of competitors like Cite are offering
- Lacked marketing and communication strategy and online presence

Opportunities

External Factors

- Economic prosperity fueling domestic travelling and internal tourism in Bogota
- Political situation of Bogota is more stable than ever
- Positive trends from visitors from other countries specially from United States
- Government provided tax benefits for hotel investors
- People are earning more, so likely to prefer a 5 star hotel more

Threats

External Factors

- Too much supply of hotels created imbalance between offer and demand
- More hotels opened with under market prices which could mean that travellers can choose less costly hotels
- Not performing as per expectations of its shareholders could lead to selling of the property
- Direct competition from Cite hotel which has more facilities

Marketing Strategy for Hotel Ipsum- WHERE DO WE WANT TO BE?

FINANCIAL OBJECTIVES

Profit Objective

- To earn more than 6% return on investment
- Get profit more than \$864,000

Sales Objective

- To increase Occupancy rates and average daily rate to achieve profit goals

NON FINANCIAL OBJECTIVES

Brand Awareness Objectives

To increase brand awareness through social media and internet search, Improve and maintain website to increase traffic, Work on SEO

Social Media Objectives

Building and improving brand awareness on social media, To get 50K Twitter and Facebook followers in 6 months, 10K followers on LinkedIn page

Brand Engagement Objectives

To improve brand engagement by building and maintaining relationships with existing customers by building community by knowing about them, asking for feedbacks

Purchase Intention Objectives

To increase purchase intention by making purchase easy online, Work on customer attraction through customer support

Brand Loyalty Objectives

To increase brand loyalty by providing services, discounts, loyalty points

Brand Perception Objectives

To work on awareness campaigns, advertisement on social media

CUSTOMER OBJECTIVES

To focus on both attracting (40% focus) and retaining (40% focus) travelers with more importance to gain corporate customers since environment, experience and strategic location of hotel Ipsum are best suited for business travelers and hotel already has contracts from leading corporates. Customer attraction of leisure travelers is also important as we need more customers to increase profit. We can attract leisure travellers (20% focus) during weekdays and focus should be corporate travellers during weekends except July and December. For July and December, we can focus on leisure travelers (internal tourists) for both weekend and weekdays (100% focus) since these are holidays.

Attracting new customers

- To build Direct Sales Force, Improve PR, Online and network marketing

Retaining new customers

- Customer support systems to get feedback, resolve complaints, interact, share experience

STRATEGIC OBJECTIVES

Attracting new Customers

Months except July and December Weekends

Target Business Travelers

Positioning

FOR business travelers THE hotel Ipsum IS THE most customer focused hotel AMONG business hotels in Bogota, Columbia BECAUSE OF boutique, relaxing environment, business facilities, personalized services.

July and December and Weekdays of all months

Target Leisure Travelers

Positioning

FOR leisure travelers THE hotel Ipsum IS THE best hotel AMONG hotels in Bogota, Columbia BECAUSE OF boutique, facilities, affordability, location near best bars, restaurants, nightlife.

Retaining old customers

Target Business Travelers

Positioning

FOR business travelers THE hotel Ipsum IS THE most customer focused hotel AMONG business hotels in Bogota, Columbia BECAUSE OF boutique, relaxing environment, business facilities, personalized services provided.

Marketing Mix for Hotel Ipsum- HOW ARE WE GOING TO GET THERE?

BRAND AND PRODUCT MANAGEMENT

What it is?

Hotel Ipsum as a Product/Service

Hotel Ipsum is a modern, luxury 5 stars business hotel offering 80 equipped rooms in Bogota

What it offers?

Hotel Ipsum provides personalised services to its customers mostly business customers (partly for leisure travelers). It is home away from home for travelers and they can relax here. Hotel Ipsum provides luxurious and boutique environment and up to date technical facilities like Wifi, conference facilities.

Stage at Product Life Cycle

Maturity stage of product

Objective

Work on customer retention and attraction

Focus on Market Penetration

- Develop services for business travelers with focus on leisure travelers also
- Market expansion through customer attraction

Key attributes that sets it apart

- Location: Situated at Bogota capital of Columbia being one of the most dynamic business cities, at walking distance best restaurants, bars and nightlife into the city
- High level gastronomy offer
- Minimalist decor concept
- Simplicity Comfort
- Low number of rooms
- Personalized customer service
- Boutique environment

Three highlights of Hotel Ipsum

- Strategic location of Hotel Ipsum
- Experience as a business hotel and customer base of business travelers
- Boutique, minimalist environment with technical facilities suitable for business travelers

Brand

- Home away from home
- Boutique environment
- Relaxing
- Up to date services
- Luxurious

Core Services

(Required as basic services)

- Simplicity
- Comfort
- Technical facilities
- Internet

Augmented Services

(Facilities to differentiate)

- Boutique environment
- Personalized customer services
- Strategic location

PRICING STRATEGY

Current Pricing Strategy

Average room rate in 2012

303.000 COP(US\$ 168)

Pricing Policy

Flexible and adaptive to demand

Focus on Attracting Existing Customers through promotions and corporate agreements

All rooms were identical which simplifies pricing structure

New Pricing Strategy

Average room rate

Target to increase average room rate to \$270 from \$168 for increasing profit and it would be more competitive as most of the competitors are charging between \$200 to \$300. To increase occupancy rates, keep room rate to \$200 to attract leisure travelers during weekdays, lower the room rate during July, December to \$150 to make it affordable for leisure travelers.

Pricing Policy

Keep it flexible and adaptive to demand

CHANNEL MANAGEMENT AND RETAILING

Changes to Hotel Ipsum's Distribution Channel Strategy

Analyzing Customer Needs

Most of the business travelers are busy and book online these days. (also leisure travelers prefer book online). They are looking for simple, straight forward ways to buy their products. So we need to work on strategies to reach them online.

Objective

- To reach to new customers as easily and efficiently as possible
- To make easy for customers to book online
- To increase sales, profit, reach

Channels to Focus on

Online retail and Online travel agents

Actions

- Adopt a mix of both direct and indirect marketing as that would enable us to reach more customers in a shorter duration as we are focusing on both customer retention and attraction
- Work with retail channels with focus on online selling since online retails are working well as most of the people book online these days
- Working with online travel agents like Expedia, Makemytrip etc

INTEGRATED MARKETING COMMUNICATIONS

Website building and maintainance, PR, Social Media marketing are essential to communicate the brand offering to potential customers and engage customers who are loyal. Direct sales force targeted for business travelers will also help.

Tasks	Budget	Total budget would be around \$56200 which is under 3% of total sales
Building and maintaining Website(maintainance for 6 months) to improve online presence and attract new clients	\$7000 + \$400 * 6 = \$9400	
PR agency to improve public engagement for a year	\$1200 * 12 = \$14400	
Developing Direct Sales Force for a year to increase sales	\$900 * 12 = \$10800	
Social Network Marketing for 6 months as social media very common, essential and used for attracting new clients	\$600 * 6 = \$3600	
Online SEM Campaign for 12 Months	\$1500*12= \$ 18000	

Expected Results For Hotel Ipsum- WHAT RESULTS SHOULD WE GET FROM THIS MARKETING PLAN?

Sales Prediction

Maximum sales can be $80 \text{ (Total Rooms)} \times 365 \text{ (Days)} / 2.2 \text{ (with average stay 2.2 nights and 100\% occupancy)} = 13272$

Sales of atleast 9386 (which is possible with atleast 70% average occupancy with average stay 2.2 nights)

Average room rate of \$209.2

Pro Forma

Since, $\text{EBITDA} = \text{Net Income} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortization}$,

Keeping all other factors constant(Interest, Taxes, Depreciation, Amortization), Net Income should be atleast equal to EBITDA which is \$864000 to be sure of getting 6% ROI.

Formula for Net Income,

$\text{Net Income} = \text{Revenue} - \text{COGS} - \text{Expenses}$
 $864000 = \text{Revenue} - 0.396 \times \text{Revenue} - 0.03 \times \text{Revenue} (\text{Marketing Budget}) -$

$0.03 \times \text{Revenue} (\text{Channels Budget})$,

$864000 = 0.446 \times \text{Revenue}$,

So, $\text{Revenue} = \$1963636.3$

$\text{Net Sales} = \text{Revenue} = \1963636.36

Since we have 44 weekends subtracting July and December,

We will find our Average Room Rate by average over all weeks, considering all cases,

$\text{Selling Cost} = \text{Average Room Rate} = (2 \times 44 \times 270 \text{ (weekends except July, December)} + 200 \times 5 \times 44 \text{ (weekdays except July, December)} + 150 \times 7 \times 8 \text{ (all days of July, December)}) / (52 \times 7) = \209.2

$\text{Gross Sales} = \text{Revenue} / \text{Selling Cost} = \$1963636.36 / \$209.2 = 9386$

$\text{Gross Margin} = \text{Revenue} - \text{COGS} \times \text{Revenue} / \text{Revenue} = 0.603$

$\text{Net Contribution} = \text{Revenue} - \text{COGS} \times \text{Revenue} = \1186036.3

$\text{Less Cost of Sales} = \1186036.3

$\text{Marketing Budget} = 3\% \text{ of Revenue} = \58909

Non Financial Objectives

We would measure accomplishment of our non financial objectives through brand awareness and social media engagement through the number of achieved followers on social media.

Social Media Platform	Number of Followers
Facebook	50K
Twitter	50K
LinkedIn	10K

Customer Objectives

- Increase average occupancy rate in weekends to atleast 50%
- Increase average occupancy rate in July, December to atleast 40%
- Retain customers by 90%
- Attract new customers by atleast 70% increase

Strategic Objectives

Retain 90% of existing business travelers, Attract 70% new business travelers, 200% leisure travelers