

FRONTDESK INC.

Principles of Innovation and Entrepreneurship





ARVIND

— CEO —



CLAIRe

— VP MARKETING —



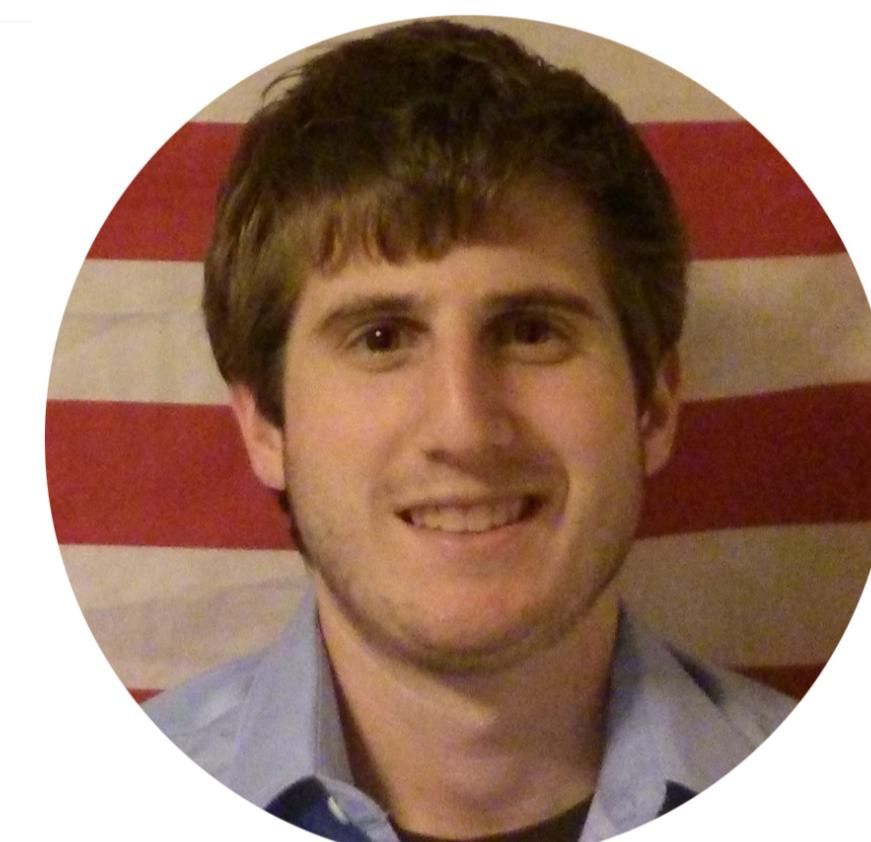
YANYI

— VP PRODUCT —



SAM

— CTO —



GIDEON

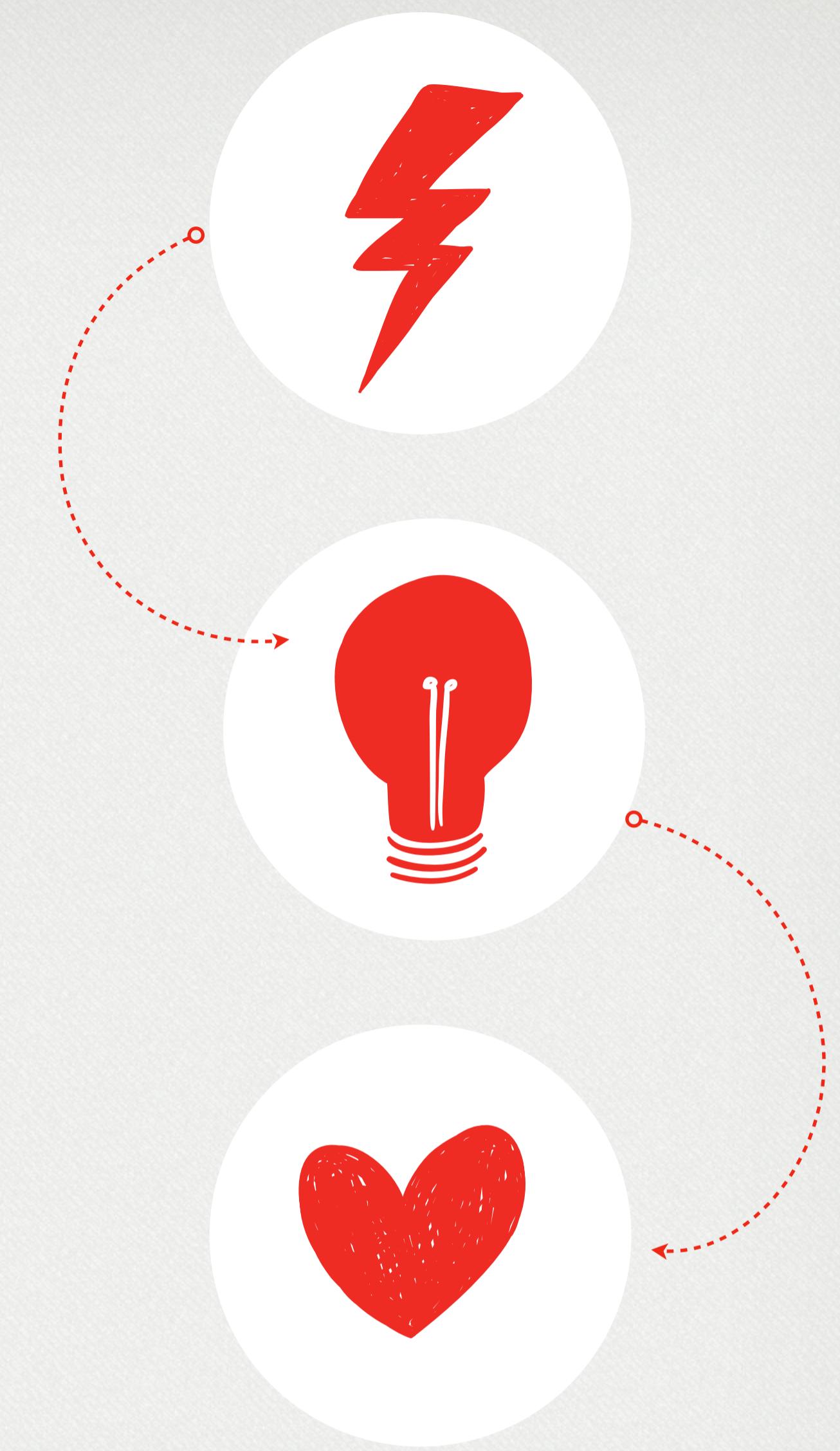
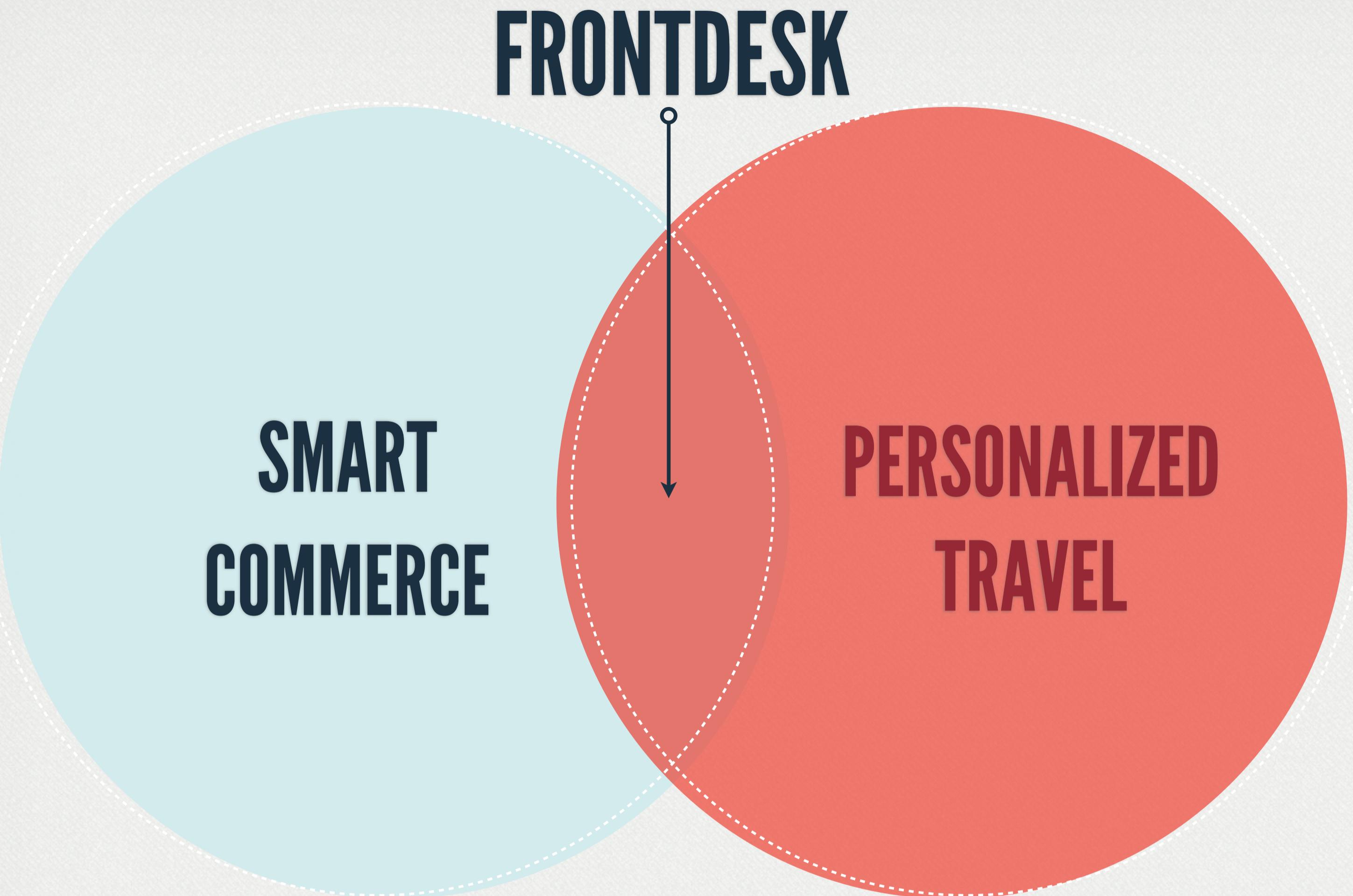
— CFO —

THE TEAM



Saturday, May 4, 13

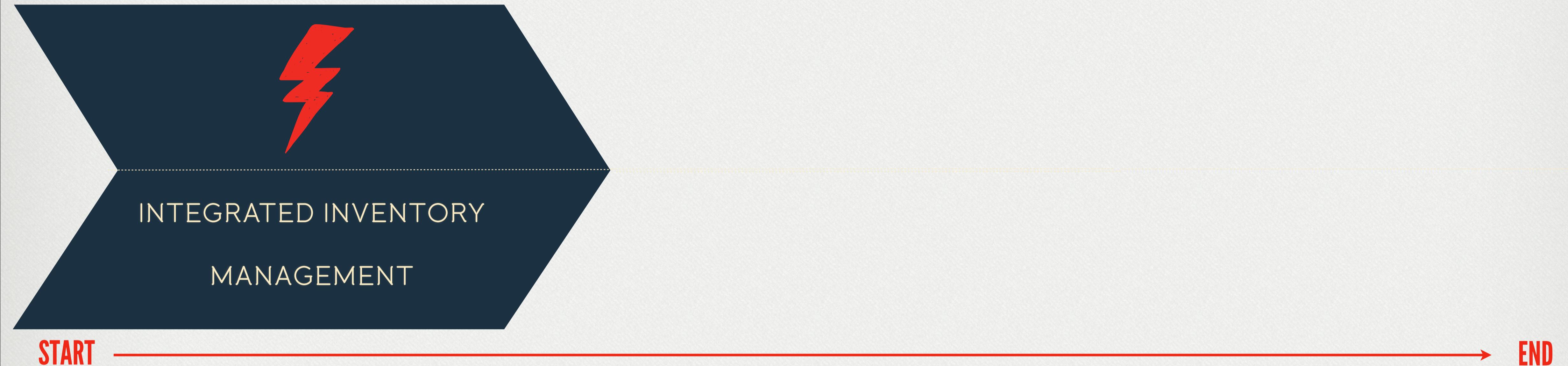
- our team loves travel, and we are not alone.
- In 2011, Americans spent \$564 bn spent on leisure travel
- a 2010 american express survey showed that families spent \$4000 on average per family vacation
- that said, booking travel is difficult. We don't think the most compelling vacations necessarily involve booking a Hilton near whichever underserved airport United Airlines had a deal on a week ago, but it's hard to find anything better.



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- commerce is fundamentally changing.
 - the scale of big data, has facilitated the notion of “smart commerce”
 - companies like square, google, and amazon are fundamentally trying to isolate signals that explain **why** individuals buy things, so that when people make purchases, they do so intelligently.
- We think there is a natural intersection between smart commerce and personalized travel, but there's an inherent challenge: there's no data.
- FrontDesk is a three pronged approach to fix this.

THE PRODUCT



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- We think hotels, specifically small – medium independent ones, are the key to the puzzle.
 - not only do guests spend the most time there, they also have an end-to-end view of travel activity, from food preferences to concierge bookings
- So, we introduce Secretary, an integrated inventory management system that eliminates the complexity of hotel administration.
- while hilton, wyndham, and marriott keep track of guests, expenses, and activity at a granular level, 60% of small hotel owners we surveyed did not keep track of guests, and kept track of expenses and revenues with a wide variety of tools – one in particular only had an excel spreadsheet that he used to log guests over several years of operation
- In further conversations with hotel owners, we learned that they shared three key pain points:
 - Administrative efficacy: with so many points of interaction with guests, it's **hard** to stay organized
 - Catering to guest preferences: in the service industry, where one bad yelp review can tank an entire small business, keeping track of things guests like, or more importantly, dislike, is critical
 - Occupancy: for small hotels, fluctuations in occupancy is a big deal. Variance in seasonal interest is a huge cause of revenue uncertainty
- Secretary gets smarter over time, allowing hotel owners to drill down into expenses, upsell potential, incoming guest profiles, and current action items.
- we think Secretary can become the best top-bottom hotel management solution on the market, but it doesn't end there

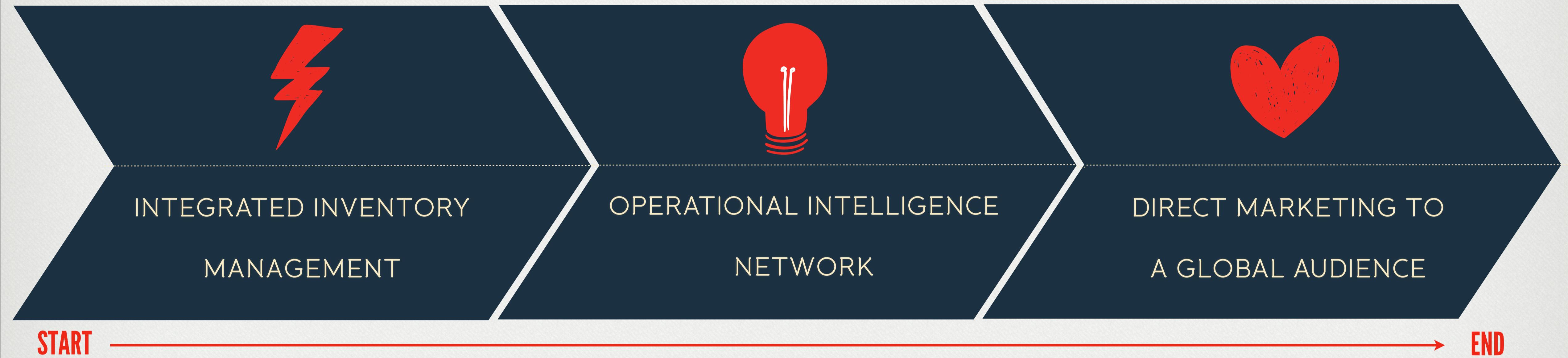
THE PRODUCT



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- Secretary is built for the cloud, which means that there is an inherent interconnectedness between everyone using our product.
- For a small business, incremental revenue gains are **everything**, and we want to encourage small hotel owners to think on a global operational scale
- For this, we build Concierge, an operational intelligence network that shows hotel owners analytics built from aggregating guest and hotel activity across hotels in the network, from inventory pricing recommendations to more personalized guest interactions.
- More powerfully, though, Concierge expands the organizational infrastructure of Secretary to adjacent amenities markets, tracking things like ski rentals, cruises, and guided tours. With this, we can start to build a wholistic picture of the diverse channels of vacation expenditure

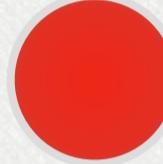
THE PRODUCT



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- That leads us to agent, which is the convergence of the infrastructure made possible by Secretary and Concierge and our long term vision for the vacation booking paradigm.
- With a large database of relevant guest characteristics, Agent makes specific, packaged recommendations of what to do, and where to people seeking to book vacations. Instead of recommending hotels and amenities that pay us marketing dollars, we can algorithmically come up with the best match, and drive booking revenue to markets that are otherwise invisible to such target clients.

LAUNCH STRATEGY



Williamsburg, VA

- Launch Market
- Segment: High end leisure
- Attraction + Retreat travelers



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So, how do we get there?

- Well, the first step is selecting a launch market. After doing extensive research, we have decided that Williamsburg, Virginia is the best candidate
 - Recent studies on the Williamsburg travel market have shown that there is a large variance of occupancy size per traveler, a large proportion of family versus individual travel, and a high density of independent versus chain hotels.
 - We have decided to focus initially on high end travelers, where cost is less of a factor in purchase decisions than suitability. There are a number of attractions and amenities in Williamsburg, so it is also a good place to do the product testing we need for Concierge
 - Moreover, Williamsburg is ideal because the hotels are very connected -- they have an active hotel owner community with frequent conferences.

LAUNCH STRATEGY



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- Once we identify the strengths and weaknesses of different features and marketing strategies in the Williamsburg market, we can use the usage data to identify lateral expansion markets.
- At this point, we also can launch Concierge as a freemium product – we believe in only charging for features that yield direct revenue gains for the end user.
- Unfortunately, direct marketing to all these hotels is pretty expensive.



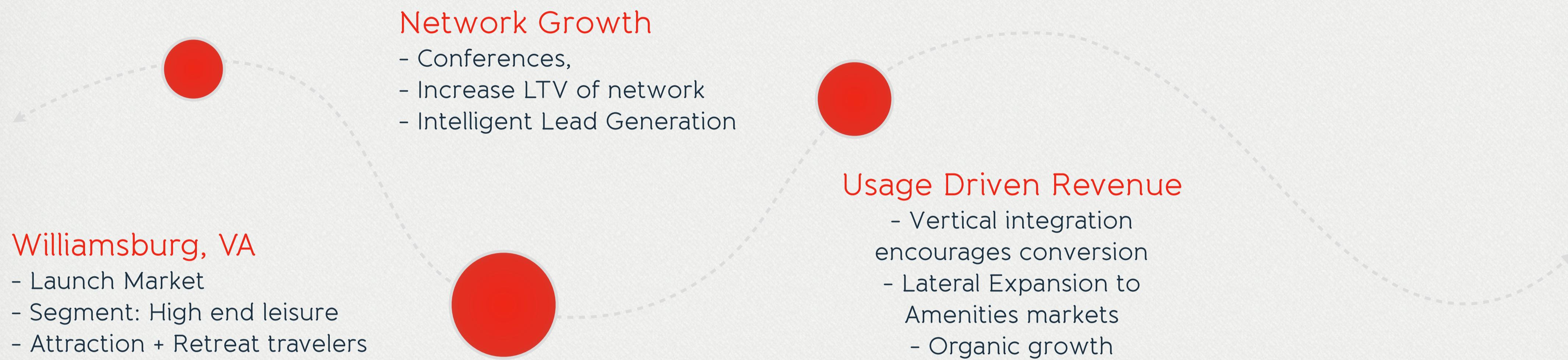
SECRETARY VS. CONCIERGE, GROWTH STRATEGY



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- This graphic shows the side by side costs and revenues associated with stage 1 and stage 2. We think we can convert 20 of 80 total hotels in the Williamsburg area to our free product, given excitement we saw in product testing, and 8 of those 20 to the freemium version optimistically, perhaps discounting the rate for these initial beta testers in order to refine the product. The cost of acquiring the customer is primarily based on the personnel costs associated with direct marketing strategies. Monthly recurring revenue is based on our \$10 premium tier price for Concierge, based on prices of other software packages in the guest profile tracking space.
- Luckily, launching a web product is pretty cheap. We anticipate that a majority of our launch costs will come from direct marketing and hiring personnel, but our projected burn rate would mean that ~650,000 would cover the entire costs involved with launching Secretary.
- However, direct marketing is expensive. As we can see, CAC drop dramatically when shifting away from direct marketing to multi-customer marketing via conferences and newsletters, but direct is still not an ideal strategy

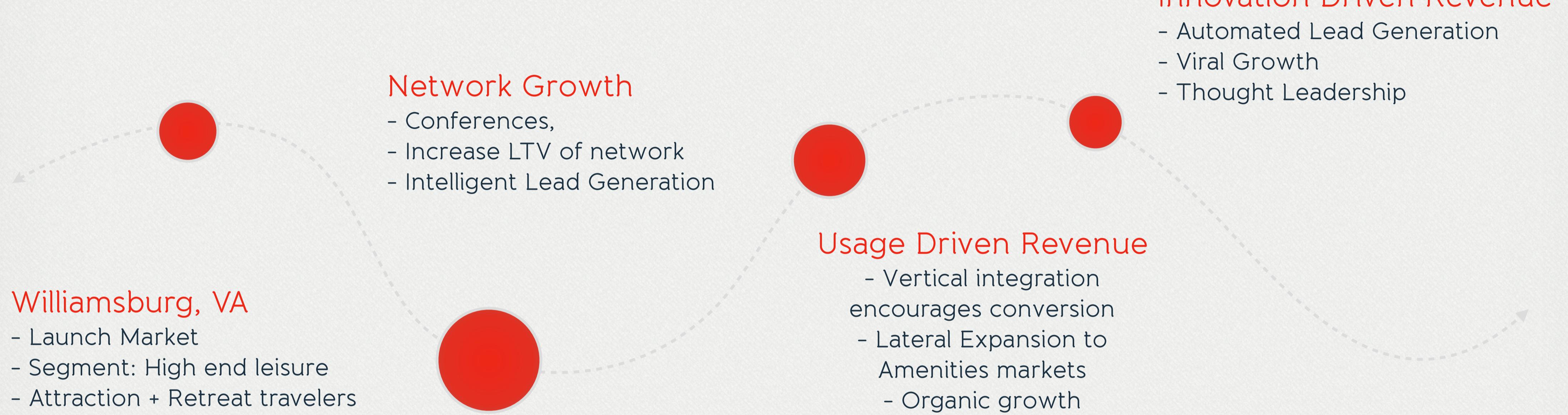
LAUNCH STRATEGY



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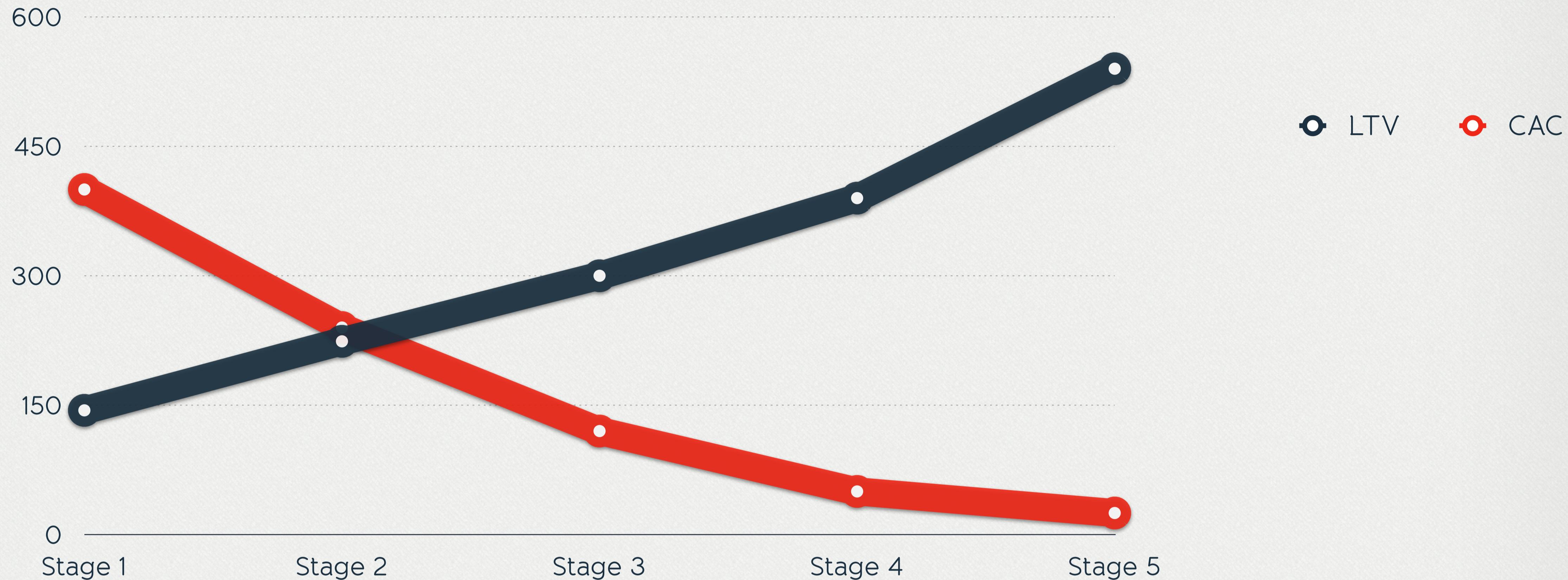
- So, how do we lower customer acquisition costs while increasing the long term value of each customer? Well, one hidden advantage is that with increased usage, the value of the network increases, and the opportunity costs of not using FrontDesk Concierge start to outweigh the up front, recurring costs. We are happy to keep prices low, because the analogue is that the value of our bookings and analytics businesses increase with every new guest or event in our system.
- The second factor is that by stage 3, we can start to target adjacent amenities markets, like kayak rentals, ski lodges, and the like, increasing our sales focus on upsell potential and geographically-linked partnerships.

LAUNCH STRATEGY



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- That's still not ideal, though, which brings us to Stage 4, which prioritizes automated lead generation and a complete departure from direct marketing strategies. As engineers, we believe that the best sales cycle should involve minimal guesswork, and with Agent, we can achieve exactly that.
- The core of Agent will be state-of-the-art personalization and recommendation algorithms, and marginal improvements in these algorithms will be validated by sales of vacation packages to individuals. Though we will encounter significant overhead to shift from marketing to businesses to marketing to consumers, the recurring costs associated with finding new customers and packages will decrease dramatically.
- Furthermore, the costs of maintaining and developing Secretary and Concierge will decrease over time, since the product will naturally get better with increased usage, limiting the need for significant feature development.



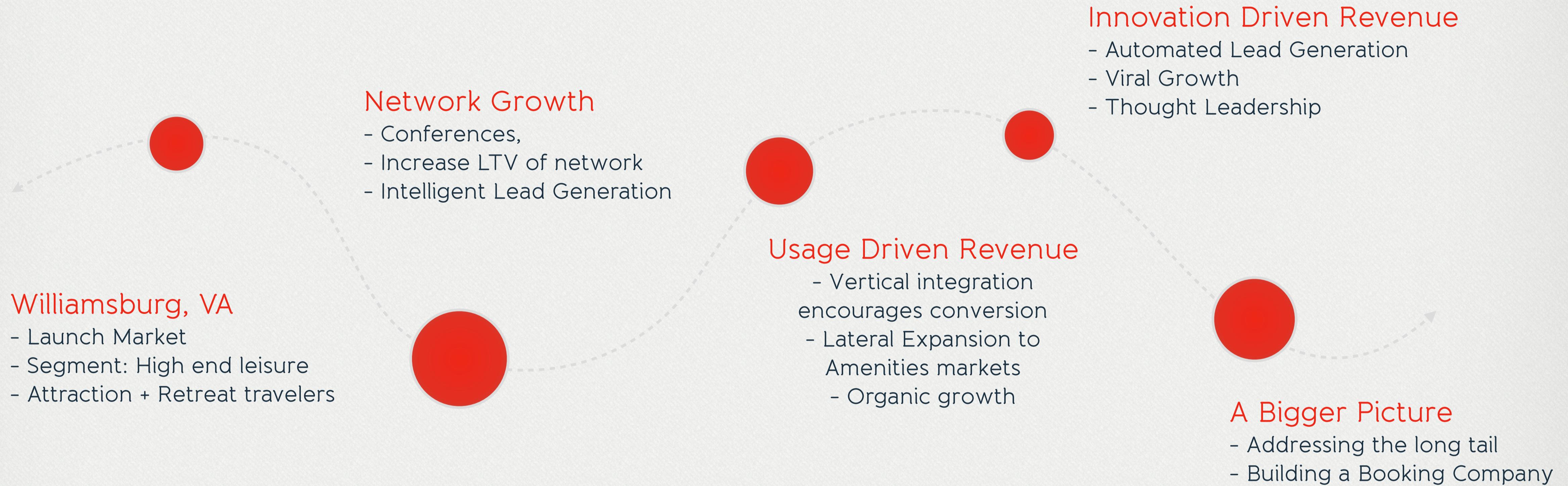
ENGINEERING-DRIVEN SALES CYCLE



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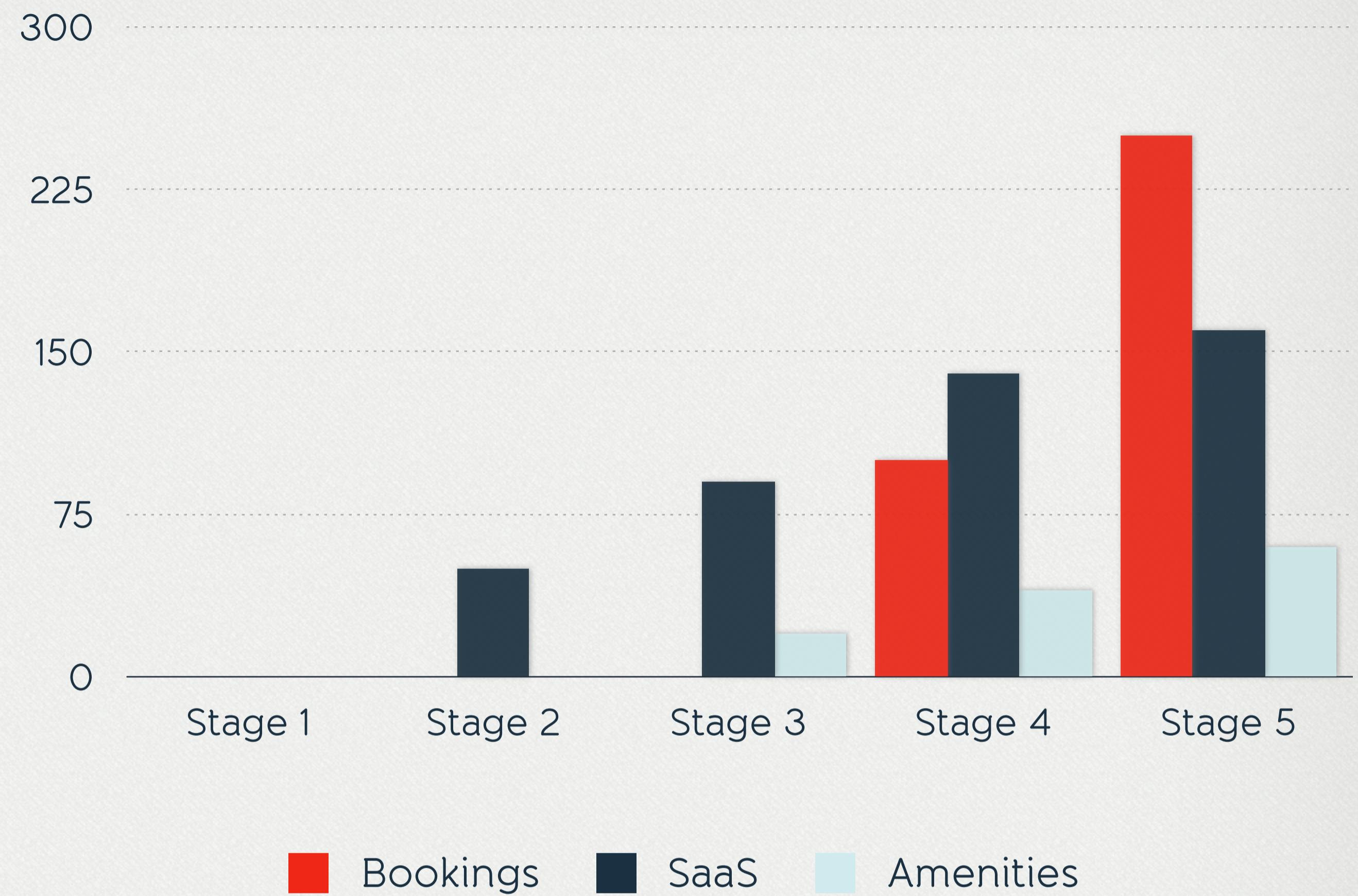
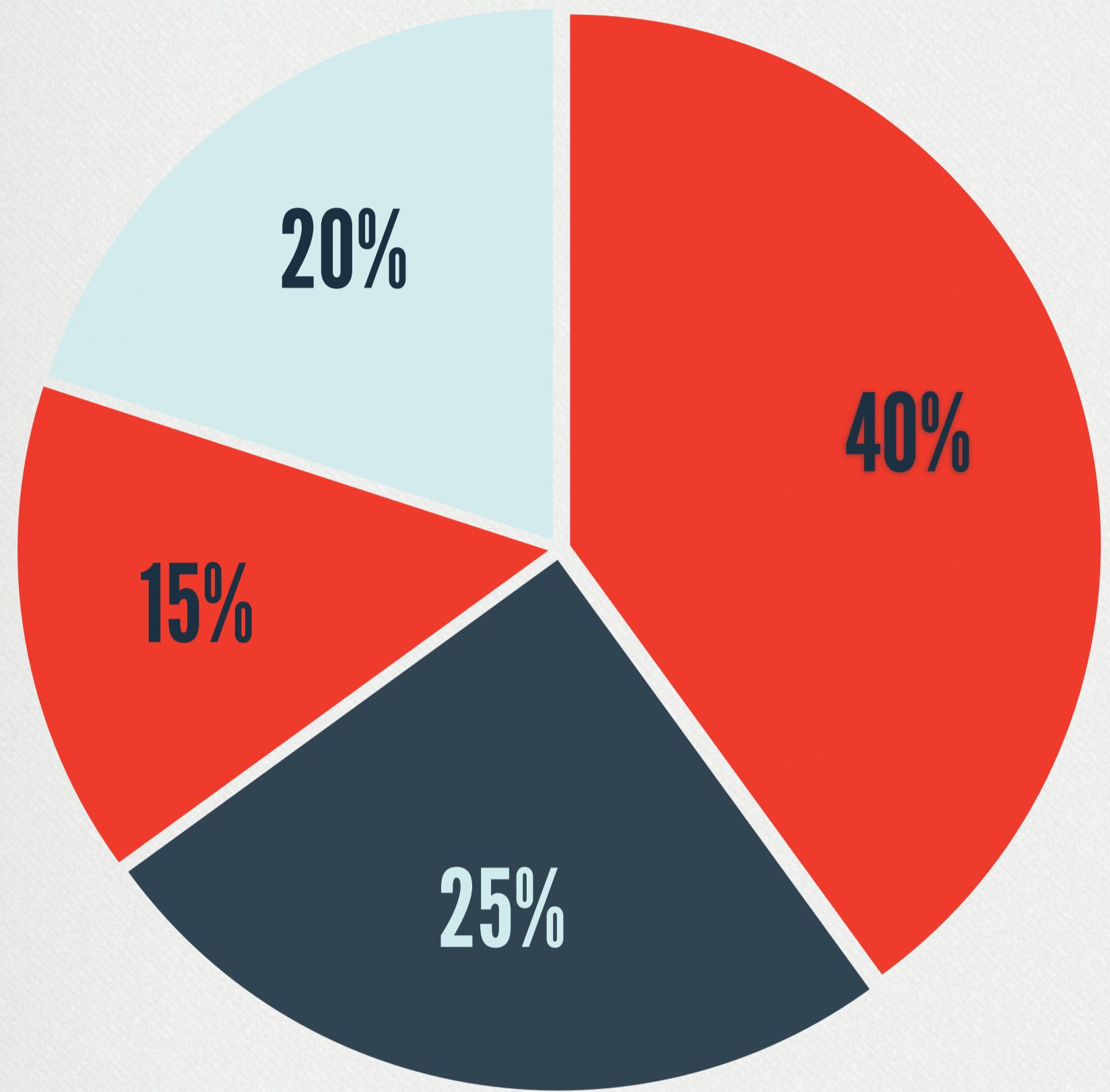
- This figure shows that while our customer acquisition costs go down over time, due to a shift from the freemium software business to the bookings business, our long term value skyrockets, as we get additional revenue from each customer in bookings, upsell recommendations, etc. The long term potential of this category of revenue far outstrips the revenue from our bookings business, but the pricing tier will encourage real, meaningful usage.

LAUNCH STRATEGY



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- We want our network to reach the long tail of the bookings business, from small hotels to currently disconnected amenities providers, but we also see ourselves as long term competitors to Expedia and Travelocity, who are growing at incredible rates currently.
- Our network will give us a sustainable platform by which to compete against players that are less vertically integrated, from keeping track of inventory in real time to having the data to do meaningful targeting.



REVENUE DIVERSIFICATION



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- Our goal is to achieve a revenue spread like above, where over time, our revenue shifts from the SaaS business to the bookings business, which we feel is more scalable over time.
- Expedia: 30bn aggregate, of which 75% was from hotels, and they grew at 16% yoy. This tells us that this is a valuable market that is only getting more valuable over time. We have to start small, though, so here's Sam with a product demo.