"Capture Your Moment" Marketing Plan for Conrad Hotels

Prepared for:

Andrew Flack
Vice President – Global Marketing
Hilton Worldwide Inc.

Natasha Foutz Assistant Marketing Professor, McIntire School of Commerce

Robert Webb
Paul Tudor Jones II Professor of Finance,
McIntire School of Commerce

Gary Ballinger
William Stamps Farish Professor of Free Enterprise,
McIntire School of Commerce

Lynn Hamilton
Director of Management Communication Programs,
McIntire School of Commerce

By:

Helen Ardila, Holly Dodd, Max Goupit, Brendan Kim, Alex Russell, and Bill Su

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BIOGRAPAHICAL SKETCHES



Helen Ardila is planning to pursue concentrations in Finance and Information Technology. She is also pursuing a minor in Spanish. Helen is originally from Sterling, Virginia. At UVA, Helen is a member of Third Year Council, the McIntire Women's Business Forum, and the Homecomings Board.



Holly Dodd is pursuing double concentrations in Finance and Marketing. Holly is from McLean, Virginia. She worked as an Investment Banking Summer Analyst for The McLean Group this past summer. She is an incoming Investment Banking Summer Analyst at J.P. Morgan. At UVA, Holly is a mentor in the McIntire Women's Business Forum and House Chairman of the Kappa Kappa Gamma sorority.



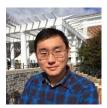
Max Goupit is pursuing a concentration in Finance accompanied by the Real Estate and Entrepreneurship tracks. Max is from Brooklyn, New York. Outside of the classroom, Max is a member of the Virginia Men's Club Lacrosse team as well as the Pancakes for Parkinson's student-run fundraiser. After graduation, Max plans on pursuing a career in investment banking.



Brendan Kim is pursuing concentrations in Finance and Management with a Business Analytics track. He was born and raised in McLean, Virginia, but maintains a tight relation to his heritage in South Korea. At UVA, Brendan is an executive member of the University Guide Service, a co-founder of TEDxUVA, and a daily practitioner of Ashtanga Yoga.



Alex Russell is pursuing a concentration in Finance and a second major in Environmental Sciences. Alex was raised in Vienna, Virginia. This past summer, Alex studied sustainable business solutions in Denmark and worked as a bioenergy markets intern at the Nature Conservancy. On Grounds, Alex leads sustainability projects across multiple organizations and is a member of the Jefferson Literary and Debating Society.



Bill Su is a Chinese international student with Commerce and Foreign Affairs double majors intending to concentrate in Marketing and IT with Entrepreneurship and Business Analytics tracks. He is the president of the Virginia Chess Club and a member of UVA's Model United Nations team. He is also the CEO's assistant and marketing consultant for Quzi Health & Weight Loss, a health and spa chain based in China.

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Executive Summary

As the Millennial Generation becomes a dominant demographic in the U.S. hotel industry market, Hilton's luxury brands must be positioned to address their needs. To address this necessary change, we recommend that Hilton's Conrad brand implement a "Capture Your Moment" marketing plan with three integrated components. Below we describe Conrad's current position in the luxury hotel industry, then detail the recommended marketing plan, and finally present financial projections and risks.

The Conrad brand naturally aligns with the needs of Millennial's

Conrad's growth strategy, design, and industry positioning make the brand ideal to meet the needs of young, contemporary travelers. Conrad's Developer's Brochure emphasizes "a world of style, service, and connection." However, in order to better address the target generation, Conrad must create positive relationships with Millennials.

The "Capture Your Moment" marketing plan promotes packages and targets Millennials

The multi-component "Capture Your Moment" marketing plan inspires guests to create relationships with the brand by sharing milestone moments with Conrad. The first component is the introduction of social package products that focus on spending meaningful occasions with Conrad. The second component, which promotes the products, is a social media campaign that establishes an online community facilitated by an innovative partnership with GoPro. The third component is the creation of an online social booking experience and revitalized booking channel.

The marketing plan has strong potential, but faces risks to profitability and cash flows

After accounting for the incremental costs of the marketing plan, our recommendation would produce an additive \$2.66 million in the short-term and \$7.94 million over the course of 3 years with an ROI of 57%. However, the profitability is heavily dependent on the purchase of packages and the success of the campaign. Additionally, contract terms with GoPro are major determinants of the considered costs and would be subject to negotiation. Despite these risks, the marketing plan is expected to increase shareholder value.

Conrad's "Capture Your Moment" plan will drive millennial loyalty

The millennials are a generation that values shared experiences. They seek travel opportunities that will connect them to their peers and the local culture. Furthermore, the ages of 25-34 are full of life milestones and first time experiences, such as weddings, vacations with friends, college reunions, and business conferences. Because millennials are the most rapidly growing segment in the travel industry, it is crucial that Hilton Worldwide captures their loyalty now (Lee). In reaching this generation, Hilton Worldwide's luxury brands, Conrad and Waldorf Astoria, face the particular challenge of affordability within the millennial target market. If Hilton Worldwide and Conrad can become the millennials' preferred hospitality company and luxury brand, they will be in a strong position in the future as this generation ages, earns higher disposable income, and increases travel.

This report recommends that Conrad launch a "Capture Your Moment" marketing plan that creates an end-to-end social travel experience. Conrad should offer packages based on millennials' milestones, co-brand with GoPro cameras for a social media campaign, and create social booking processes to establish itself as the place where millennials share their moments both now and throughout the rest of their lives. This report will analyze Conrad's current industry positioning, outline the "Capture Your Moment" marketing plan, and then discuss the financial implications and risks of the investment.

"Capture Your Moment" complements Hilton Worldwide's strategy

While Waldorf Astoria and Conrad are well-positioned in key business and travel hubs, they have room to improve their competitive strategy against online travel agents and capture the millennials' loyalty. Our recommended "Capture Your Moment" marketing plan for Conrad will

not only address these issues, but also complement Hilton's overall business strategy. Despite fierce competition in the U.S. lodging industry, Hilton Worldwide's diverse brand portfolio, effective loyalty program, and capital-light franchise model reinforce its status as a major player in the industry. The marketing plan will connect a new generation of customers to Hilton's core values, loyalty program, and community, helping Hilton achieve its goals of expanding its market share and creating a culture of hospitality.

The Conrad Brand naturally aligns with millennials' needs

Conrad is currently positioned as a modern luxury hotel that is in between a mainstream luxury chain and boutique hotel. On the STP map in **Exhibit 1**, the first segmentation base, traditional vs. modern, is based on the varying designs and cultures of luxury hotels. Some luxury hotels, such as the St. Regis, are positioned to attract customers who seek a timeless, formal luxury experience. On the other hand, modern luxury hotels, such as Andaz, provide a contemporary vibe through their trendy designs. The second segmentation base identified is mainstream luxury chains vs. specialized boutiques. The mainstream luxury chains, such as Ritz Carlton, provide luxury travelers with the benefit of name recognition. When business and leisure travelers stay in a Ritz Carlton, they know to expect a certain quality, design, and features. Meanwhile, boutique hotels, even those owned by large hospitality companies, tend to be smaller and more specialized. For example, W by Starwood caters to the young, trendsetter segment. A table of major U.S. luxury hotel brands can be found in **Exhibit 2**.

The luxury hotel industry primarily attracts high-income business and leisure travelers. In general, luxury travelers tend to be white, college-educated, and have approximately \$150,000 in annual income (Focus: Affluent Leisure Travelers; Carr, Cutting-Miller, and Fair). Each luxury

hotel brand identified attracts business travelers through their conference rooms, event services, and location in prominent business centers. The luxury brands also attract leisure travelers through their premier locations and amenities, such as spas and golf courses. Conrad is one of many luxury brands that has resort properties in addition to its traditional hotels, increasing its appeal to leisure travelers. For a specific segmentation analysis, see **Exhibit 3**.

Additionally, luxury travelers' brand preferences differ across age brackets. For example, the InterContinental ranks highly among travelers over 55 while the modern boutique hotels attract young luxury travelers (Carr, Cutting-Miller, and Fair). Conrad and Waldorf Astoria are relatively popular among millennials, currently reaching about 549,139, or about 12.6%, of upper-middle class 25-34 year-olds in the U.S. However, these brands have the potential to serve up to 4,043,860 customers in this target market in the next 5 years (**Exhibit 4**). Out of these two brands, Conrad attracts younger consumers. Finally, a major shift across all luxury brands and age segments is the emphasis on providing an immersive local experience. Consumers, from Millennials to retired Baby Boomers, are seeking to explore new environments and to create once-in-a-lifetime experiences (Carr, Cutting-Miller, and Fair).

Conrad's design and existing IT support make it the ideal brand to meet the millennial leisure and business travelers. The Conrad's Developer's Brochure positions Conrad as "offering contemporary travelers...a social experience [and] smart luxury, a world of style, service and connection." ("Conrad Developer's Brochure"). On the other hand, the Waldorf Astoria's describes the brand as "legendary...timeless...and a remarkable establishment" ("Waldorf Astoria"). In addition, Conrad's existing IT capabilities, including the Concierge App, help provide end-to-end customer service and can be further enhanced to meet millennials' needs.

Whether it be in Manhattan or Miami, Conrad can provide affluent millennials a contemporary, interconnected environment by offering the best social luxury experience.

Encourage millennials to share moments with Conrad

Positioned as a sleek, contemporary brand, Conrad has the potential to become the favored luxury brand among millennials. However, to fully capitalize on this potential, it must create a sense of community and generate a positive attitude towards the brand. We recommend that Conrad implement a three-year marketing plan encouraging millennials to capture and share their moments with Conrad. The plan centers on the idea that by spending meaningful milestones at Conrad, millennials will develop a lifetime loyalty to the brand.

The "Capture Your Moment" marketing plan recognizes the challenges and opportunities of targeting millennials. The specific target market is 25-34 year-old millennials with above-average (\$100,000+) income. In general, these consumers do not have significant savings that allow them to travel often, a challenge that is amplified in the luxury hotel industry. However, this age bracket provides two key opportunities for Conrad. First, millennials experience numerous milestones in their professional and personal lives, such as acquiring a dream job, getting married, and having children. Conrad has the potential to be a part of these stories. By capturing millennials during special occasions, Conrad can attract them during a time when they are willing to spend more and create lasting memories. Secondly, millennials have unique social dynamics. This age bracket is technologically advanced, accustomed to communication through social media, and enjoys traveling in groups (Lee). Common convention in the luxury hotel industry is to assume that customers seek privacy and relaxation when they travel. However, the

new generation of travelers enjoys travelling in groups, is interested in sharing their experiences, and appreciates socially engaging environments (**Exhibit 5**).

The "Capture Your Moment" marketing plan has three components designed specifically around millennials' preferences. First, Conrad should launch new packages that will meet the personalized needs of millennials during their major life experiences. Second, the new packages will be advertised by a social media campaign that partners with GoPro, Inc., where customers will be able to create user-generated content to share their personal Conrad experiences. Third, Conrad should revamp the booking process on its website and mobile app to emphasize the social nature of millennial travel. Conrad should appeal to millennials as a cutting-edge hotel that will accommodate their needs, help plan their stays, and be the destination to create unforgettable memories.

Create personalized social packages to attract millennials

Conrad should offer packages that cater to milestone moments and emphasize the social and explorative aspects of traveling. The goal of these packages is to allow millennial customers to create experiences that will build a lifetime loyalty to Conrad and the Hilton Worldwide brands. When millennial guests look back on their wedding or a weekend in the city with friends, they will remember Conrad and the great services it provided. By engaging millennials through personalized activities, Conrad is selling more than hotel rooms or event services—it is playing an active role in creating life memories.

These packages are designed around the way millennials travel. 58% of millennials prefer to travel with friends (Lee). To capitalize on this, Conrad's packages should focus on social travel. Each social package will offer core benefits that millennials will value, ranging from

complimentary Wi-Fi to customizable cocktails. Because millennials prefer flexibility and customization when they travel, guests will be able to choose add-ons to supplement their core package. These add-ons include immersive local experiences and the option to invite more people to the package. For a description of suggested packages, see **Exhibit 6**.

To complement the social group travel packages, Conrad should rebrand its current special event packages to fit with the "Capture Your Moment" plan. The event packages focus on major occasions, such as weddings, large celebrations, and business conferences. Similar to Conrad's social packages, these products will have core benefits supplemented by add-on requests. For example, the core wedding package may include an event planner, catering, open bar deals, and a discounted price on up to thirty hotel rooms. Brides can then customize their package through the addition of activities, such as a bridesmaid spa day or a private brunch for the wedding party. The event packages have effects beyond the current customers as their experiences will be shared with friends and family.

The packages will also appeal to Millennials through pricing. As mentioned, millennials are more price-sensitive than the average luxury traveler. The prices of the core packages will range from \$561 to \$829, with the price increasing as add-ons are selected (**Exhibit 6**). Conrad's partnerships with local businesses will provide discounted add-ons to customers. Conrad will not receive revenue from add-ons that customers purchase from other businesses, but these partnerships help increase the packages' attractiveness to millennials seeking a local experience. By bundling services and providing additional value, Conrad can entice millennials and enjoy higher margins. The packages will be launched first in the five U.S. Conrads, and then, over the course of three years, be rolled out to select Conrad international locations.

A partnership with GoPro innovatively promotes packages and targets Millennials

Conrad should partner with GoPro, Inc. to promote its packages through a multifaceted social media campaign. GoPro is a California-based company that produces "the most versatile camera in the world" (GoPro). These cameras enable users to capture their experiences from a variety of perspectives, including the first-person, in high-definition video. Additionally, GoPro has generated a dedicated online community of content creators (Kelleher). GoPro's popularity and impressive growth among millennials gives Conrad the opportunity to relate to the target market in an innovative way. The partnership also benefits GoPro's strategy because it broadens its customer base and establishes new distribution channels (LaFrance). Customers who can afford Conrad can likely afford the top-of-the-line GoPro cameras, which retail at \$500 (GoPro). This partnership is designed to grow brand awareness and sales for both firms. A summary of GoPro and a sample of GoPro-style shots are in Exhibit 7.

The "Capture Your Moment" title plays off the literal function of GoPro cameras while also conveying that Conrad is the place where significant moments happen. This campaign expands Hilton's existing #HiltonStory initiative by focusing on moments specific to millennials. There are three sequential phases of the "Capture Your Moment" promotional campaign: 1) launch the co-brand, 2) generate hype with the Conrad-GoPro "Capture Your Moment" Contest, and 3) sustain a market presence with user-generated content. The expected duration of the partnership is three years. A full timeline of the campaign is detailed in **Exhibit 8**.

The first phase of the promotional campaign is the release of a professionally made video produced by Conrad and GoPro and a new website advertising the partnership. The video will montage scenes of different millennials enjoying the packages at the Conrad, all shot in the unique GoPro style. It will be advertised through GoPro and Conrad's social media channels,

such as Facebook and YouTube. GoPro currently has over 2.7 million subscribers to its YouTube Channel and over 8.1 million likes on Facebook (GoPro; Facebook). Conrad can leverage GoPro's social media following to build its own community by creating a "Capture Your Moment" website to promote the partnership and campaign. This website will serve as the launch pad for this first advertisement, as well as the platform for all future user-generated content from the contest and beyond. This unique partnership is expected to garner positive public relations from both traditional and online media outlets, further increasing the viewership of the video and setting up the second phase of the promotional campaign.

The second phase is the "Capture Your Moment" Contest. This contest will provide the initial opportunity to capture and share user-generated content. The contest will be geographically and temporally segmented to generate hype around the campaign. Each month will focus on a different Conrad U.S. location, reaching a total of five locations over five months. The anticipation surrounding each video release will result in amplified word of mouth advertising that will propel the contest and grow the "Capture Your Moment" website user base.

Only guests who book packages through Conrad will be eligible to enter the contest. Up to ten guests staying at a Conrad hotel during a location's assigned month will be offered to capture their moment with GoPro cameras. The documentation will be non-invasive and allow the guests to personally record the content. In return for capturing and sharing their experience, guests will receive an edited version of their video and have the chance to be a destination finalist of the "Capture Your Moment" Contest. This will be a part of a national contest where the winner receives a fully funded trip of up to \$10,000 to any of the domestic Conrad locations.

One video from each city will be selected by the Conrad-GoPro team as a finalist and featured on the "Capture Your Moment" website and GoPro YouTube channel. The hyper-

personal POV videos, each accompanied by a short focus story, will highlight the finalists' special occasions and purchasable packages at each Conrad. In addition to the websites, the videos will be pushed through major social media channels with the intention of garnering viral recognition. After all the regional videos are released, a brief voting period will produce a winner through the "Capture Your Moment" website. Throughout the six-month campaign, Conrad and GoPro will measure the campaign's success by tracking view counts on the website, conversions to package purchases, and click-through on online ads. A more detailed timeline of the contest is presented in **Exhibit 9**.

After the formal contest concludes, the third phase will leverage the momentum of the contest to form long-term relationships with the audience. Throughout the six-month "Capture Your Moment" campaign, Conrad will also encourage any viewers and guests to submit and share personal user-generated content about their moments to the website. This could include stories, personal reviews, pictures, and GoPro videos. The "Capture Your Moment" website would mature to feature user-generated material as the main content.

The Capture Your Moment site creates a community through user-generated content

To drive customer lifetime value, Conrad should leverage the media buzz from the contest to establish an online community during the campaign. As previously discussed, the website will feature the competition and introduce the promotional campaign. However, the long-term purpose of the site is to establish a community of travelers who share their moments and explore the culture of each Conrad destination. The packages will encourage millennials to choose Conrad for their important life moments and help build lifetime loyalty. Waiting for millennials to age in the hopes that they will remain loyal once they are wealthier is not enough.

By creating an online community where they can continuously engage with the brand, Conrad can ensure that millennials return in the near and distant future. See **Exhibit 10** for the website's homepage.

The website should take the existing Conrad Magazine and revamp it into an online lifestyle community that features a mix of professionally-produced and user-generated content. In 2013, Conrad released the Conrad Magazine to highlight the nightlife, main attractions, dining, and other cultural features of each location ("Conrad Hotels Magazine"). We believe the printed version of the magazine is dated, conventional, and has limited reach. Conrad can redirect this content to the website in conjunction with the customers' personal experiences, suggestions, and opinions. After staying at the Conrad, guests will have the opportunity to email articles, photos, and videos to Conrad. The website will also have an interactive component by allowing users to comment on one another's posts and share content on social media platforms, such as Facebook and Twitter, using the hashtag #CaptureYourMoment. To facilitate this, Conrad can hire a team of website managers to filter through submissions, manage the website, and post in-house content. The website will continue to function as a joint effort with GoPro. Only user-generated videos and in-house productions filmed with a GoPro and edited by their employees will be uploaded to the site. This mutually beneficial partnership allows both brands to target previously untapped customers.

The "Capture Your Moment" website allows Conrad to feature all of the content in a lifestyle e-magazine while establishing a social community that attracts millennials and reaches both current and potential customers. Millennials are more likely to trust recommendations from their peers than a professional advertisement (Lee). Furthermore, millennials are a generation that uses the Internet as a primary source of communication and desires to share experiences

with peers. The beauty of the "Capture Your Moment" website is that it persuades both existing and potential customers to book a trip at Conrad. Existing customers will return to the site to view their posts, make recommendations to future guests, and relive their experience. The site will remind them of their enjoyable trip at the Conrad and advertise opportunities at other Conrads. Furthermore, the website's focus on its guests' travel stories and professionally edited GoPro videos will make the site feel more like a travel community than an advertisement.

Redesigned advertisements extend the "Capture Your Moment" campaign

In addition to the six month competition and online lifestyle community, Conrad should continue its partnership with GoPro through a creative series of online banners. Once the competition concludes, Conrad can redesign their online display ads and videos to reflect the "Capture Your Moment" campaign from a different angle. Conrad can switch from informative advertising relating to the competition and partnership with GoPro to a more persuasive form of advertising that convinces customers to purchase packages. Conrad should design online video advertisements that feature specific moments experienced by customers during their packaged stays (Exhibit 11). For example, one advertisement can use a GoPro to capture young adults playing golf at a Conrad resort during their "Your Guys Weekend". Using data analytics and search engine optimization, Conrad should set new parameters for targeting customers so that the online display ads are relevant to the consumer. In the previous example, advertisements could target 25-34-year-old men with an income of \$100,000 or above that have recently searched travel, golf, or bachelor weekends online.

In addition to redesigning online advertisements, Conrad should air a series of television commercials. Like the online displays, these commercials will feature memorable, candid

moments guests can experience at Conrad. Unlike traditional TV ads, these commercials will be shot on a GoPro from the perspective of the main character (**Exhibit 12**). By incorporating the first person POV, the commercials will emotionally engage the audience while showcasing Conrad's amenities, services, and premier destinations. The channel and time that each advertisement airs will depend on its message. For example, a "Your Special Day" package advertisement could air during a *Project Runway* episode in December, the month in which the most engagements take place in the U.S. ("BRIDES Reveals Trends of Engaged American Couples with American Wedding Study").

The emotional association with the Conrad brand in combination with a skimming pricing approach will be the most effective way to target millennials. Both the commercials and online advertisements build an emotional connection between Conrad and the customer. On average, campaigns that emotionally connect to viewers are twice as successful (Dooley). While the advertisements will be persuasive to the general population, they are specifically targeting customers who have similar life milestones approaching. By featuring specific moments that correlate with one of the new packages, Conrad is directly targeting customers who desire to travel for an important trip or event. The promotional campaign is summarized by the 6 Ms framework in **Exhibit 13**.

Creating a social booking experience incentivizes direct booking

Although indirect hotel distribution channels help hotels reach a wide base of customers, booking through online travel agencies (OTAs) results in lower profit margins on each booking. To gain higher room profits, Conrad should encourage direct bookings on its website.

Specifically, Conrad should invest in an innovative online booking system that offers a more

convenient and social booking process that millennials would desire. To see a full analysis of booking channel profitability, see **Exhibit 14**.

Conrad should revamp its package page to make it a predominant component of its existing homepage. **Exhibit 15** displays a possible version of the new package page. Once customers select a core package, they can choose the related add-ons on the next page and then place them on an online calendar (**Exhibit 16**). Through Conrad's partnerships with select businesses, including sports franchises and restaurants, the package add-ons will help customers craft a local experience. If these local businesses are profiled on the "Capture Your Moment" site, a customer can click an embedded link that will open a new tab to the package booking page.

Additionally, while customers are choosing their add-ons, they should be able to communicate with their travel group through a chat feature on the webpage (**Exhibit 17**). They can invite friends to participate through their mobile phone, Facebook, and Gmail. Through the chat feature, customers can make booking decisions with their friends while using the online calendar to make a schedule of events. The chat and calendar features integrate millennials' preferences for social travel into the pre-booking phase. These features will be enabled by a customer's Hilton HHonors account, which incentivizes people to join the loyalty program. Once millennial customers are drawn into HHonors they will learn about the additional benefits that the program offers, increasing the likelihood of their brand loyalty.

Once the group decides on their core package and add-ons, they should be able to split the payment with each other right away. Group payment not only makes booking directly through Hilton more social, but it also makes the process more convenient. These suggested booking features should also be available on the Conrad Concierge app. Before guests arrive, they can continue using the website and mobile app to customize their stay and build on their package. By creating a social booking process, Hilton will create a competitive advantage over OTAs and simultaneously strengthen its HHonors community. The "Capture Your Moment" marketing plan, including the social packages, GoPro promotional campaign, and revamped booking channels, is outlined by the 4Ps framework in **Exhibit 18**.

"Capture Your Moment" returns substantial value to Hilton's shareholders

We allocated the \$3 million annual budget to four major components: product launch costs, web advertising, TV advertising, and the "Capture Your Moment" website. Of these components, TV advertisements require the largest budget allocation. While the "Capture Your Moment" TV advertisements are small in number, we believe that they are the most emotional and persuasive component. On the other hand, the projected 140 million web advertisements are expected to have the largest reach and lowest response rate. In addition to the SG&A expenditures relating to the "Capture Your Moment" budget, we expect an incremental increase in overhead and other product costs related to an increase in occupancy and package purchases. The majority of product-related costs, such as housekeeping salaries, supplies, etc., would be incurred without the project and were omitted from our incremental product cost calculations.

After accounting for these costs, we conclude that the campaign will result in an additive value of \$2.66 million in the short-term and \$7.94 million over the course of the 3-year campaign life. In addition, the investment has an ROI of 57%. Our financial projections rely heavily on assumptions related to incremental purchases of packages, regular rooms, and events as a *direct* result of the "Capture Your Moment" campaign. However, there is a risk that the number of people who actually purchase these products will be lower than expected. Since these purchases

represent major cash inflows and eventual profits, we conducted a sensitivity analysis that accounts for Worst, Projected, and Best Case scenarios based off of alterations in these purchases alone.

An additional risk in our campaign is the negotiated contract between Hilton Worldwide and GoPro. We assumed that the partnership contract would require both companies to incur 50% of the advertising costs. Display design and web maintenance costs, which are expensed in full by Hilton, are an exception. If the negotiation required Hilton to pay a higher or lower proportion of these costs, both the campaign budget and ROI would be substantially affected. See **Exhibits 19-24** for a detailed financial and risk analysis.

"Capture Your Moment" creates a cohesive Conrad experience

Capture Your Moment cohesively integrates travel packages, a joint online community with GoPro, and social booking features to connect with millennials. While Conrad is not the first luxury hotel to offer packages or launch a video-sharing campaign, "Capture Your Moment" is different from other marketing plans because it connects these facets with each other to offer an end-to-end social travel experience. From pre-booking to post-stay, "Capture Your Moment" immerses the guests into the Conrad community. In addition to generating shareholder value, Conrad will be able to communicate to millennials that it is the luxury hotel that truly captures their unique lifestyles. Conrad will become the place where millennials share their moments not only today, but also throughout the rest of their lives.

Exhibit 1: On the STP map, the Conrad is positioned in the consumer's mind as a modern hotel that is in-between a specialized boutique and a mainstream luxury chain.



Exhibit 2: Conrad competes in a crowded luxury marketplace that features a full spectrum of different hotel sizes, locations, loyalty programs, and services.

Brand	Motto	Parent Company	# of Hotel s	Range of Property Sizes	Price Range *	Differentiating Services and Amenities	Loyalty Program
Andaz	Arrive a tourist, leave a local	Hyatt Hotels	12	184-256 rooms	\$255- \$355	Andaz lounges, Andaz Salon, studios, hosts, fine restaurants and bars, meeting services, local culture events	Hyatt Gold Passport
Conrad	The luxury of being yourself	Hilton Worldwide	23	191-636 rooms	\$229- \$268	Spas, fine restaurants, fitness and business centers, special event services, honeymoon packages	Hilton HHonors
Four Seasons	N/A	N/A	92	44-517 rooms	\$895- \$2195	Wedding consultants, packages, and blogs, customizable hotel bed, private jets, skiing services, family video blog	Four Seasons Preferred Partner Program
Hotel Indigo	Welcome Everybody	International Hotels Group (IHG)	55	100-150 rooms	\$250- \$294	Spa-inspired showers, local restaurant partnerships, pet friendly, local culture experts	IHG Rewards Club
Inter- Continental	Live the luxurious life in the Intercontinental	International Hotels Group (IHG)	186	149-900 rooms	\$321- \$626	Spas, room service, fitness & business centers, meeting rooms, special event & concierge services	IHG Rewards Club and Intercontinental Ambassador
JW Marriott	Locations that leave you speechless. Say no more	Marriott International	63	221-574 rooms	\$339- \$1149	Exotic locations, local cuisine, mobile video app, spas, CUR8 video sharing app, unique building architecture, nightclubs, spas	Marriott Rewards
Loews	Loews Loves Kids	N/A	22	251-379 rooms	\$499- \$2399	Spa, fine restaurants, special event & concierge services, kids packages, pet friendly	YouFirst Rewards
Mandarin Oriental	N/A	N/A	27	73-884 rooms	\$925- \$989	In-room audio systems, premier locations, wellness centers	None. Only partnerships with certain airlines

Park Hyatt	Luxury is personal	Hyatt Hotels	38	106-346 rooms	\$925- \$1175	World class restaurants, sommeliers, renowned art programs, spa, small group event spaces	Hyatt Gold Passport
Ritz- Carlton	We are Ladies and Gentlemen serving Ladies and Gentlemen	Marriott International	84	245-532 rooms	\$370- \$1620	Spas and pools, wedding and celebration services, golf (at resorts), 24-hour room service, concierge service, fine restaurants, RC memories sharing	Ritz-Carlton Rewards; Destination Club
St. Regis	Allow Me (the St. Regis Butler Service motto)	Starwood Hotel and Resorts	31	100-260 rooms	\$845- \$3425	Butler service, polo sporting events, spas, golf (at resorts), fitness and business centers, meeting, special event and concierge services, fine restaurants	Starwood Preferred Guests
W Hotels	Whatever/When ever Service	Starwood Hotel and Resorts	45	192-509 rooms	\$232- \$2200	Pillow menu, fit gym, forward luggage service, spas, events, performances	Starwood Preferred Guests
Waldorf Astoria	N/A	Hilton Worldwide	24	256-1413 rooms	\$349- \$389	Golf (at resorts), spa, award-winning restaurants, fitness and business centers, wedding and banquet facilities, and special event and concierge services	Hilton HHonors

^{*}All per night room price calculations were gathered on November 20, 2014 for 2 night stays on Friday, November 28 and Saturday, November 29. The hotels sampled for pricing were each company's downtown New York City hotel.

Exhibit 3: Luxury hotel brands attract diverse market segments, with the Conrad specifically attracting stylish, contemporary luxury travelers.

In general, luxury hotels tend to attract:

- College-educated and white travelers
- Households with annual income of at least \$150,000 (Carr, Cutting-Miller, and Fair)
- Family travelers, including multigenerational vacations paid for by retired Baby Boomers (Carr, Cutting-Miller, and Fair)

For specific brand segmentation, see table below:

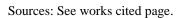
	Segments/sub-segments attracted to the brand					
Andaz	Customers who want "fresh, uncomplicated luxury that is timeless and gimmick-					
	free" (Ritson)					
	• Example: "Young, hotshot Wall Street traders that work, live and play in the					
	neighborhood" (Watson)					
Conrad	Elegant, contemporary luxury travelers					
	Example: Editor of successful trendy magazine					
Four Seasons	Attracts multigenerational luxury travelers due to its name recognition and lavish					
	amenities					
	Example: Kelly Ripa and her family on a beach vacation					
InterContinental	Affluent travelers over 55 are attracted to this brand (Carr, Cutting-Miller, and Fair)					
	Example: Retired, stylish U.S. diplomats					
JW Marriott	Sophisticated guests, especially business travelers, who are looking for "affordable					
	luxury" ("JW Marriott D.C. First To Reposition To 'Affordable Luxury'.")					
	Example: P&G executive in the city for a conference					
Hotel Indigo	Modern travelers looking for local culture and special details					
	• Example: Affluent dog-loving yuppies who shop at Whole Foods and					
	Anthropologie					
Loews	Seeks to attract 30-35 year-old travelers who want a luxury experience, but who					
	value their space (Elliot)					
36 3 1	• Example: Type-B travelers who want an alternative to traditional luxury					
Mandarin	Middle-aged luxury travelers in their 40s-50s (Graser)					
Oriental	Example: Liam Neeson and Kevin Spacey are celebrity. **Title					
Park Hyatt	High-end style-conscious customers who demand the lifestyle experience(Sternthall)					
Di C I	Example: 21 st century Don Draper Electric description Ele					
Ritz Carlton	Elegant business and leisure travelers who want the best of the best					
	Ranked highest for vacations among young and older travelers, as well as highest for					
	business travel (Carr, Cutting-Miller, and Fair)					
C4 Dania	Example: People on Time's 100 Most Influential List Traditionally attracts of fluent, older male travelers (Octor)					
St. Regis	Traditionally attracts affluent, older male travelers (Oates)					
W Hotels	Example: Steve A. Cohen, renowned hedge fund manager Young transporting travelers who value work and play.					
vv Hotels	Young, trendsetting travelers who value work and play					
	 Example: Fashionable, up-and-coming celebrities such as Iggy Azaela and Lorde 					
Waldorf Astoria	Traditional leisure and business travelers who want a classic luxury experience					
vvaidori Astoria	•					
	Example: Senior Managing Director at JP Morgan					

Exhibit 4: Conrad has a large market potential among 25-34 year-olds within the United States.

Conrad and Waldorf Astoria's Current Market Share of Millennials								
Year	2012	2013	2014 E	2015E	2016E	2017E	2018E	2019E
U.S. Population Aged 25-29	21,390,963	21,580,198	21,771,107	21,963,705	22,158,007	22,354,027	22,551,782	22,751,286
Growth %		0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%
U.S. Population Aged 30-34	20,906,332	21,264,389	21,628,578	21,999,005	22,375,776	22,759,000	23,148,787	23,545,250
Growth %		1.71%	1.71%	1.71%	1.71%	1.71%	1.71%	1.71%
Total	42,297,295	42,844,587	43,399,685	43,962,710	44,533,783	45,113,027	45,700,569	46,296,536
Target Market	4,229,729.50	4,284,459	4,339,969	4,396,271	4,453,378	4,511,303	4,570,057	4,629,654
Market reached by Hilton Luxury Brands	535,191	542,116	549,139	556,263	563,489	570,818	578,252	585,793
Market Potential	3,694,539	3,742,343	3,790,829	3,840,008	3,889,889	3,940,484	3,991,804	4,043,860

Percentage of U.S. Population Reached by Hilton Luxury Brands				
U.S. 2013 Population Est	316,128,839.00			
Percentage in Upper-Middle Class	10%			
People In Upper Middle Class	31,612,883.90			
People Reached by Conrad & Waldorf in U.S.	4,000,000.00			
Percentage of U.S. Population Reached	12.65%			

Projection Drivers	
25-29 Year-Old Trailing Growth Rate	0.88%
30-34 Year-Old Trailing Growth Rate	1.71%
% of 25-34 in the Upper-Middle Class	10%
% of Upper Middle Class reached by Conrad and Waldorf	12.65%



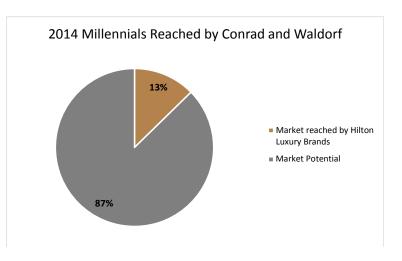


Exhibit 5: According to Barkleys, millennials are more social and more technological, leading them to behave and travel differently.



More social

Millennials have more friends and connections on social networks.

Millennials use social media to enrich their lives every day.

Millennials are heavily influenced by peer input and affirmation.

Millennials expect brands to participate in social media.

Millennials interact with brands on social networking sites.

Millennials are more likely to dine with non-family groups.



More Technological

Millennials are 2.5 times more likely to adopt a new technology.

Millennials are always on the internet, with multiple Web-enabled devices

Millennials contribute and consume more web content.

Millennials are more likely to use entertainment devices.

Millennials watch less TV and watch more TV on their computer devices.

Millennials' cause awareness draws heavily from digital channels.



Behave Differently

Millennials feel strongly about health, but don't usually follow through.

Millennials shop more frequently and to do more special event purchases.

Millennials view restaurants as social outlets and retreats.

Millennials volunteer more and make conscious purchases.



Travel Differently

Millennials plan ahead, take fewer trips, and stay closer to home.

Millennials more likely to travel for special and RSVP events.

Millennials are more concerned about price and conveniences.

Millennials have a global view of travel and enjoy a wide range of activities.

Millennials prefer fastcasual dining experiences.

Millennials seek value during purchases but also respond well to rewards.

Source: Fromm, Jeff, Celestie Lindell, and Lianie Decker.

Exhibit 6: The suggested Conrad social and special event packages will appeal to millennials by emphasizing shared experiences and allowing customization through add-ons.

Social Packages:

Your Girls' Getaway:

Grab the girls for a luxurious getaway. Our core package includes Wi-Fi, a spa day**, customizable cocktails, and late checkout. Packages start at \$829.

Add-ons:

Airport pick-up/drop-off, brunch at a property restaurant, personal trainer session, wine tasting session

Your Love Story:

You two deserve the perfect escape. Book our core package and enjoy Wi-Fi, late checkout, and a \$50 room service credit. Packages start at \$561.

Add-ons:

Airport pick-up/drop-off, couple's spa package**, dinner at a property restaurant, personal trainer session, hot air balloon ride, beachside candlelit dinner***

Your Guys Weekend:

Whether you're celebrating your bachelor party or just getting the guys together, Guys Weekend package is guaranteed to show you an unforgettable time. Our core package includes Wi-Fi, free cover change to partnering nightclubs, and late checkout. Packages start at \$572.

Add-ons:

Airport pick-up/drop-off, bottle service, NY sports tickets**

Your New York*:

Capture New York your way. Whether you want to see the classic sights or explore the hidden parts of the city is up to you. Our core package includes Wi-Fi, a New York gift bag, and late check-out. Packages start at \$561

Add-ons:

Airport pick-up/drop-off, city limo tours, Citi bike rentals, dinner and Broadway combo, discounted TicketMaster tickets, NY sports tickets**, NY food tour, customized cocktails at Loopy Doopy

Special Events:

Your Special Day

We're here to help you capture your dream wedding. Our core package includes: bus transportation to and from the wedding, discounted room rates for up to 30 rooms, a wedding event planner, catering, bar tab, place settings of your choosing, and table cloths. Starting at \$144 per person

Add-ons:

Flower arrangements, live music, spa amenities for bride and bridesmaids*, private brunch with the wedding party

Your Business Conference

Focus on the work that matters to you, and we'll take care of the rest. Our core package includes: conference room reservations, personal event planner, technical support, sound systems and lighting, table cloths, place settings, catering, and discounted rates for up to twenty rooms. Starting at \$150 per person.

Add-ons:

NY sports tickets***, corporate dinner at a property restaurant, transportation to and from hotel

^{*}City packages customized for each Conrad location

^{**}Spa services available in Miami, Ft. Lauderdale, and Indianapolis locations

^{***}Sports ticket packages are seasonally offered

^{****}Available in Miami and Ft. Lauderdale location

Exhibit 7: GoPro Inc. is a newly public company with robust growth and strategic positioning

Founder and CEO: Nicholas Woodman

President: Anthony J. Bates

About: GoPro makes the world's most versatile camera since 2002

Goals and Values: To help "people capture and share their lives' most meaningful experiences with others – to

celebrate them together"

IPO: June 26th, 2014 at \$24 per share as an "emerging growth company"

Market Capitalization: \$8.92 billion (NASDAQ)

Market Share: 47.5% of camcorder market

Revenue: \$985,740,000 in 2013 **Stock Price:** \$70.72 (November 20th, 2014)

Net Income: \$46,160,000 in 2013 **Debt-to-Equity Ratio**: 61.26

Price/Earnings Current: 152.64 Key Metrics: Units shipped and Adjusted EBITDA

Expectations: The market is bullish on GoPro. Astronomical performance and growth in nearly all dimensions since the recent IPO encourage overall high expectations. Strategically, a superior business model and established, loyal community of content generators provide a competitive advantage.

Risks: "GoPro operates in a highly competitive market and the size and resources of competitors may allow them to compete more effectively than GoPro can, which could result in a loss of market share and a decrease in revenue and profitability."

The Product: Hero 4 Black Cost range: \$130 – \$500

12MP / 30 fps Burst Remotely control, view, and share

4K30/2.7K50/1080p120fps Waterproof to 131' (40m)

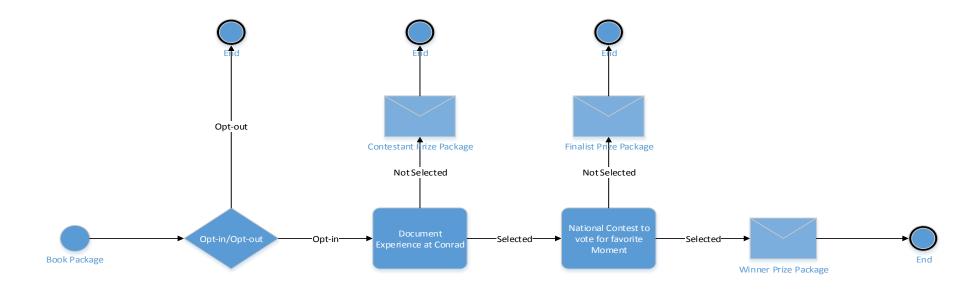






Sources: See works cited page.

Exhibit 8: The "Capture Your Moment" Contest Incentivizes Participation



Contestant Prize Package (10 per location, 50 total)	Finalist Prize Package (1 per location, 5 total)	Winner Prize Package (1 National Winner)
Edited video of their Moment is sent to the contestants via email	 Documented stay is paid for (reimbursed) Moment video is published on the "Capture Your Moment" website Finalists are interviewed and publicized 	 Documented stay is paid for (reimbursed) Moment video is published on the "Capture Your Moment" website Winner is profiled and publicized A fully-funded package to any domestic Conrad location (up to \$10,000)

Exhibit 9: The "Capture Your Moment" Contest will feature each Conrad destination to generate hype

Year 1, Month 1 – "Capture Your Moment" Campaign Launch

- Launch Ad introduces the Conrad-GoPro partnership and the "Capture Your Moment" Campaign
- The ad aggregates moments captured by GoPro cameras showcasing the Conrad packages and destinations
- The ad is featured on GoPro's YouTube Channel and social media including Facebook using paid ads
- The campaign encourages users to share their experiences on the "Capture Your Moment" website
- Throughout the month, package guests of the New York Conrad can have their moments captured and produced into videos by GoPro with a Finalist chosen at the end of the month (logistics in Month 2)

YM 1.2 - "Capture Your Moment" Contest Featuring Conrad New York

- The Finalist from the Conrad New York is released on the website, GoPro YouTube, and social media
- Guests who book a package at the Conrad Indianapolis are offered the choice of having their experience documented by GoPro cameras and submitted to the contest
- GoPro cameras, equipment, and training on proper use is provided to contestants for their stay
- GoPro's video-editing team produces videos and selects the Indianapolis Finalist

YM 1.3 – Featuring Conrad Indianapolis

- The Finalist from the Conrad Indianapolis is released on the website, GoPro YouTube, and social media
- Conrad Indianapolis packages consist of experiences authentic to the city i.e. a Colts NFL game
- Moments are captured, as described in Month 2, at the Conrad Miami
- GoPro's video-editing team produces videos and selects the Miami Finalist

YM 1.4 – Featuring Conrad Miami

- The Finalist from the Conrad Miami is released on the website, GoPro YouTube, and social media
- Conrad Miami packages will consist of experiences authentic to the city i.e. Yacht tours
- Moments are captured, as described in Month 2, at the Conrad Chicago
- GoPro's video-editing team produces videos and selects the Chicago Finalist

YM 1.5 – Featuring Conrad Chicago

- The Finalist from the Conrad Chicago is released on the website, GoPro YouTube, and social media
- Conrad Chicago packages will consist of experiences authentic to the city i.e. party on the Roof of The Wit
- Moments are captured, as described in Month 2, at the Conrad Fort Lauderdale
- GoPro's video-editing team produces videos and selects the Fort Lauderdale Finalist

YM 1.6 – Featuring Conrad Fort Lauderdale

- The Finalist from the Conrad Fort Lauderdale is released on the website, GoPro YouTube, and social media
- Conrad Fort Lauderdale packages will consist of experiences authentic to the city i.e. scuba diving
- The Fort Lauderdale finalist will be released a week early during this month to provide a week for final voting to take place
- Voting is pushed on all social media platforms to foster a viral response to the contest
- Winner is selected, announced, and publicized

Exhibit 10: During the "Capture Your Moment" Contest, the homepage will display the launch video and description of the overall competition and campaign.

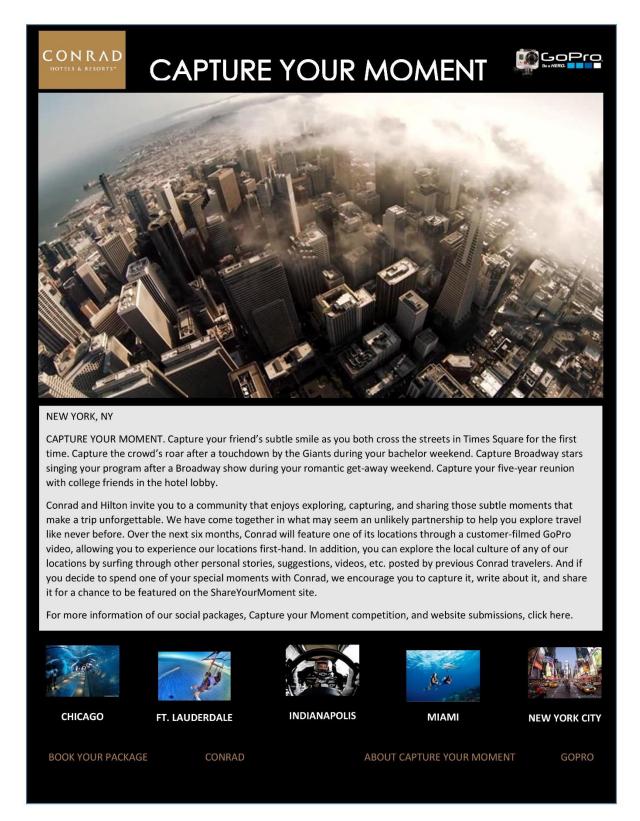


Exhibit 11: The digital banners of the campaign, which target specific customer segments, will draw people to the campaign website.







Exhibit 12: The "Share Your Moment" commercials, which will be shot with GoPros, will follow one character throughout a package experience in first person point-of-view.



The camera zooms into the Conrad Miami from the POV of Natasha in her taxi. "Rather Be" by Clean Bandit plays.



Natasha and her friends enjoy their customized cocktails at the Conrad Miami bar.



The next morning, Natasha and her friends attend a personal trainer led yoga session on the beach.



Next the camera flashes to Natasha's online weekend calendar. She confirms her spa session.



Natasha sits poolside at the spa with her friends as they toast to their unforgettable trip.



The last shot shows Natasha herself, laughing candidly into the camera.

Exhibit 13: The 6 Ms explain the holistic nature of the "Capture Your Moment" campaign



ARKET

- Young Adults: 25-34 year old segment (Millennials)
- Affluent: Income greater than \$100,000
- Traveling: To the United States



ISSION

- To raise awareness and generate positive attitude towards the new packages
- To rejuvenate, rebrand, and reestablish the Conrad Brand
- To stimulate the booking of packages at the U.S. Conrads



ESSAGE

• Conrad is where you celebrate milestones, create memories, and capture unforgettable moments



ONEY

- Conrad and GoPro will divide the costs of the campaign 50/50
- Conrad expects to spend \$3 million per year



EDIA

- Content: "Capture Your Moment" Website
- Promotion: Social Media including YouTube, Facebook, Instagram, Twitter
 - GoPro YouTube Channel: 2.7 million subscribers, 626 million views



ETRICS

- Page view count, video view count, ad click-through count, social media likes and shares, incremental revenue, incremental HHonors membership,
- Ratings provided by Expion and Revenate software regarding social media

Exhibit 14: Rooms booked through direct distribution channels provide the highest net room revenues.

Channel Type	Telephone Reservation	ОТА	GDS	Direct online booking (hotel website)
Channel examples	1-800-Hiltons, 1-800-ichotels	Expedia, Priceline, Orbitz	Sabre, Galileo, Amedeus	Starwoodhotels.com, Park.hyatt.com
Annual channel revenue share (U.S. hotel industry)	16.9%	7.1%	10.9%	18.3%
Annual channel revenue share (U.S. luxury hotels)	27.7%	6.2%	14.8%	16.9%
Channel-specific costs	Labor, technical transaction fees, loyalty fees, credit card fees	Commission, transaction fee	Transaction fee, travel agency commission, loyalty fees, credit card fees	Direct charges from website vendor, SEM costs, website upkeep costs, loyalty fees, credit card fees
BAR (room rate)	\$100	\$100	\$100	\$100
	Variable	distribution cost	ts breakdown	
Labor	\$10	n/a	n/a	\$2
Direct Marketing	n/a	Included in commission	\$1	\$3
Discount or commission	n/a	\$25	\$10	n/a
Loyalty program	\$2	n/a	\$1	\$3
Transaction channel fee	n/a	\$5	\$6	\$5
Credit card fee	\$2	n/a	\$2	\$2
Total Cost	\$14	\$30	\$20	\$15
Net room revenue	\$86	\$70	\$80	\$85

Source: Distribution Channel Analysis: a Guide for Hotels

Exhibit 15: The new package homepage will offer a variety of personalized social packages.

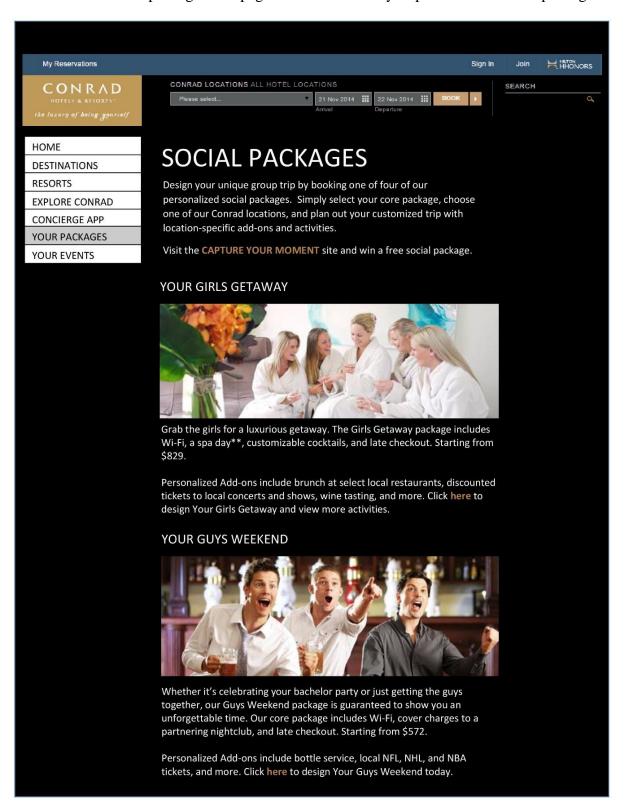


Exhibit 16: Customers will be prompted to select their add-ons and invite their friends to participate in the booking process after selecting a specific package.

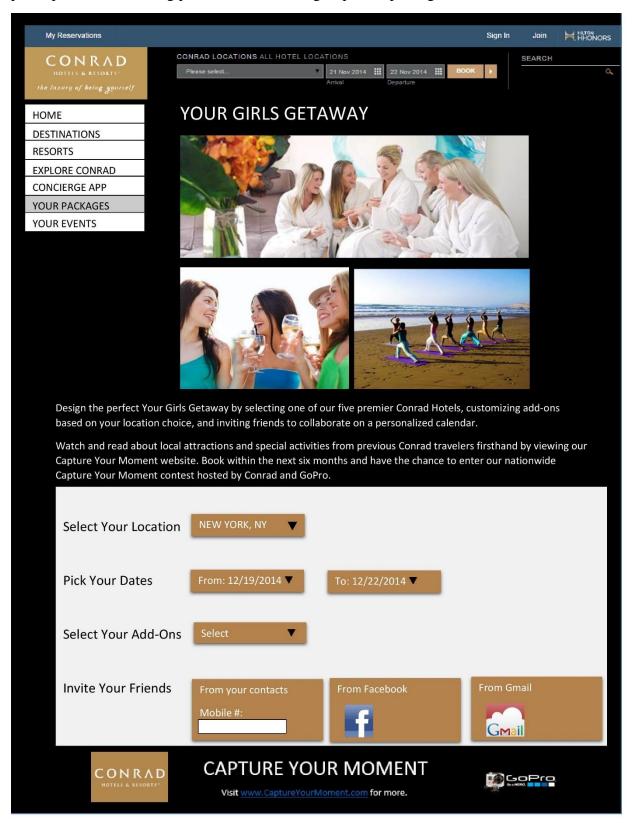


Exhibit 17: New social booking process, such as a calendar and chat features, allow interaction within then group during package customization.

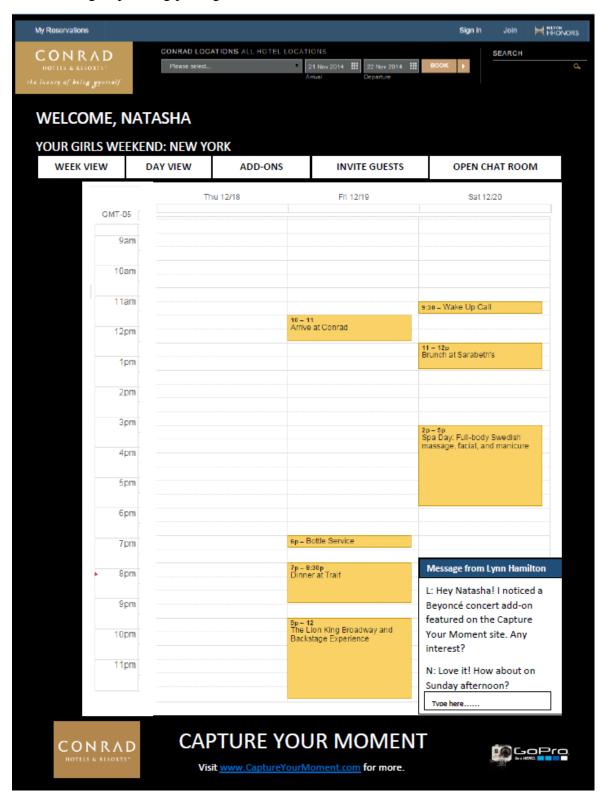


Exhibit 18: The "Capture Your Moment" offers new packages at an attractive price, promotes them through a campaign with GoPro, and revamps Conrad's booking process.

The price of the package will vary depending on customer The personalized social packages will satisfy the needs of add-on preferences. millennials by focusing on key events and life moments of millennial customers. Price of the core packages will range from \$561 to \$829. Customers will be able to customize their packages by adding This pricing is competitive compared with packages offered various in-hotel and outside activities. by other luxury hotels, satisfying millennials' value centered mindset. **Product Price Promotion Place** Hilton Worldwide will revamp its current website to attract Conrad will co-brand with Go-Pro to launch the "Capture customers to this more profitable distribution channel. Your Moment" contest to increase their presence on social media. Customers will be able to customize their packages online, and on the app from in-hotel preferences to other daily activities. This website will encourage customers to share user-generated content on the campaign/Conrad Community website. Customers will also be able to book in groups and submit Conrad will use online banner ads and TV advertisements to payment online together. further promote this campaign.

Exhibit 19: The annual \$3 million budget was allocated to four advertisement components: the product launch, web advertisement, TV advertisement, and the "Capture Your Moment" website.

Capture Your Moment Campai	gn Budget			
As of Fiscal Year-End Dec., 31	YR 0	YR 2015	YR 2016	YR 2017
In U.S. \$1,000	Projected	Projected	Projected	Projected
Component 1: Product Launch				
Web-Design	(400)	0	0	0
Total	(400)	0	0	0
Component 2: Web Advertisemen	nt			
Design Cost	(20)	(40)	0	0
Online Display Ads	0	(73)	(73)	(73)
Online Video Ads	0	(500)	(500)	(500)
Ads on FaceBook	0	(58)	(58)	(58)
Total	(20)	(671)	(631)	(631)
Component 3: TV Advertisements	1			
Production Costs	0	(170)	0	0
Cable Ads	0	(563)	(1125)	(1125)
National Ads	0	(250)	(1000)	(1000)
Total	0	(983)	(2125)	(2125)
Component 4: Capture Your Mom	ent Website			
Web Design	(200)	0	0	0
Winner Prize	0	(10)	0	0
Legal Fees	(300)			
Web Maintenance	0	(670)	(670)	(670)
Total	(500)	(680)	(670)	(670)
Total Costs	(920)	(2333)	(3426)	(3426)
Discounted Cash Flows				
Discount Rate		7.8%	7.8%	7.8%
Period		1	2	3
PV	(920)	(2164)	(2948)	(2734)

TIMELINE

Year 0:

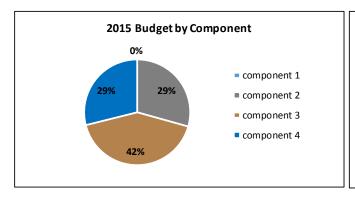
- **1.** Redesign Conrad site to include packages and booking process
- **2.** Design first web display ad
- **3.** Design Capture Your Moment website
- **4.** Draw and negotiate contract

2015:

- 1. Advertise online
- 2. Design more specific web display ads and TV ads that will air when contest concludes
- **3.** Give contest winner reward

2016 & 2017:

- 1. Continue web and TV ads
- **2.** Continue to develop website



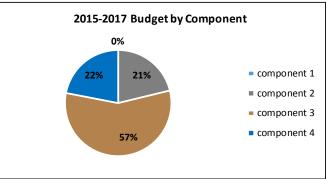


Exhibit 20: The "Capture Your Moment" Campaign will increase shareholder value by \$2.66 million within its first year and a total of \$7.41 million over the 3-year life of the campaign.

Profit from Conrad Capture Your M	Ioment Campa	nign- Projected	Case	
As of Fiscal Year End December, 31	YR 0	2015	2016	2017
In U.S. \$1,000	Projected	Projected	Projected	Projected
Revenue	0	8654	9086	9540
Growth %			5%	5%
Cost of Products	(400)	(235)	(239)	(243)
Gross Margin	(400)	8419	8847	9297
Campaign Component Costs	(220)	(2333)	(3426)	(3426)
Legal Costs	(300)	0	0	0
EBIT -	(920)	5851	5183	5629
Tax Expense	377	(2399)	(2125)	(2308)
CF from Campaign	(543)	3452	3058	3321
Discounted Cash Flows Calculation				
Cash Flows		3452	3058	3321
Discount Rate		7.8%	7.8%	7.8%
Periods		1	2	3
Present Value	(543)	3202	2632	2651
Total PV of Cash Flows				8485
NPV				7942

Hilton Worldwide's Weighted Average Cost of Capital	
WACC	7.8%

Assumptions (see works cited):

^{1.} Revenue projections detailed in Exhibit 22.

^{2.} Assumes a 5% annual increase in package, event, and regular room purchases.

^{3.} Product costs include incremental costs for each package, event, and regular room purchase.

^{4.} Legal costs assume \$1,000 per hour fee and approximately 300 hours to construct and negotiate contract with GoPro.

Exhibit 21: The "Capture Your Moment" Campaign will increase package, regular room, and event purchases over the lifetime of the campaign. This increase in revenue is a direct result of the campaign's success and expenditures on advertising, giving the campaign investment a ROI of 57%.

Revenue and Campaign Costs Breakdown

Incremental Revenue Breakdown-Projected Case			
As of Fiscal Year-End Dec., 31	YR 2015	YR 2016	YR 2017
In U.S. \$1,000	Projected	Projected	Projected
Revenue from Packages	3356	3523	3699
Revenue from Regular Rooms	4890	5135	5391
Revenue from Events	408	428	450
Total Incremental Revenue	8654	9086	9540

Campaign Costs Breakdown				
As of Fiscal Year-End Dec., 31	YR O	YR 2015	YR 2016	YR 2017
In U.S. \$1,000	Projected	Projected	Projected	Projected
Web Advertisement	(20)	(671)	(631)	(631)
TV Advertisement	0	(983)	(2125)	(2125)
CYM Website and Contest	(200)	(680)	(670)	(670)
Total Campaign Costs	(220)	(2333)	(3426)	(3426)

Return on Investment Breakdown

As of Fiscal Year End December, 31	YR 0	2015	2016	2017
In U.S. \$1,000	Projected	Projected	Projected	Projected
Revenue	0	8654	9086	9540
Costs				
Costs of Products	(400)	(235)	(239)	(243)
Costs of Campaign	(220)	(2333)	(3426)	(3426)
Legal Fees	(300)	0	0	0
Taxes	377	(2399)	(2125)	(2308)
Total Costs	(543)	(4967)	(5789)	(5976)
Discounted Cash Flows Calculation				
Discount Rate	7.8%	7.8%	7.8%	7.8%
Periods	0	1	2	3
Present Value of Revenue	0	8027	7819	7616
Present Value of Costs	-543	-4607	-4982	-4771
ROI				57%

Assumptions (see works cited):

- 1. Assumes \$2.90 per CPM display ad and \$20.00 per CPM video ad.
- 2. Assumes \$340,000 in commercial production, \$15,000 per cable slot, and \$100,000 for National Ad slot.
- 3. Assume 50% split in advertising costs between GoPro and Conrad.

Exhibit 22: Revenue projections stem from a weighted average of the forms within each product line.

REVENUE FROM PACKAGES												
Girls Getaway Package		Guys Weekend		Love Story Package		Your New York		Averages	Weights	Year 1	Year 2	Year 3
Room Rate	490		490		470		490					
Spa Charge	250	Club Cover Charge	30	Room Service Credit	40	Gift Bag	20					
Cocktail Charge	14	Base Price	520	Base Price	510	Base Price	510					
Base Price	754	Up Charge	52	Up Charge	51	Up Charge	51					
Up Charge	75.4											
Total Base Price	829.4		572		561		561	630.85	60%	1,892,550	1,987,178	2,086,536
Add-Ons:												
Wine Tasting	50	Airport Transportation	30	Spa Massage	250	Airport Transportation	30					
Airport Transportation	30	Bottle Service	50	Private Trainer Session	40	Loopy Doopy Cocktails	14					
Brunch	30			Beach-Side Dinner	50							
Private Trainer Session	40			Airport Transportation	30							
Total Price with Add-Ons:	979.4		652		931		605	791.85	10%	395,925	415,721	436,507
Average Package Price	904.4		612		746		583	711.35	30%	1,067,025	1,120,376	1,176,395
TOTAL REVENUE FROM PACKA	GES									3,355,500	3,523,275	3,699,439
REVENUE FROM REGULAR ROO	OMS							Price				
Regular								270	80%	3,240,000	3,402,000	3,572,100
Suite								500	18%	1,350,000	1,417,500	1,488,375
Penthouse								1000	2%	300,000	315,000	330,750
TOTAL REVENUE FROM ROOMS	s									4,890,000	5,134,500	5,391,225
REVENUE FROM EVENTS								Price				
Business Conferences								60000	0.5	300,000	315,000	330,750
Weddings								21600	0.5	108,000	113,400	119,070
TOTAL REVENUE FROM EVENTS	S									408,000	428,400	449,820
TOTAL REVENUE										8,653,500	9,086,175	9,540,484

Package Dr	rivers-Projecte	d Case		Room Drive	rs- Projected	Case		Event Drive	rs Projecte	d Case	
	Year 1 Yea	ar 2 Y	ear3		Year 1 Ye	ear 2	Year 3		Year 1	Year 2	Year 3
Purchases	5000	5250	5512.5	Purchases	15000	15750	16537.5	Purchases	10	10.5	11.025
Growth	5%	5%		Growth	5%	5%		Growth	5%	5%	

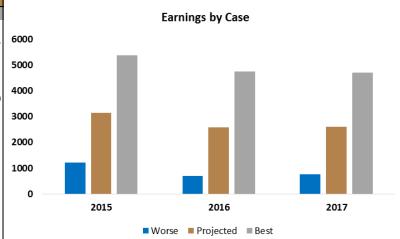
Assumptions (see works cited):

- 1. Assume that each package includes one room for two nights
- 2. Assume a \$150 per person charge and average number of 400 people for business conference prices
- 3. Assume a \$144 per person charge and average number of 150 people for wedding prices
- 4. Other costs based on current estimates, see works cited for details

Exhibit 23: The sensitivity analysis predicts Best, Projected, and Worst Cases based on different estimated purchase drivers.

Profit from Conrad Capture Your N	loment Campa	ign-Worst Cas	е		Profit from Conrad Capture Your M	loment Campa	ign -Best Case		
As of Fiscal Year End December, 31	YR 0	2015	2016	2017	As of Fiscal Year End December, 31	YR 0	2015	2016	2017
In U.S. \$1,000	Projected	Projected	Projected	Projected	In U.S. \$1,000	Projected	Projected	Projected	Projected
Revenue	0	4806	5047	5299	Revenue	0	12501	13126	13782
Growth %			5%	5%	Growth %			5%	5%
Cost of Products	(400)	(221)	(225)	(229)	Cost of Products	(400)	(349)	(358)	(369)
Gross Margin	(400)	4585	4821	5070	Gross Margin	(400)	12152	12767	13413
Campaign Component Costs	(220)	(2353)	(3426)	(3426)					
Legal Costs	(300)	0	0	0	Campaign Component Costs	(220)	(2353)	(3426)	(3426)
					Legal Costs	(300)	0	0	0
EBIT	(920)	2232	1396	1645					
Tax Expense	377	(915)	(572)	(674)	EBIT	(920)	9799	9342	9988
CF from Campaign	(543)	1317	824	970	Tax Expense	377	(4018)	(3830)	(4095)
<u> </u>					CF from Campaign	(543)	5782	5512	5893
Discounted Cash Flows Calculation					Discounted Cash Flows Calculation				
Cash Flows		1317	824	970	Cash Flows		5782	5512	5893
Discount Rate		0	0	0	Discount Rate		0	0	0
Periods		0	0	0	Periods		0	0	0
Present Value	(543)	1221	709	775	Present Value	(543)	5363	4743	4704
Total PV of Cash Flows				2705	Total PV of Cash Flows				14810
NPV				2162	NPV			· · · · · · · · · · · · · · · · · · ·	14267

ackage D	rivers			Room Drive	rs	
	Year 1	Year 2	Year 3		Year 1	Year 2
Worse				Worse		
Purchases	2000	2100	2205	Purchases	10000	10500
Growth	5%	5%		Growth	5%	5%
Best				Best		
Purchases	8000	8400	8820	Purchases	20000	21000
Growth	0.05	0.05		Growth	0.05	0.05
Event Driv	ers					
	Year 1	Year 2	Year 3			
Worse						
Purchases	5	5.25	5.5125			
Growth	5%	5%				
Best						
Purchases	15	15.75	16.5375			
Growth	0.05	0.05				



Source: See works cited.

Exhibit 24: Uncertainty regarding packages and terms of partnership with GoPro present risks to profitability and cash flows.

Specific Risks to Revenues:

- Failure of the "Capture Your Moment" promotional campaign to generate sales:
 - o Inability to generate viral attention to the initial advertisement
 - o Low popularity with the initial ad would affect the rest of the campaign
 - o Low conversion rate of viewership to purchase of packages
 - o Success is dependent on the reputation and continued growth of GoPro
 - o GoPro could take the lion's share of the attention from the campaign
 - o People could be adverse to sharing their personal lives with big corporations
 - o Contestants may not generate enough quantity or high enough quality content
 - o The new booking channel through the Conrad website may not be adopted
- Logistical issues with the operations of the contest:
 - Limited eligibility timeframe could cause uneven influxes of demand for each destination that cannot be met

Specific Risks to Costs:

- Cost division in GoPro co-branding contract:
 - o If Hilton is forced to take on even slightly more costs in the contract, the campaign quickly becomes more expensive
- Logistical issues with the operations of the contest:
 - Users could steal or damage expensive lent equipment
 - o Users could submit and publicize negative content

Specific Risks to Cash Flows:

- Consumers would take time to plan special events such as weddings before purchasing packages, which could severely constrain early cash inflows.
- Delayed cash flows would restrict Conrad's ability to promote the packages, which could further delay cash flows

Appendix A: Key Marketing Terminologies

STP Map: Segmentation, Targeting, and Positioning Map. It is a perceptual map that displays all brands within an industry and represents the subjective location of these brands in the minds of customers.

Co-Branding: A marketing partnership between at least two different brands that combines the strengths and capabilities of each brand resources to operate more effectively.

Amplified Word of Mouth Marketing: Occurs when marketers launch campaigns to accelerate peer-to-peer marketing.

4Ps: Stands for Product, Price, Promotion, and Place. It is a traditional framework for categorizing major aspects of a marketing plan.

6Ms: Stands for market, mission, message, media, money, and measurement. It is a six-step framework to help marketers design an effective advertising campaign.

Informative advertising: The goal of informative advertising is to inform the customers about the product features. It is usually carried out during the initial stages of product introduction.

Persuasive advertising: The goal of persuasive advertising is to convince customers to buy the brand's products by showcasing why they are superior.

Bundling: Bundling is the practice of combining several different products and selling them together. Bundling allows the convenient purchase of several products together usually at a lower price.

POV: Stands for Point of View.

Customer Lifetime Value: The lifetime dollar value created by a single customer of the firm discounted to the present cash value. Important factors that determine this number include customer retention rate, promotion cost and customer acquisition cost.

Search Engine Optimization: Process of actively improving the "organic search result" of keywords relevant to the firm in order to increase the visibility of the company on the Internet.

Value Equity: Customers' objective perception of the value of the product a firm offers, including the price, quality, and convenience of the product.

Relationship Equity: Describes customers' stay with the brand over time.

Appendix B: Key Financial Terminologies

WACC: A calculation of a firm's cost of capital based on the weighted average of the costs of debt and equity of a company.

ROI: A performance measure used to evaluate the efficiency of an investment.

ROI = (PV of Benefits - PV of Costs)/PV of Costs

Source: see works cited

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