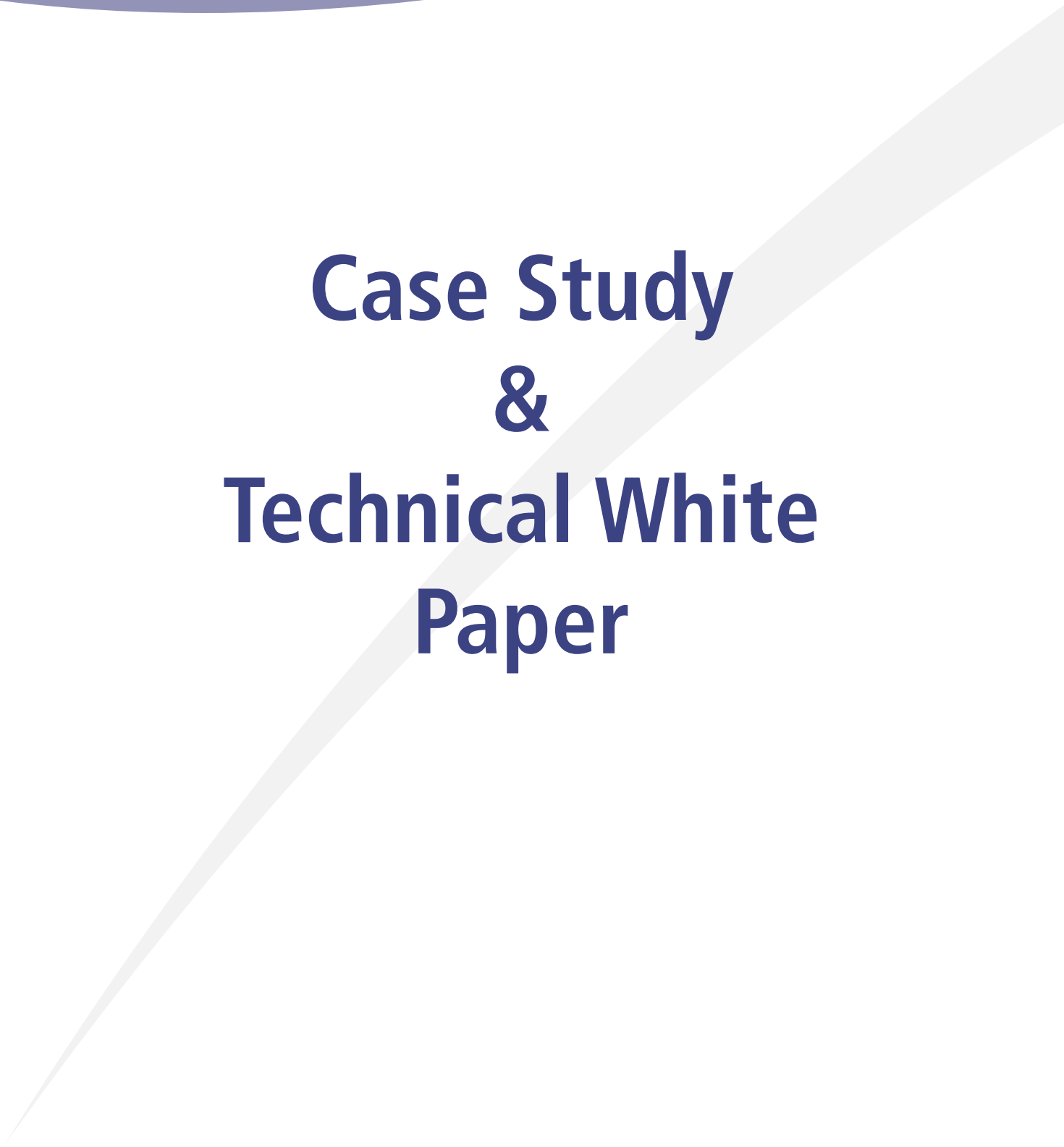


The logo for ALTIUSPAR features the brand name in a white, sans-serif font. A white curved line arches over the letters 'I' and 'U' in 'ALTIUSPAR'.

ALTIUSPAR

the next generation hospitality management solution

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**Case Study
&
Technical White
Paper**

Outline

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Introduction: Industry Challenges & Opportunities

The hospitality industry has experienced tremendous change in recent years – from the impact of global security on travel to the exponential increase in Internet booking channels, hoteliers are faced with the day-to-day challenges of keeping their brands relevant while improving sales and revenue per available room (RevPAR).

Most significantly, “commoditization” of the hospitality industry has encouraged companies to compete on price, and achieving differentiation through service has required higher investment (higher quality, shorter operation cycles), reducing overall profitability.

Other factors have had a negative impact on the profitability of the industry, including:

- Slow economic growth and reductions in corporate travel, resulting in lower Average Daily Rates (ADRs) and occupancies in most destinations.
- Hotel distributions becoming more complicated and expensive; hotel chains giving “allotments” to intermediaries and managing their rates on a single property off-line, resulting in lower revenues.
- Lack of qualified and trained labor force creating need to utilize personnel resources more wisely across organizations.
- Aging technology infrastructure and software investments – at both the corporate and property levels – not being upgraded and optimized.

While the industry has experienced strong revenue growth this past year, bottom line performance has eroded dramatically since 2000, due to escalating expenses, including “non-controllable” costs such as utilities, insurance and government regulation. These costs – along with “controllable” costs such as payroll, staffing and marketing – are expected to only increase in 2005.

According to a recent survey by the ISHC, hotels’ distribution management strategy ranked among the Top 10 issues important to the industry in 2005:

“Whereas most hospitality organizations have devoted extraordinary efforts to managing electronic channels, a broad-based distribution management strategy must be employed. Price sensitivity will continue to drive consumer buying behavior in virtually every segment, and pricing structures will need to demonstrate price integrity across all distribution channels—not just electronic ones...

...The potential challenges are formidable: lead times to booking continue to shrink; the move toward real time inventory becomes paramount, impacting technology, product categories, segments and channels; and the desire to track and manage every revenue stream in every channel means that distribution channel management transitions to a focus on the most profitable customer.”

Despite all of these challenges, technology can hold the key to both driving and enabling substantial product differentiation and significantly improving business processes – from real-time access to inventory, transparency across multiple channels, seamless exchange of operational information and access to performance data.

Client Overview

Grupos Posadas is one of the largest hotel companies in Latin America. It operates six proprietary hotel brands – including 91 hotels in city and beach resort destinations – in Mexico and several countries in South America and the United States.

Posadas has grown through ongoing development and the exploration of new hospitality concepts. The company continues its commitment to creating value through innovative strategies and new technology solutions. It has over 14,000 employees and annual revenues of US\$400 million.

Situation Analysis

Like many hotel companies, Posadas had a distribution model with the following challenges:

Hotel

- Inventory controlled at the hotel (PMS)

- Decisions made at individual level (e.g., every sales manager determined “right” sales mix, rates, allotments, black out dates)
- Manual processes were the norm (e.g., every sales manager sent information to the call center by fax or e-mail at least several times a day)
- The hotel technology had a “spaghetti” architecture, which required many manual processes (e.g., data loading, GDS rate maintenance) and had a high total cost of ownership (TCO) to maintain and further develop

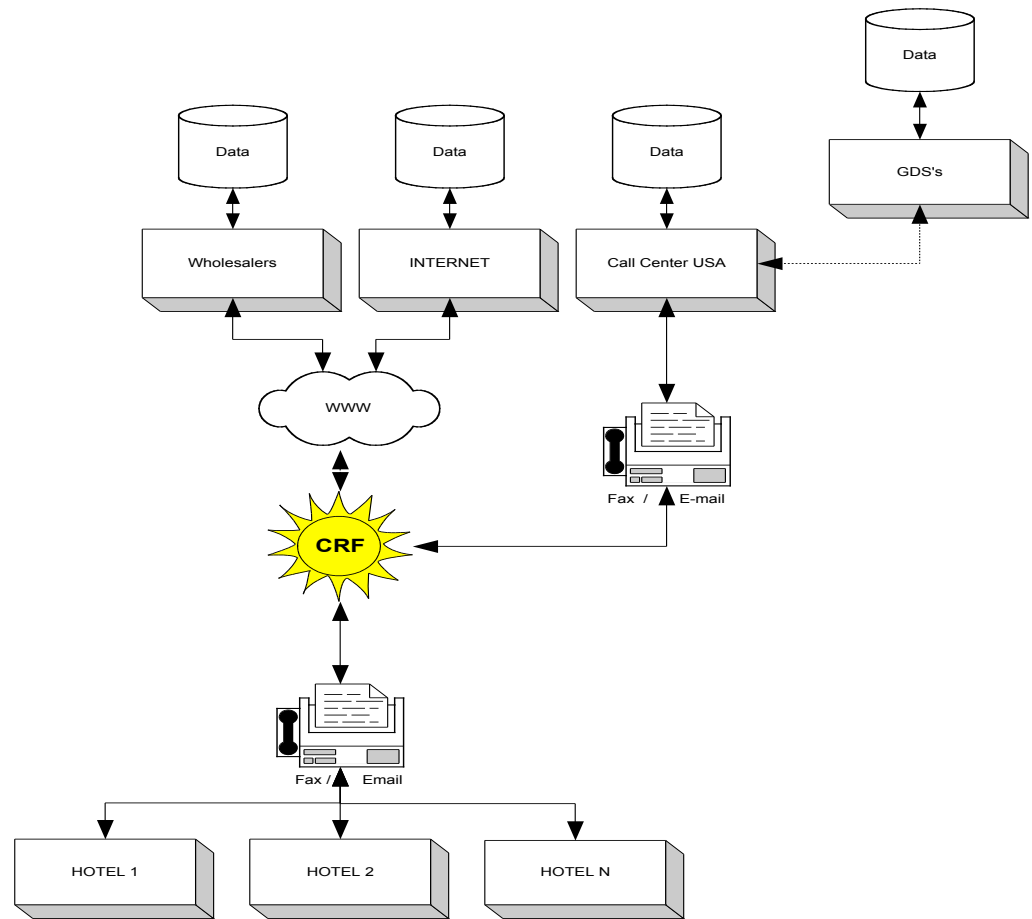
Call Center

- There were two call centers, one in the United States and one in Mexico; both had independent databases and shared no information.
- Agents had to send reservations to the hotel via fax or e-mail many times a day, and send availability information to third parties via fax or email

Distribution Systems

- GDS reservations received through a third party, which then sent the reservation information to the hotels via fax or email
- Internet reservations had to be manually reentered into a system that sent the information to the hotels and the other channels; modifications and cancellations were manually captured at the call center
- System required parallel, isolated databases to manage rates (there was a department responsible for updating and managing this database)

The following diagram shows the process flow that Posadas used in order to maintain accurate availability in every channel:



Note: CRF stands for the Contact Center and the CRS for the Client

The Challenges

Previous procedures lacked controls to verify whether the information was complete and/or correctly received. Reservations could have been lost in the process. Additional setbacks in the model included:

- Slow information flow between channels, which encouraged sales managers to black out dates/rates in an effort to prevent overbooking (black outs were often not set at the right booking level so hotels were not selling out)
- Sales managers were not focused on sales but instead on administrative activities and paperwork

- Fragmented information flow prevented the call centers from applying the same revenue rules to all reservations, resulting in a lack of price integrity
- Poor information led to different views of the sales statistics, which affected the decision making process
- Maintaining the extranets of merchant model operators like Hotels.com and Expedia required a great deal of manual work, including inputting of rates and inventory, faxing of reservation information, etc., all of which prevented the agents from focusing on selling new reservations
- Use of a variety of brands of property management systems across the company led to high set up and maintenance costs
- The CRS had a tremendous amount of information about Posadas' customers, but full advantage of the information was not received because it could not be accessed in real time
- Redundant, legacy systems, interface maintenance, and infrastructure investments resulted in a high TCO of technology

The Strategy

To develop a sustainable competitive advantage that would enable the company to maintain its leadership in the industry, Posadas wanted a solution that would:

- **Focus on increased revenue, optimize asset utilization and improve guests' overall experience**
 - Determine optimal rate for every transaction (sell "last available room" in real-time to all distribution channels, while still applying revenue management rules)
 - Tailor pricing and property experience based on individual guest needs and potential value
- **Provide an online single image that could integrate all the distribution and sales points**
 - Centralized inventory and reservations
 - Centralized and automated sales force
 - Centralized payments to travel agencies

- Centralized repository of data available to guests, wholesalers, corporate clients, travel agencies, etc.
- **Provide a new set of technology tools that improved operation performance and flexibility while decreasing costs**
 - Quickly integrate wide array of additional properties into system (either due to M&A or organic expansion)
 - Reduce growth rate in the level of IT expenditure (both for chain and property owners) while improving efficiency
 - ✓ Share data between applications for “real-time” decisions / transactions
 - ✓ Efficiently collect and utilize customer information / feedback (CRM)
 - Improve labor productivity

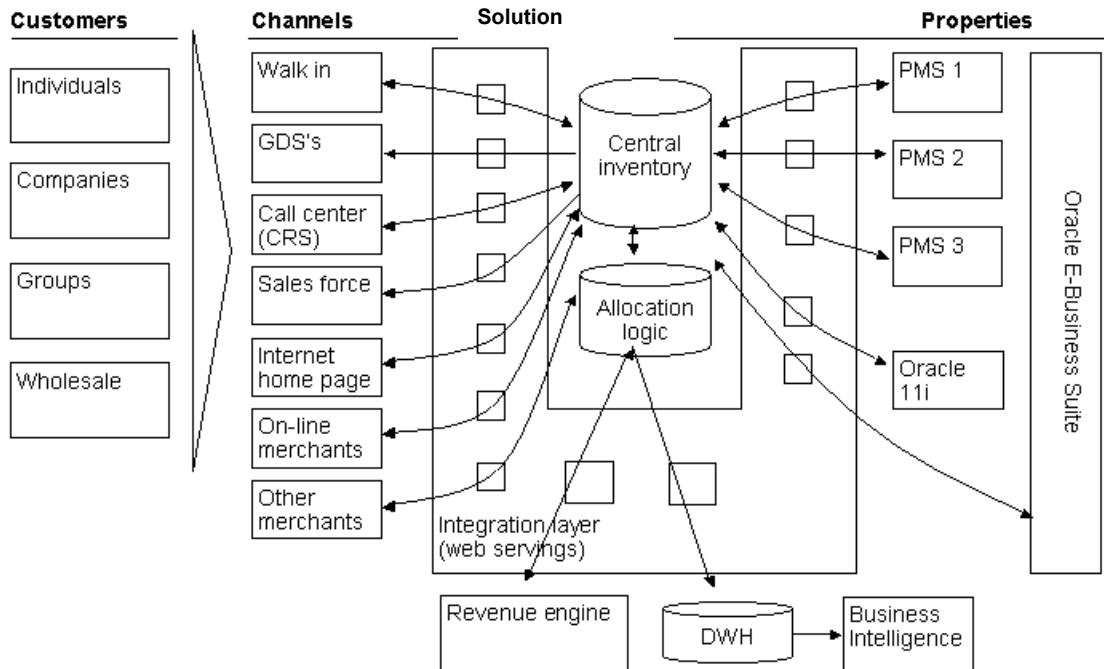
The Results

With AltiusPAR, Grupo Posadas now takes an integrated approach to its distribution, revenue management, and sales and catering business. Unlike existing solutions, AltiusPAR was able to provide Grupo Posadas with:

- On-line, real-time centralized inventory control
- Modular architecture
- Integrated state-of-the-art elements such as:
 - ✓ Revenue management (at a transaction level)
 - ✓ Channel management
 - ✓ Sales force automation (group sales and catering)
 - ✓ Account management
 - ✓ Contact management
 - ✓ Business intelligence
 - ✓ Loyalty programs
- Solid technology built on standard platforms (e.g., Lintel and Oracle technology)

- Technology integrated with Oracle E-Business Suite
- Data integrity across processes

Posadas' old procedure's information flow worked both ways as shown in the following diagram:



The new business model – as demonstrated in the examples that follow – proved to be highly successful in many areas:

- Higher RevPAR (revenue per available room), estimated at 1-5% per hotel (during peak days such as holidays, RevPAR increased to 10-15%)
- Lower technology TCO
- Better management of intermediaries
- Lower distribution costs
- More focused and better managed sales force
- Vastly improved management and MIS capabilities
- Improved logistics and geographic coverage
- Higher Guest Satisfaction Index

Higher RevPAR

Revenue statistics clearly improved, as proven in Hotel 1, Hotel 2 and Hotel 3:

Hotels 1 & 2: These Business Class hotels are located in an area of greatest commercial development. There have been several openings during recent years, generating a fierce price competition. Despite this, Posadas' revenue management strategy enabled both hotels to improve their RevPAR penetration (performance of a hotel's yield vs. the yield of the hotels in its competitive set).

Market1

| HOTEL | RevPAR penetration | |
|-------------|--------------------|------|
| | 2004 | 2003 |
| Hotel1 | 1.59 | 1.47 |
| Hotel2 | 1.24 | 1.17 |
| Competitor1 | 1.20 | 1.20 |
| Competitor2 | 0.65 | 0.66 |
| Competitor3 | 0.93 | - |
| Competitor4 | 0.86 | 0.89 |
| Competitor5 | 1.11 | 0.86 |
| Competitor6 | 0.40 | 0.93 |
| Competitor7 | 0.94 | 1.04 |
| Market | 1.00 | 1.00 |

Source: Client's Hotel Market Intelligence
June 2004 (Year-to-date)

Hotel 3: This hotel is strategically located in the city's downtown, at only minutes from the airport and the leading industrial park. In recent years, the available rooms in this market have increased. Posadas' new Revenue Management model enabled Hotel 3 to increase its RevPAR performance in the market.

Market2

| HOTEL | RevPAR penetration | |
|-------------|--------------------|------|
| | 2004 | 2003 |
| Hotel1 | 1.14 | 1.07 |
| Competitor1 | 0.76 | 0.76 |
| Competitor2 | 1.16 | 1.23 |
| Competitor3 | 0.96 | 1.09 |
| Market | 1.00 | 1.00 |

Source: Posadas' Hotel Market Intelligence
June 2004 (Year-to-date)

The new business model also resulted in a higher conversion rate (percentage of calls that turn into a sale over the total number of calls) at the Contact Center.

Conversion Rate per Quarter

Solution
Go-Live

| | 1Q | 2Q | 3Q | 4Q |
|------|-----|-----|-----|-----|
| 2002 | 33% | 38% | 34% | 35% |
| 2003 | 40% | 38% | 43% | 41% |
| 2004 | 41% | 49% | | |

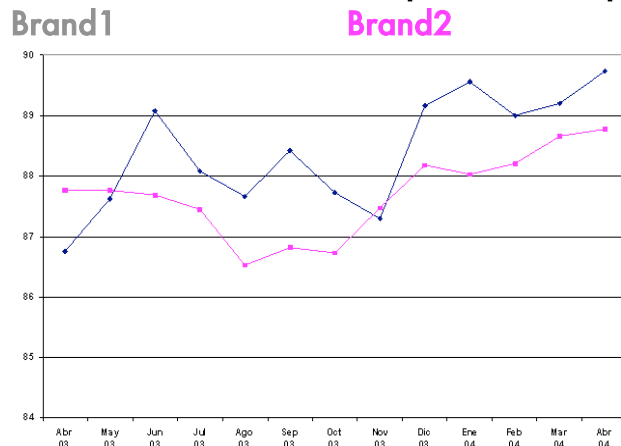
Source: Contact Center Client

The factors behind these improvements were:

- Increased sales due to tailored prices
- Full availability of the inventory due to a centralized system that eliminated allotments in each hotel
- Shorter call-times due to the real-time inventory view

The goal was to allow Posadas' operation to focus on service. The goal was achieved; the Guest Satisfaction Index improved, showing that the solution added value to the guests' experience.

Guest Satisfaction Index (April 2003 – April 2004)



Oracle Products and Services Used in the Solution

AltiusPAR partnered with Oracle to develop this solution. Some of the Oracle products and services used included:

- Oracle Database v. 9i and 10G
- Oracle E-Business Suite 11-i
- Oracle Warehouse Builder
- Oracle Discoverer
- Oracle On-Demand Services

Summary

In summary, the new business process and technology helped Grupo Posadas save a tremendous amount of time and money and achieve the following results:

- Highest RevPAR penetration in its markets
- Increased conversion rate at the Reservations Central from 38% to 49%
- Decreased technology TCO by 35%
- Increased Guest Satisfaction Index by 3% in just one year
- Increased labor productivity