ABOUT THE RECEPTIVE TOUR OPERATOR (RTO) CHANNEL

WHAT IS A RECEPTIVE OPERATOR?

- Wholesaler to overseas wholesalers
- Financial intermediary between U.S. suppliers (hotels/attractions) and international wholesalers.
- Develops products and contracts with hotels and attractions.
- Some aggregate hotels for resale via international travel agents.

PRODUCTS/SERVICES THEY OFFER

- FIT (foreign independent traveler) online booking systems
- Escorted group tours
- Fly-Drive programs
- Act as DMC (Destination Management Company) for international business
- International leisure groups
- M.I.C.E. tour programs (Meetings, Incentives, Conferences, Exhibitions)
- Meet-and-greet and ground services

ROOM NIGHTS SOLD BY THROUGH THE RTO CHANNEL

- Total overseas room nights from leisure channel: 120 million room nights*
- Total overseas room nights sold via all receptives in 2012: 19 million (estimate)
- RTO channel represents 17 percent of total “leisure” room night sales from overseas**
- *Excludes Canada and Mexico, business travel as well as those visiting friends and relatives; *Estimates based on NAJ TRAX™ Receptive Room Night Production Reports

ADVANTAGES OF WORKING WITH RECEPTIVE OPERATORS

- Most efficient way to access international travelers
- One RTO can place your product in as many as 70 countries
- RTOs deliver business during off-peak times
- RTOs help overcome language barriers
- RTOs have access to international groups and M.I.C.E.
- RTOs assume currency and financial risk of collections
- RTOs require issuing relatively few contracts
- RTOs move distressed inventory at yields higher than OTA’s w/ less risk to brand image
- RTOs indirectly provide FREE ADVERTISING in overseas markets
- By placing your products in tour operator brochures, RTOs can generate unexpected direct bookings for hotels
POSSIBLE DISADVANTAGES OF WORKING WITH RTOS

- Must provide net rates 18 months in advance (in case of traditional operators national operators)
- Perception that they provide low-yield tourism class business (rarely true)
- Tiered rate discount for RTOs can seem unnecessary in strong economy
- RTOs may not always be able to fill their contracted allotments
- Sales from wholesalers can take 2-3 years to materialize

STATS AND COMPARISONS:

<table>
<thead>
<tr>
<th>Attributes</th>
<th>OTAs</th>
<th>RTOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Time/Days</td>
<td>60-75</td>
<td>90-120</td>
</tr>
<tr>
<td>Average Commission Rate</td>
<td>35-40%*</td>
<td>20-30%</td>
</tr>
<tr>
<td>Length of Stay/Nights</td>
<td>1.8 nights</td>
<td>2.9 nights</td>
</tr>
<tr>
<td>% of reservations that are incremental</td>
<td>5%**</td>
<td>90%</td>
</tr>
</tbody>
</table>

*Average OTA commission to appear in first screen of search
**% of searches that convert to bookings beyond page 1 listings

In A Nutshell

<table>
<thead>
<tr>
<th>Attributes</th>
<th>OTA</th>
<th>RTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likelihood of Guest Sharing Contact Data with hotel (1-10 scale)</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Automation</td>
<td>Fairly Seamless</td>
<td>Larger RTO’s offer XML into existing CRS system: Extranet with allotments allow hotels to yield with better control</td>
</tr>
<tr>
<td>Key Advantages</td>
<td>Fill need periods, Superior user experience</td>
<td>Build early base to grow ADR sooner. Replace group business if falling short. Identify future trends and ability to &quot;Yield up.&quot; RTO’s are more &quot;selective&quot; at finding audiences that will like independent hotel</td>
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