



InterContinental, Samui Baan, Taling Ngam, Thailand

# *IHG's Commercial Strategy*

## *29 September 2016*



Staybridge Suites, Grand Forks, USA

# *Richard Solomons, CEO*

## *Cautionary note regarding forward-looking statements*

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This presentation may contain projections and forward looking statements. The words “believe”, “expect”, “anticipate”, “intend” and “plan” and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, potential business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

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Crowne Plaza, Niagara Falls Spa, USA

# *Agenda*

17:00 – Presentation

18:00 – Q&A

18:15 – Drinks

19:30 – Close

# *In a growing, competitive industry, IHG has the right strategy to win*

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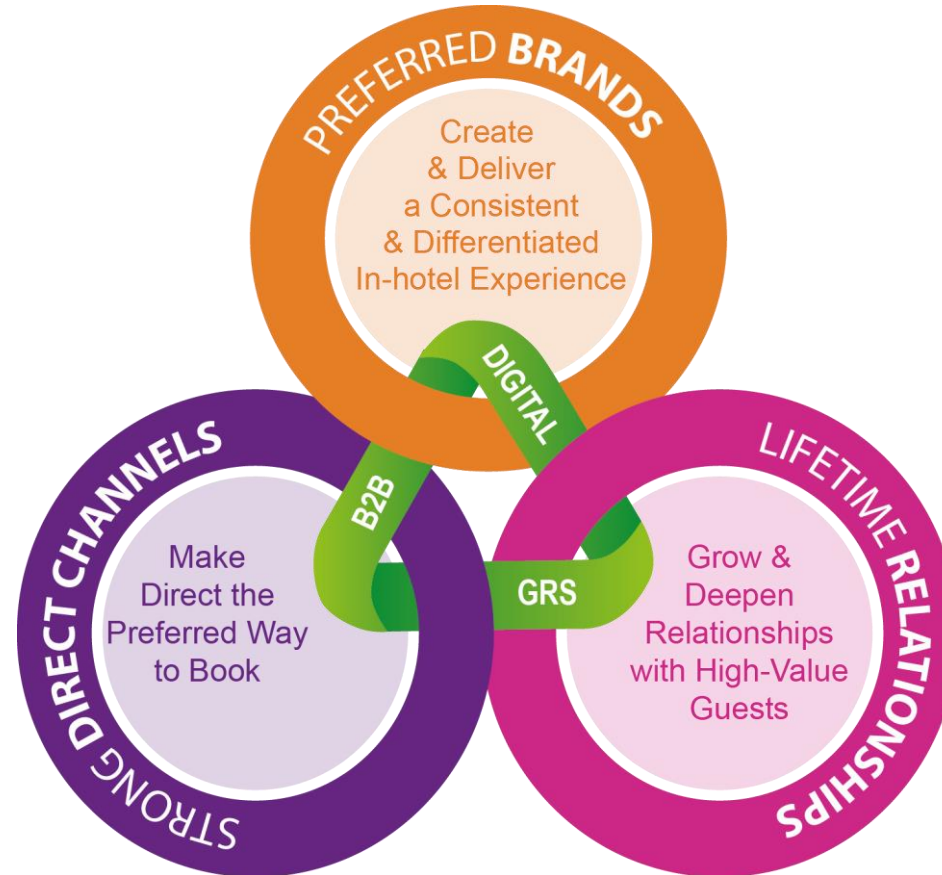
## The Travel & Tourism Industry

- The 4<sup>th</sup> largest global industry<sup>1</sup>
- Growing GDP share: 10-year forecast CAGR = 3.9%<sup>1</sup>
- Supported by powerful industry tailwinds
- Competition remains strong

## IHG's Winning Model

- Delivering preferred experiences through a differentiated brand portfolio
- Building & leveraging our scale position
- Engaging with, and rewarding, our most loyal guests
- Strategically managing distribution channels
- Delivering an enhanced proposition to owners
- Generating superior returns for shareholders

# IHG's Commercial Strategy

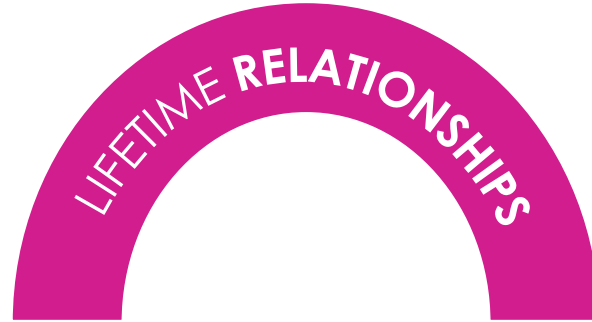


Supported by \$1.6bn annual System Fund

# *IHG's Commercial Strategy*

## *- our major priorities and focus for today*

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- 1 **IHG Rewards Club**
- 2 **The Digital Guest Journey**
- 3 **Guest Reservation System**

# *Personalisation and engagement drives loyalty*

## *- IHG is leading the way*

1 IHG Rewards Club

### Drivers

### IHG's position of strength

**Community  
Membership**

**Individuality &  
Personalisation**

**Enrolment to  
Engagement**

- Industry's 1<sup>st</sup> and largest loyalty programme with >98m members
- Unparalleled choice for guests
  - >5,000 hotels across almost 100 countries
  - More new reviews for IHG hotels on ihg.com than any other website<sup>1</sup>
- Driving loyalty through personalisation
  - Enabled by advanced CRM capabilities
- Recent enhancements to consumer loyalty proposition
  - Spire Elite: new top membership level
  - Your Rate: exclusive loyalty member rates
- Enrolments up 19%; loyalty contribution up 2.2%pts (to 41.8%) YTD

# *The Guest Journey is digitising throughout - IHG has invested early, building in-house expertise*

2

The Digital  
Guest Journey

## Drivers

Advent of high  
ROI  
digital  
marketing

Increasing  
mobile use  
throughout the  
Guest Journey

## IHG's position of strength

- Extensive digital marketing capabilities
  - Experienced: 1<sup>st</sup> industry Performance Marketing programme (2002)
  - In-house expertise: advanced data & analytics infrastructure
  - Significant & growing spend: >\$150m p.a.; one of largest hotel advertisers with Google
- IHG App: unparalleled digital connection with consumers
  - Top rated & award winning
  - Provides the most in-app loyalty offerings in the industry
  - Delivered over 70% of IHG's digital revenue growth YTD
- Digital revenue up 7%, or \$190m YTD; within this, Mobile up 29% YTD

# *State of the art GRS will drive future guest experience*

## *- IHG is at the cutting edge*

### Drivers

Greater choice & flexibility

Increased yield management sophistication

Advanced CRM capabilities

### IHG's position of strength

- Strong existing infrastructure
  - Leading revenue management system
  - Recently upgraded CRM systems
- Building an innovative next-generation Guest Reservation System
  - Extensive choice for guests: ability to search/ select “attributes”
  - Significant benefits for owners: enhanced revenue performance and advanced yield management capabilities
- A unified, flexible technology infrastructure
  - Enabling us to better leverage guest data
  - Future proofed, to take advantage of next consumer trends

# ***IHG's Commercial Strategy is crucial to driving future competitive advantage***

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**Our Commercial Strategy is driving meaningful results**

**We are building on existing capabilities in a targeted & relevant way**

**We are delivering industry-leading solutions to complex issues**

**Leadership in this area is crucial to driving competitive advantage**

*Keith Barr*  
*- Chief Commercial Officer*

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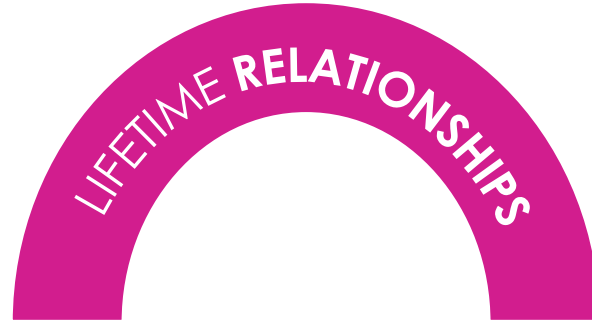
Hotel Indigo, Hong Kong Island

# *Keith Barr, Chief Commercial Officer*

# *Our Commercial Strategy*

## *- Major priorities and our focus for today*

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- 1 **IHG Rewards Club**
- 2 **The Digital Guest Journey**
- 3 **Guest Reservation System**



Crowne Plaza, Zhangzhou, China

# *IHG Rewards Club*

*A strong relationship with guests is the foundation of Loyalty*

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## Creating Rewarding Relationships



## *Loyalty drives results across several key metrics*

### *- IHG Rewards Club members are our most valuable guests*

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#### Building Preferred Brands

- **>85%** of qualifying nights at a given hotel come from members who enrolled at another IHG hotel

#### Improve Owner Value

- **~30%** of members pay for additional hotel services
- Members are **5x** more likely to book through low-cost, direct channels
- Loyalty revenues are **c.15%** more resilient during downturn

#### Drive Marketing Efficiency

- **>35%** of loyalty nights are from members who have been active for 5+ years

## *Enhancing IHG Rewards Club*

### *- improved status recognition to build deeper lifetime relationships*

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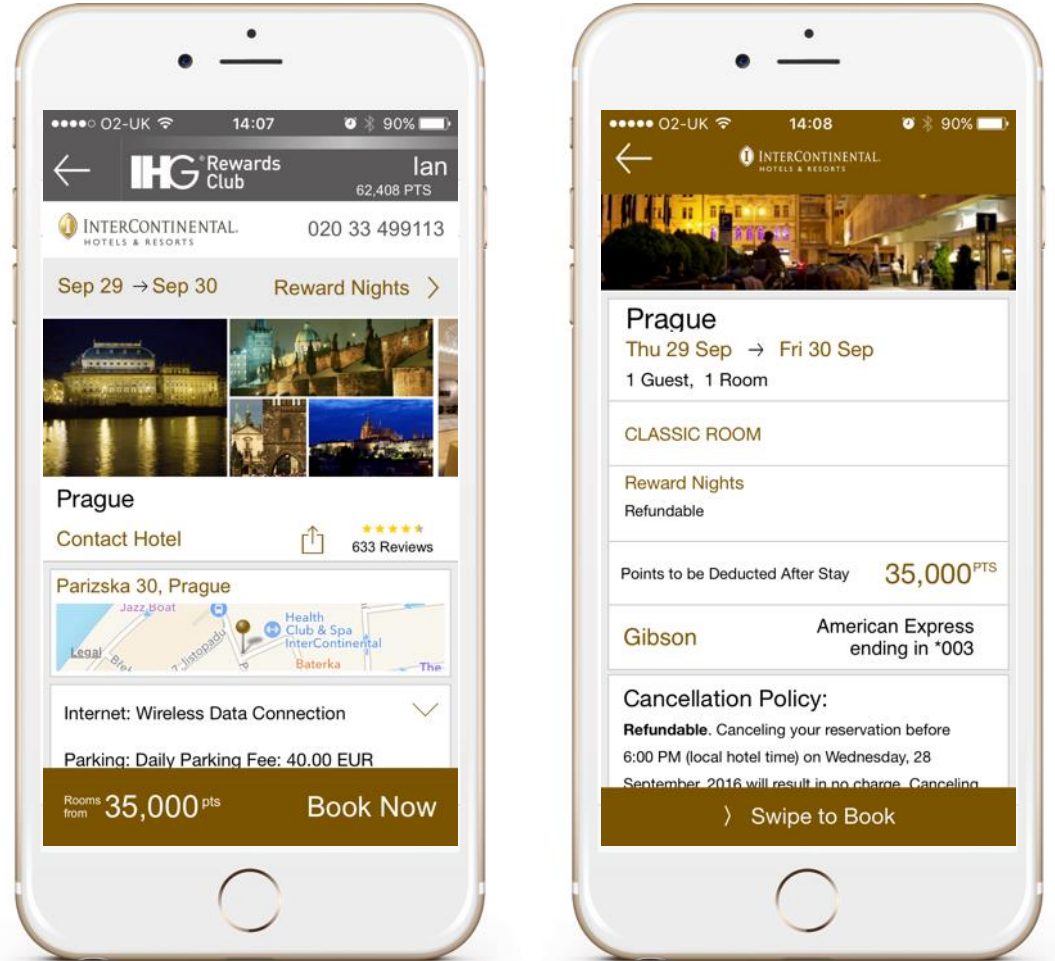
- Spire Elite top-tier status launched in July 2015
  - For those attaining 75 nights per year
  - Richest points incentives in the industry
  - Companion upgrade to Platinum Elite status; or 25,000 points
- Changed tier qualifications for other levels
  - More achievable tier thresholds
  - Changing consumer behaviour
- Delivering strong results YTD
  - 15% more Spire-level members (75+ stays)<sup>1</sup>
  - 11% more “advocate” members (20+ stays)
  - Consistent growth in nights per member for those attaining and close to attaining new tiers

# Enhancing IHG Rewards Club

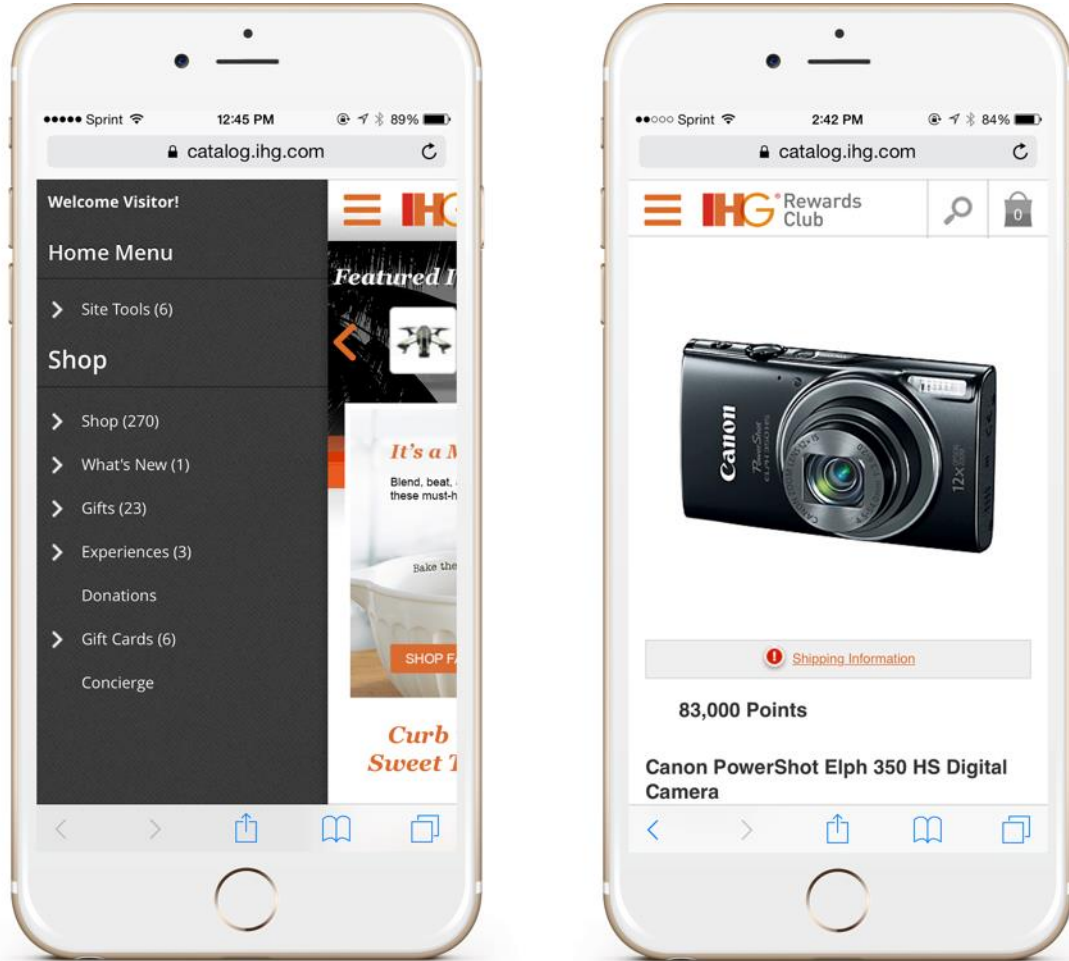
## - highly valuable range of redemption options

### Hotel redemptions (~85% of total)

- Majority of redemptions at IHG hotels, driving value for our owners
- Extensive redemption options (>5k hotels across ~100 countries)
- >80% of our hotel redemptions at our mainstream brands
- >3m room night redemptions in 2015



## Enhancing IHG Rewards Club - highly valuable range of redemption options



### Other redemptions (~15% of total)

- Extensive range, including several “low point” options
- Drives engagement outside the “stay” phase
- Redemption choices include
  - Digital media (eBooks, mp3, software)
  - Extensive merchandise catalogue
  - Experiential auctions
  - Charitable donations
  - Flights, rental cars

# Enhancing IHG Rewards Club

## - “Your Rate by IHG Rewards Club” – exclusive member pricing

Enhance  
Loyalty offer



Exclusive rate for IHG Rewards Club members booking direct

Change price  
perception



Reinforces that booking direct provides lowest rate and full member benefits

*Your Rate by  
IHG Rewards  
Club*®



Live in >4,500 hotels,  
across three regions

# We are promoting our “Your Rate” pricing proposition on ihg.com and in paid media

0871 221 2478 Need Help? Travel Advisory English Sign Out Jan 62, 08 Points IHG Rewards Club

Costs 13p per minute + phone company's access charge

IHG

InterContinental Hotels Group

Reservations Offers Meetings and Events

Rooms and Rates

[Back to Search Results](#)

CROWNE PLAZA

HOTELS & RESORTS

Gerrards Cross

Oxford Road, Beaconsfield, HP9 2XE, United Kingdom

20 Sep 2016 to 21 Sep 2016 • 2 Adults, 1 Room • [Change Search](#)

Refine Your Results

Rate Preference (1)

Room Preference

Non-smoking hotel.

Accessible Room

APPLY

Reset All

Group Code Corporate ID IATA #

Sort by: Room Type Currency: ---

RESERVE NOW TO ENSURE YOU GET THIS LOW PRICE. ROOMS ARE LIMITED.

DELUXE 2 DOUBLE BED NONSMOKING

Only 1 room left!

Your stylish furnished room with 2 double beds is perfect for to 2 adults and 2 children 12 years and under or maximum 3 adults for an additional charge. Airconditioning free WiFi flat screen TV complimentary mini bar and in room complimentary tea and coffee.

[View Gallery](#)

4

From **£227.95** GB£

View Rates

Feedback

How we compare

Our Price

£227.95

Expedia.com

£235.00

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PLAZA HOTEL CROWNE PLAZA

113 Photos

Manchester Airport

Crowne Plaza Manchester Airport

Map data ©2016 Google

Crowne Plaza Manchester Airport

★

4.2 ★★★★★ · 4-star hotel

Website

Directions

This stylish airport hotel is 0.5 miles from Manchester Airport and 3 miles from Quarry Bank Mill museum. ... [More](#)

Address: Ringway Rd, Manchester M90 3NS

Phone: 0871 942 9055

Ads Book a room

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Sun, 25 Sep

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Mon, 26 Sep

B. Booking.com

Read Real Guest Reviews · Get Instant Confirmation

£117 >

IHG Crowneplaza.com · Official website

£112 >

**IHG**  
InterContinental Hotels Group

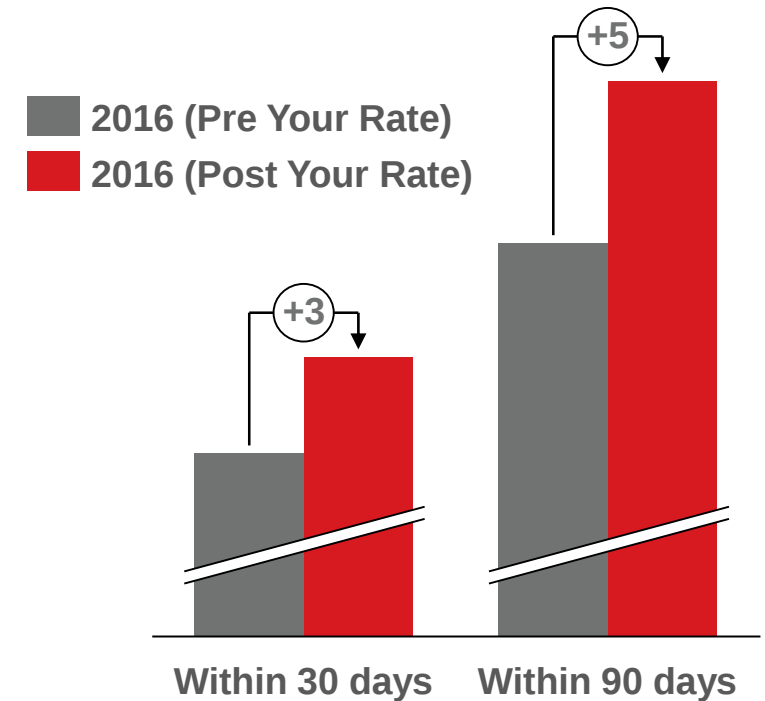
22

# *Your Rate is driving faster direct channel growth whilst sustaining rate and providing more loyal members*

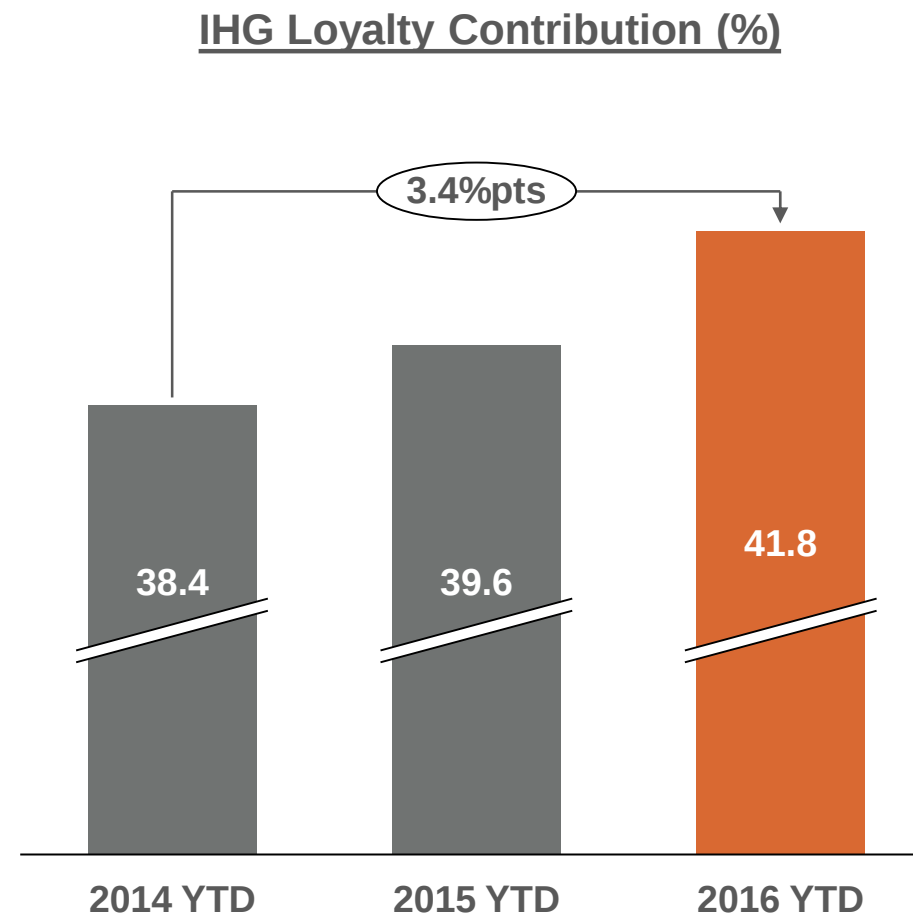
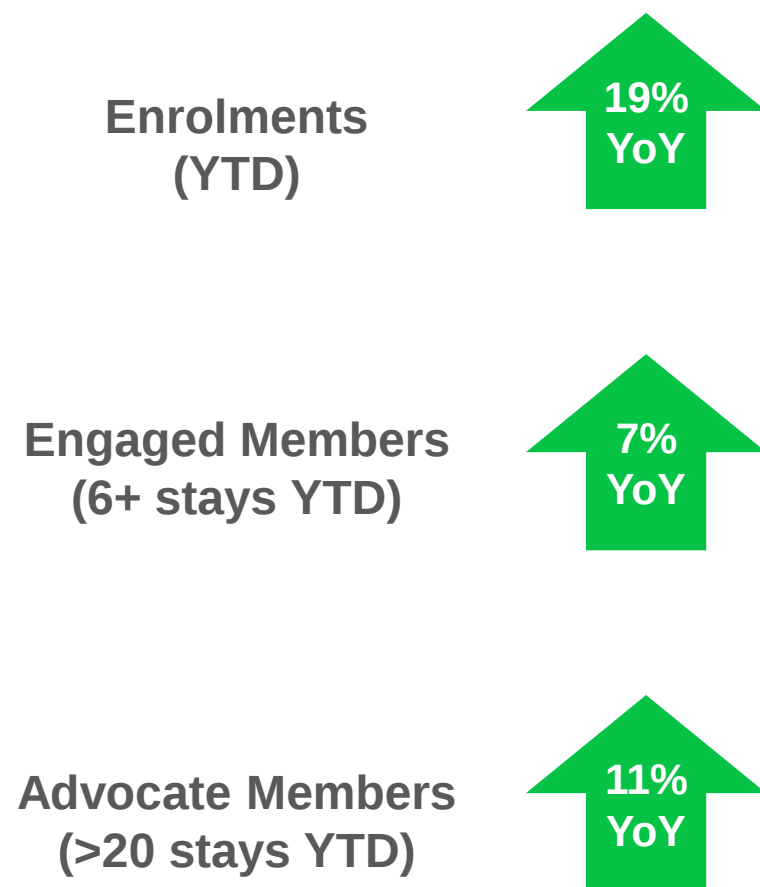
Since Your Rate launch:

- IHG direct channel growth doubled to 4%
  - Retail segment growth up 5%pts to 7%
- No impact on Average Daily Rate
  - Revenue Management optimisation
  - Elimination of static wholesaler rates
- Record enrolment growth of over 900k members per month
- Improved return rate of new members

New loyalty member return rate  
(% of new members)



## *These actions are driving strong growth in all key loyalty metrics*

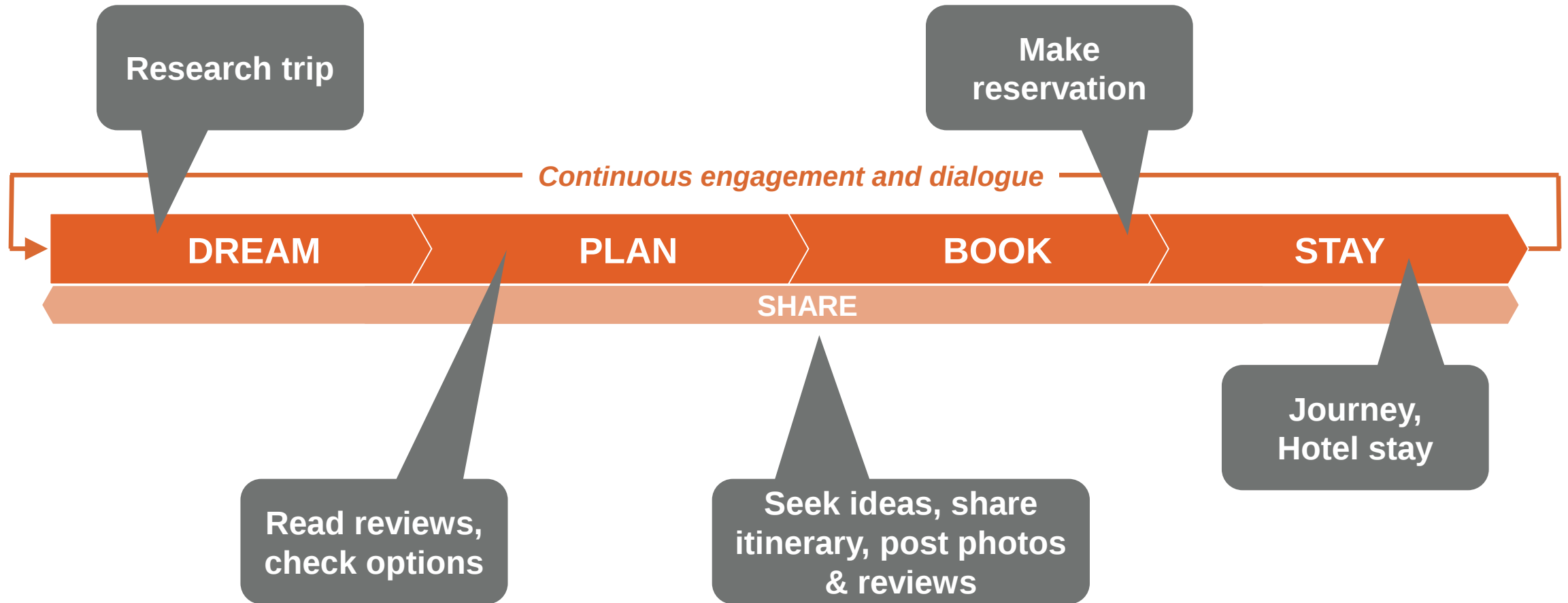




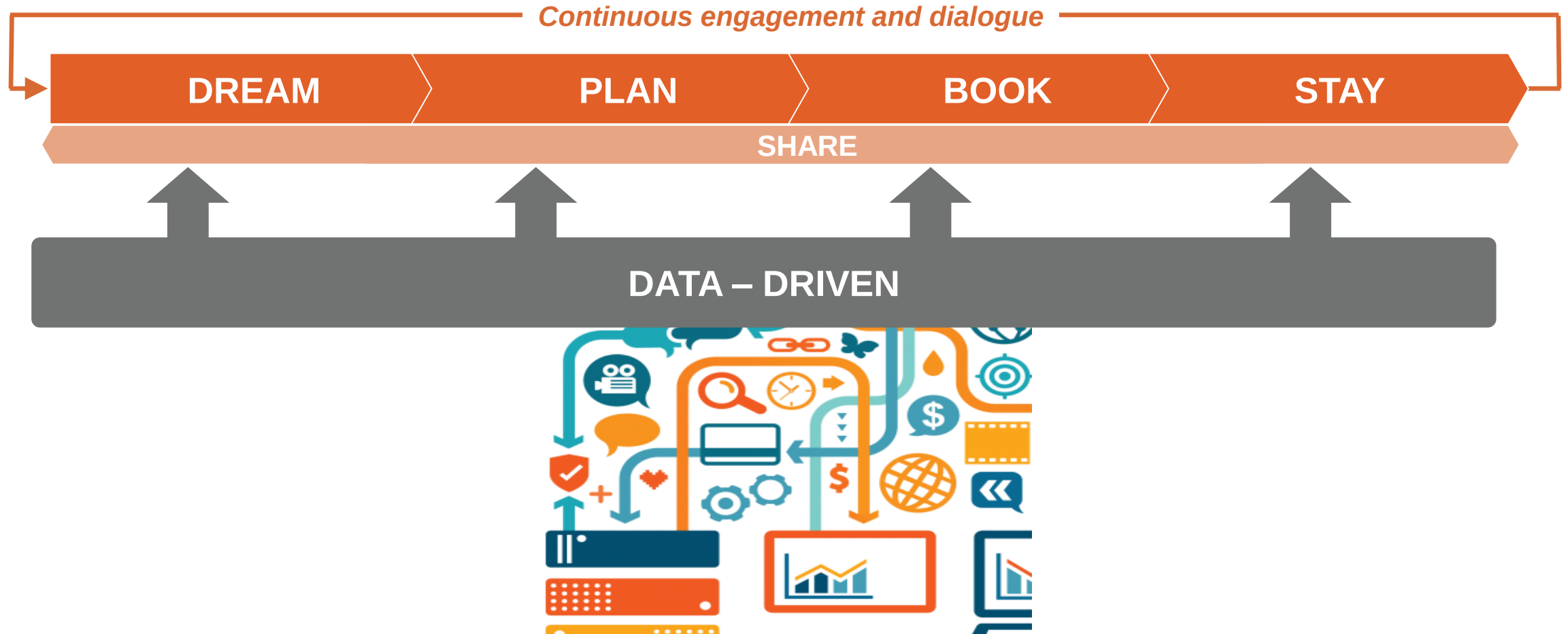
InterContinental, Nantong, Greater China

## *The Digital Guest Journey*

## *IHG knows what guests need at every stage of their Journey*



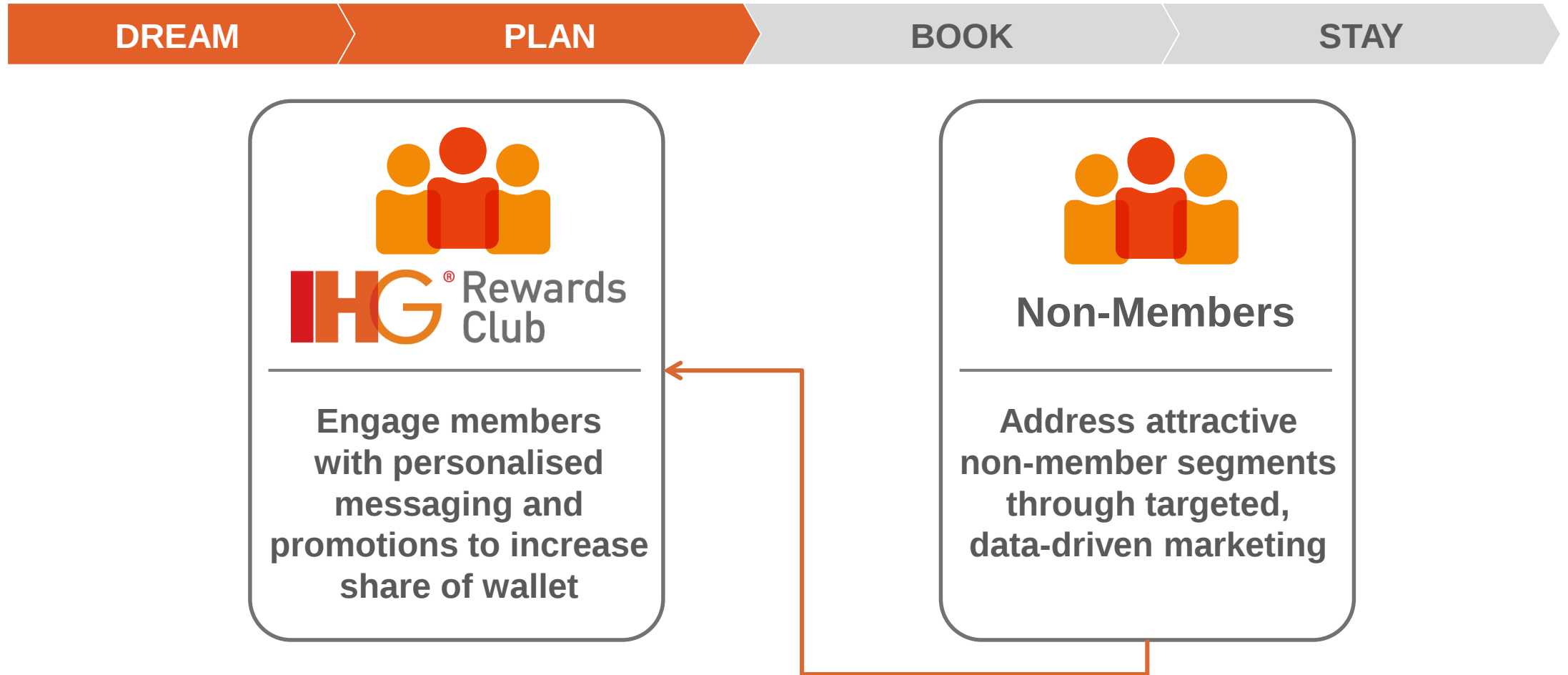
# *IHG's digital strategy spans the whole of the Guest Journey, and is underpinned by a consistently data-driven focus*



# *We execute a sophisticated digital marketing strategy leveraging multiple media touchpoints throughout the Guest Journey*



# *Our digital marketing efforts target both members and non-members – with a focus on customer acquisition and promoting direct channels*



# We drive share of wallet from our loyalty members through targeted email communications and promotions

DREAM

PLAN

BOOK

STAY

## Email Marketing

- ~800m emails p.a. in 15 different languages
- Highly segmented and personal communications
- 400 promotional offer variants, based on profile, stay history, customer value
- Registrations for promotions up 60% YoY<sup>1</sup>

Dear Hasibe,

Congratulations! You've completed all your offers and earned 36,000 bonus points. We're so excited for you and appreciate that you continue to choose IHG when you travel. Our promotions are just some of the many ways that your membership can make travel as rewarding as you want it to be.

So, ready for the fun part? It's time for you to get rewarded.

### » Enjoy What You've Earned

Points Earned



36,000 of 36,000 points

Completed Offers



7 of 7

Days Left

000

# We drive share of wallet from our loyalty members through targeted email communications and promotions

DREAM

PLAN

BOOK

STAY

## Email Marketing

- ~800m emails p.a. in 15 different languages
- Highly segmented and personal communications
- 400 promotional offer variants, based on profile, stay history, customer value
- Registrations for promotions up 60% YoY<sup>1</sup>

### Earn 36,000 total bonus points

Complete all your offers to get 36,000 total bonus points

| Point Value | Offer Description                                                                                | Status                                                                                             |
|-------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 5,000       | <b>June Bonus Offer</b><br>Stay once in June and get 5,000 bonus points                          | <br>Completed   |
| 1,000       | <b>Stay Once Get 1,000</b><br>Thank you for choosing IHG. Stay once and earn 1,000 bonus points. | <br>Completed   |
| 6,000       | <b>Stay 3 Nights</b><br>Stay 3 nights and earn 6,000 bonus points.                               | <br>Completed |

# *We bring loyalty to life across our social channels – fostering strong relationships with our members*

DREAM

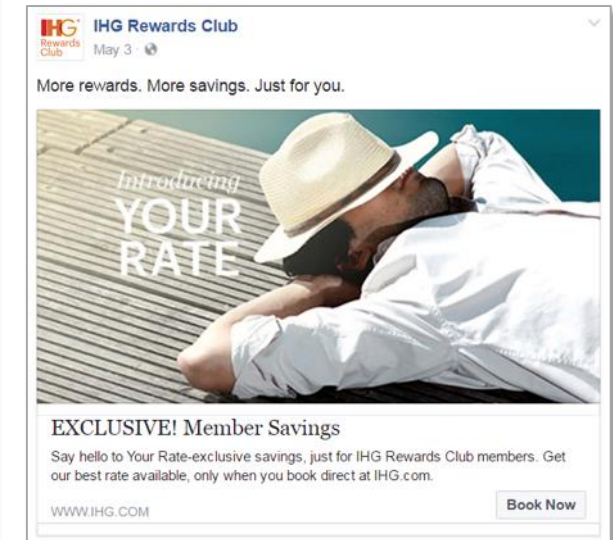
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## Social Marketing

- Activity across all major social platforms
- Strengthen guest relationships by
  - Sharing positive experiences and great guest feedback
  - Complaint handling – opportunity to turn critics into advocates
- Proactive marketing campaigns
  - Data-driven, targeted marketing support for initiatives
  - Major brand initiatives



# *Performance Marketing allows us to ‘intercept’ guests close to booking, via keywords and metasearch*

Non-Members

DREAM

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## Performance Marketing

- Includes
  - Keyword purchase
  - Metasearch
  - Affiliate listings
- Industry leader since early 2000s
  - Pioneered funding model/ approach
  - 7 regional offices; 17 languages
  - >1,500 media partners
- Continued leadership
  - First to market with Facebook Price Comparison Ads (Your Rate)

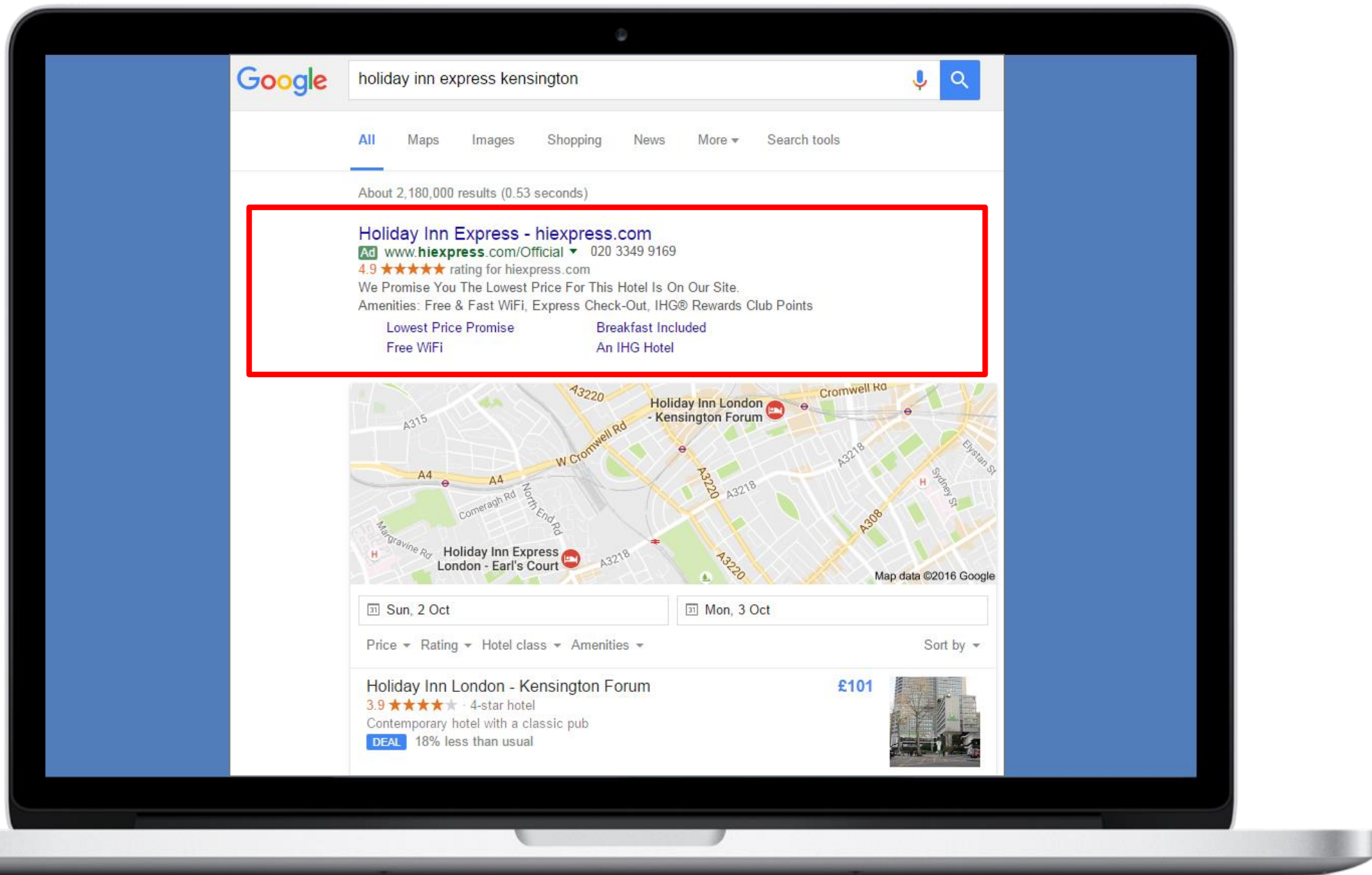
\$125m of hotel revenue per month

28% of direct digital revenue

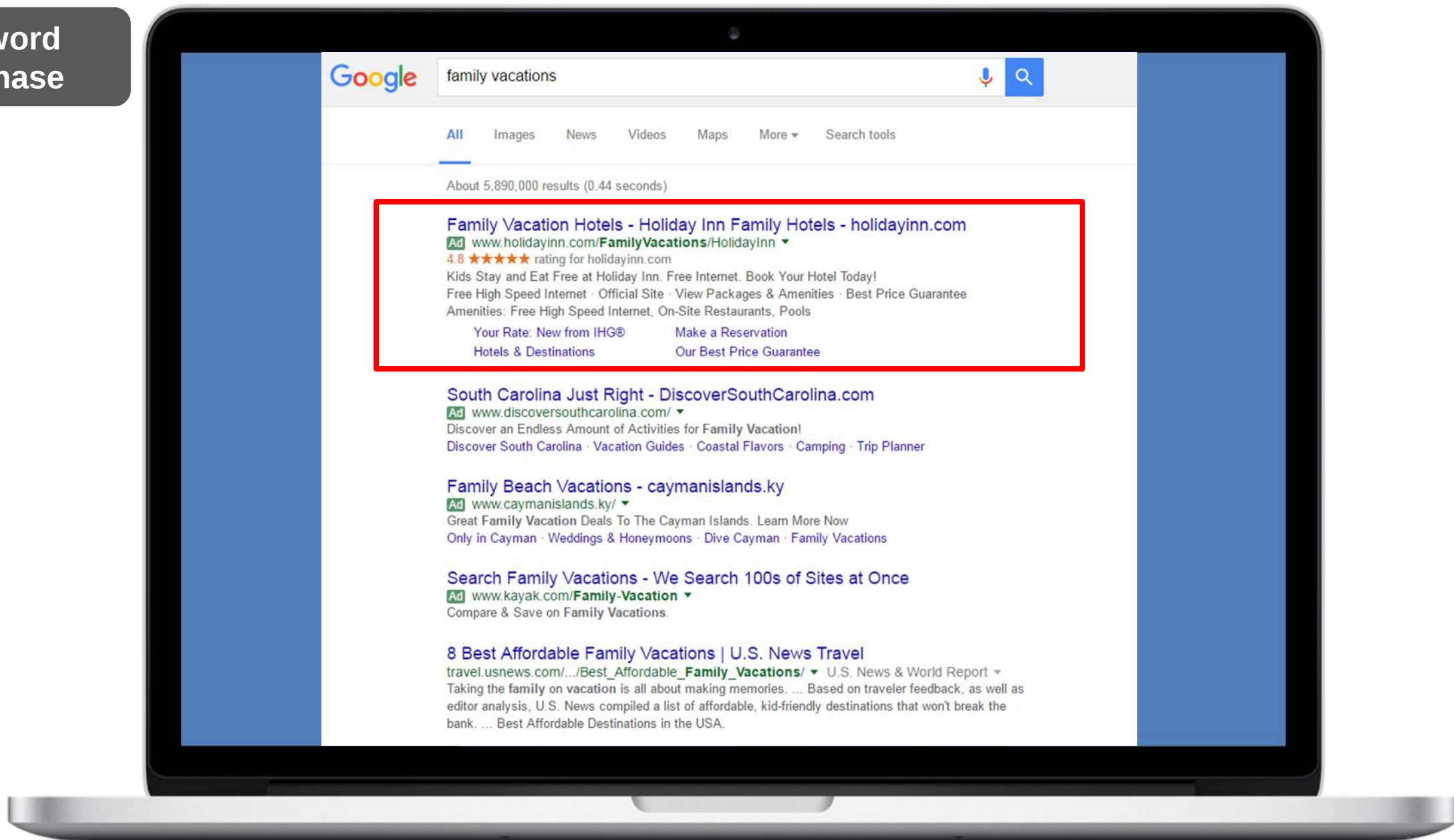
Bid on ~25m keywords at any time

Over 5bn impressions p.a.

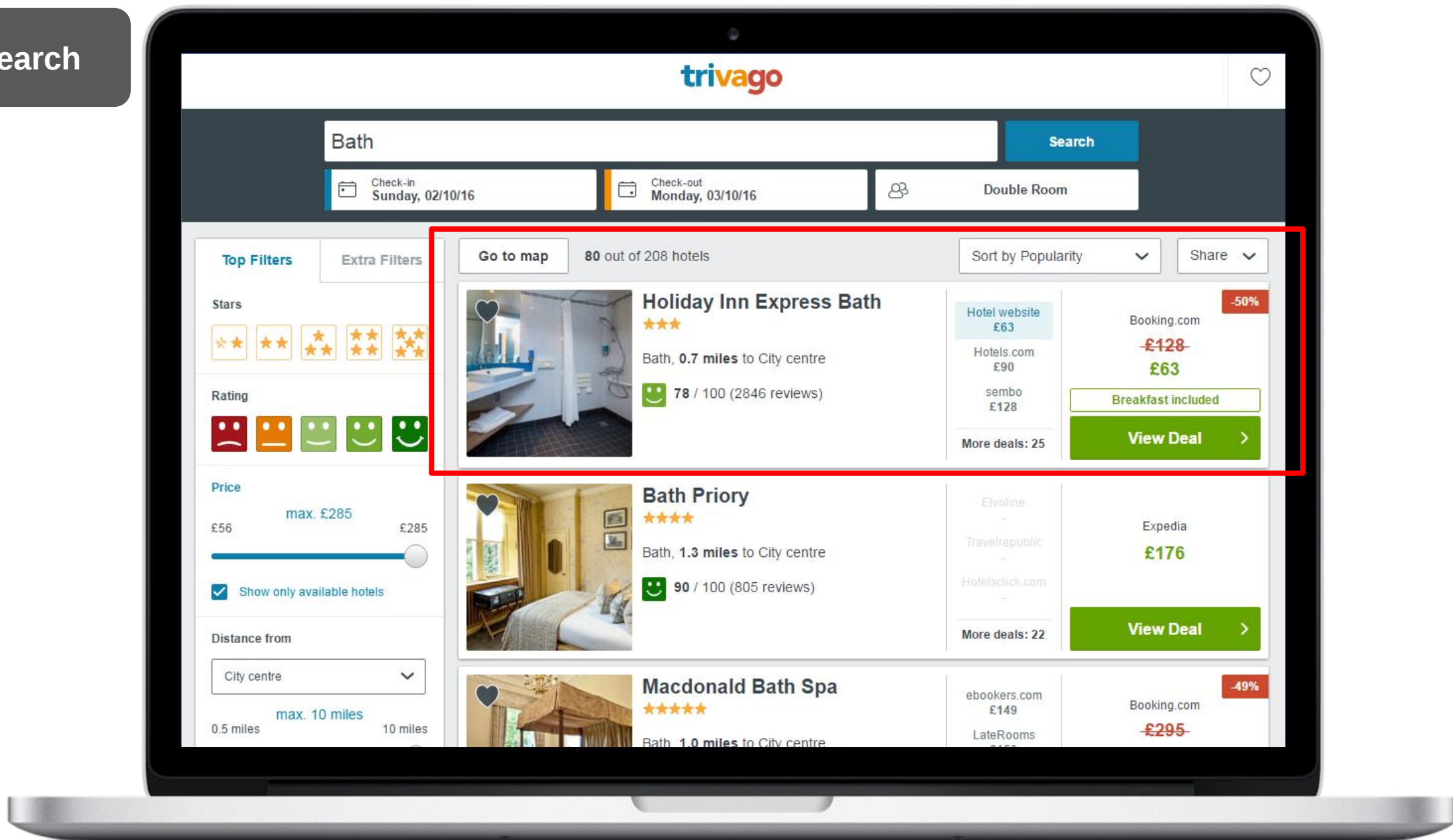
## Keyword purchase



## Keyword purchase



# Metasearch



# *We operate an Affiliate marketing programme within Performance Marketing...*

Non-Members

DREAM

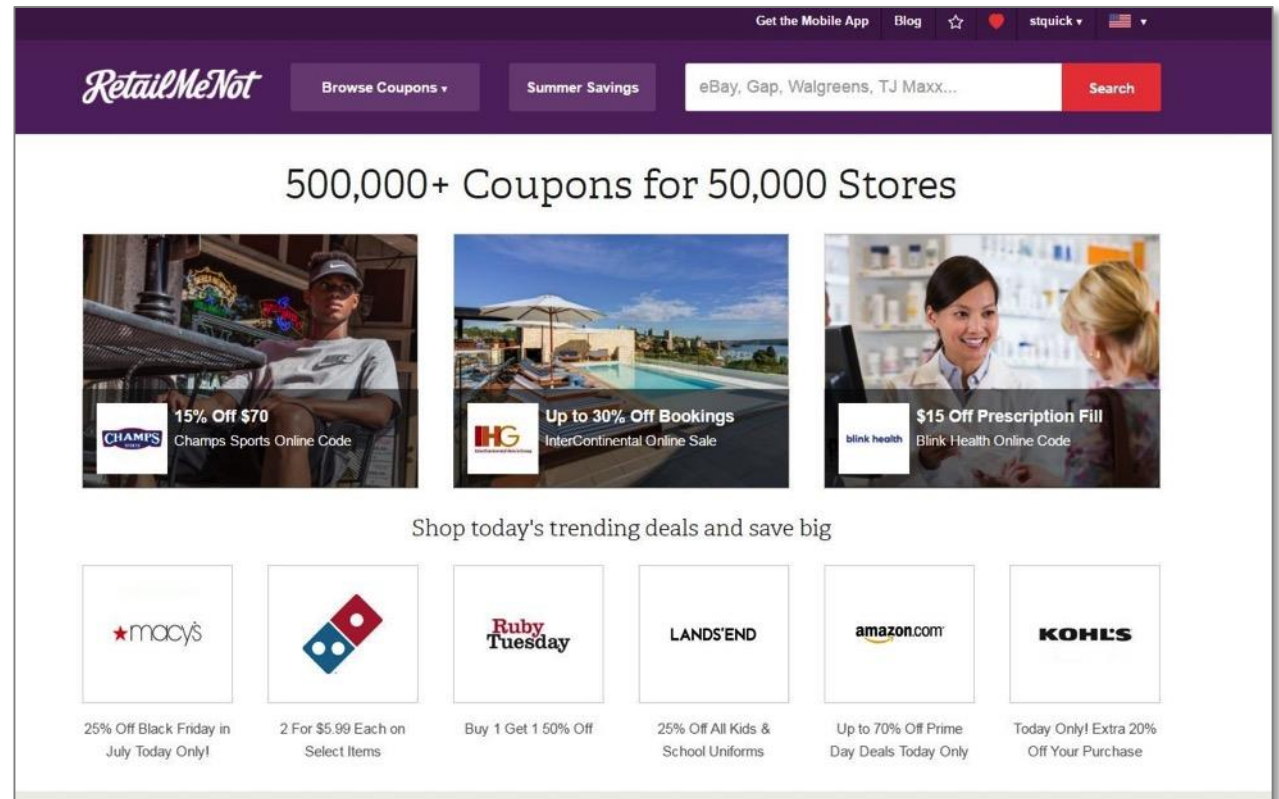
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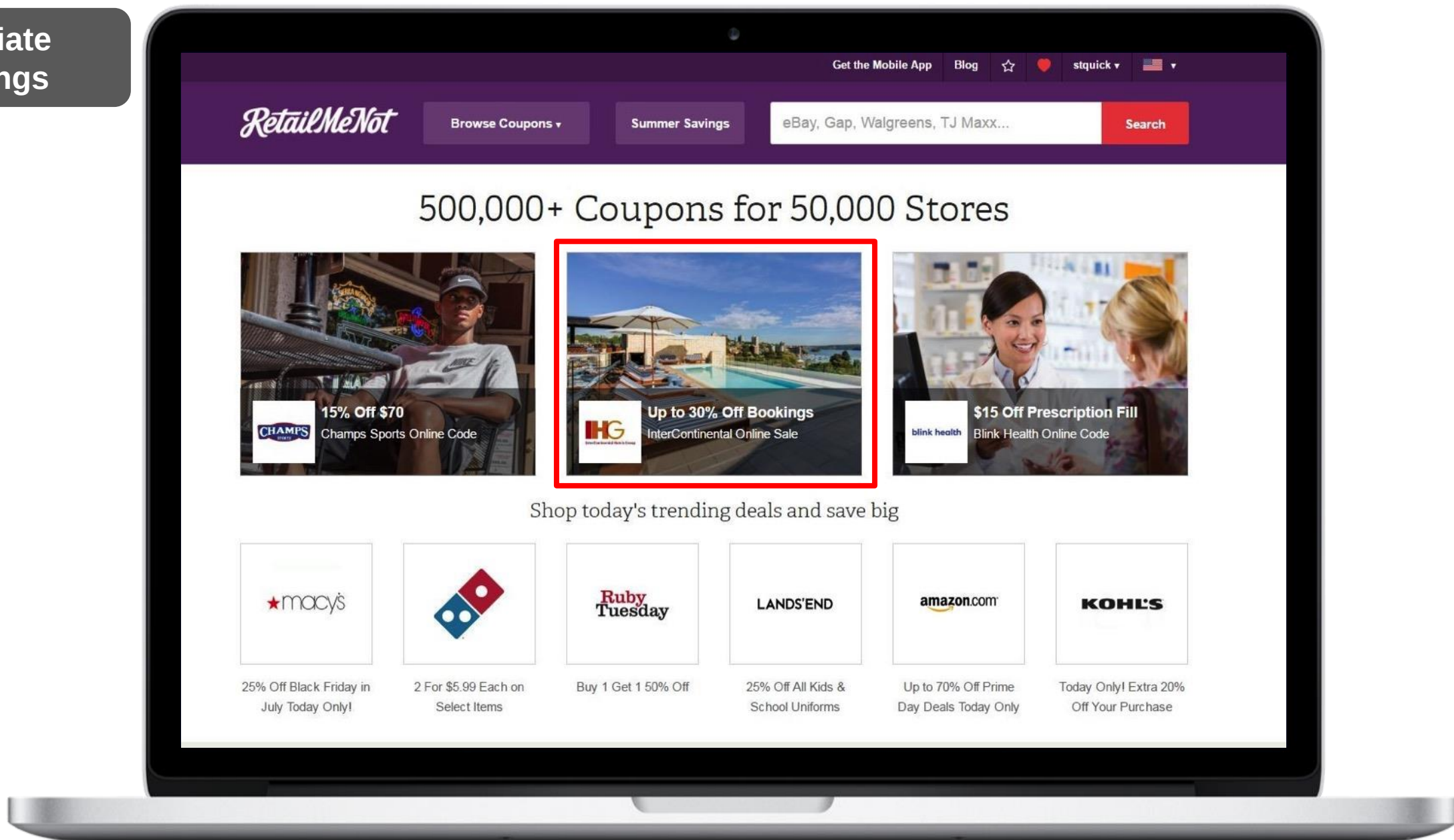
STAY

## Performance Marketing

- Online ads across 1,500+ partner sites
- Ads placed on a low risk, pay-per-booking basis
- Exposes brands to large customer base



## Affiliate listings



# *We are ahead of the curve in driving automated, data-driven Programmatic Marketing*

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## Programmatic Marketing

- Highly data-driven
  - More targeted for the advertiser
  - More relevant for the guest
- Fast-growing advertising mechanism
  - Total US spend more than doubled in last two years<sup>1</sup>
  - Over 2/3 total digital display ad spending in 2016<sup>1</sup>
- IHG has in-house expertise and is ahead of the curve
  - 40k targetable customer attributes
  - 1000+ different guest segmentations
  - ~50 campaigns YTD
  - Very high ROI of >20x

### IHG Data Management Platform

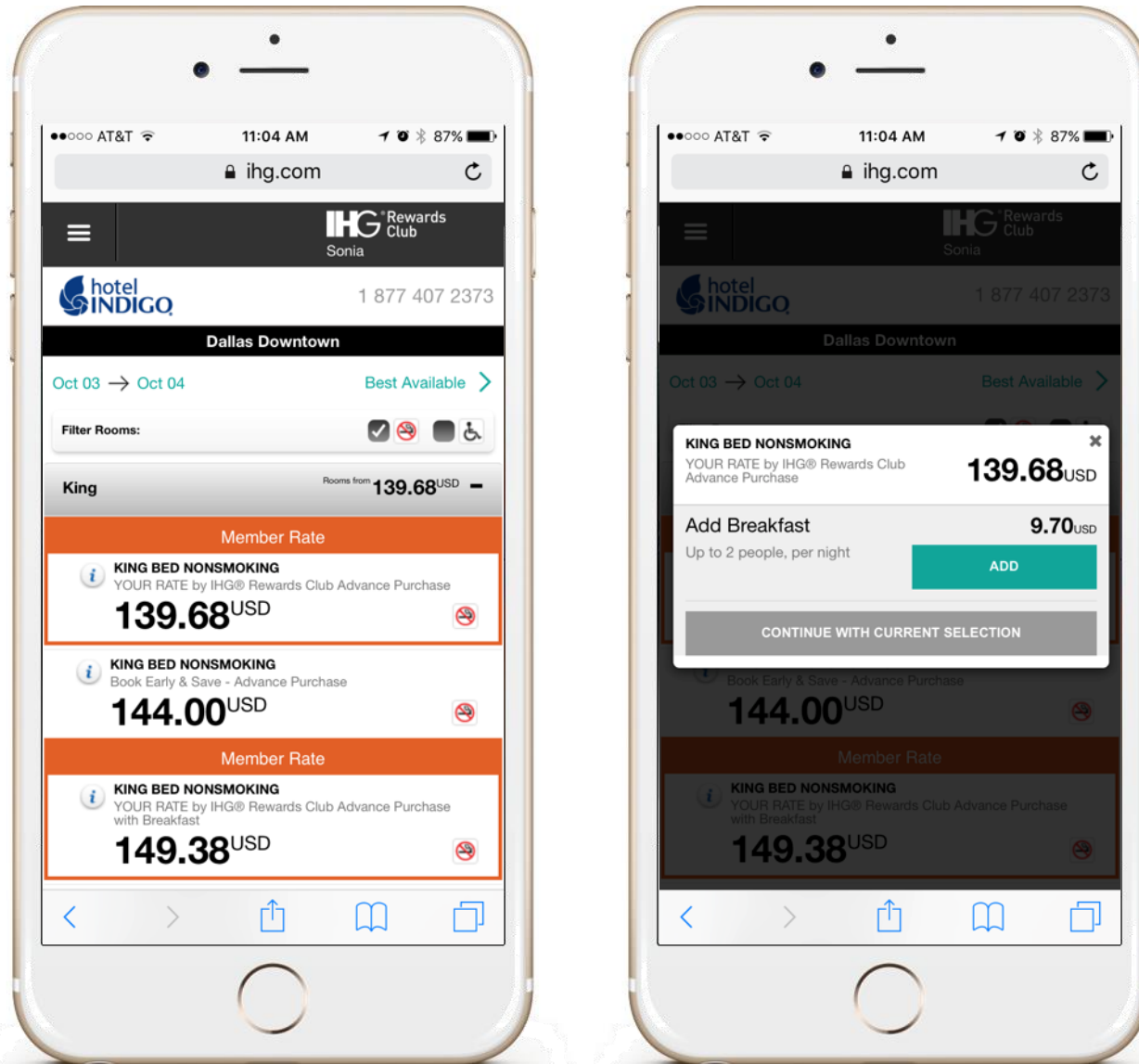
1<sup>st</sup> Party Data

+

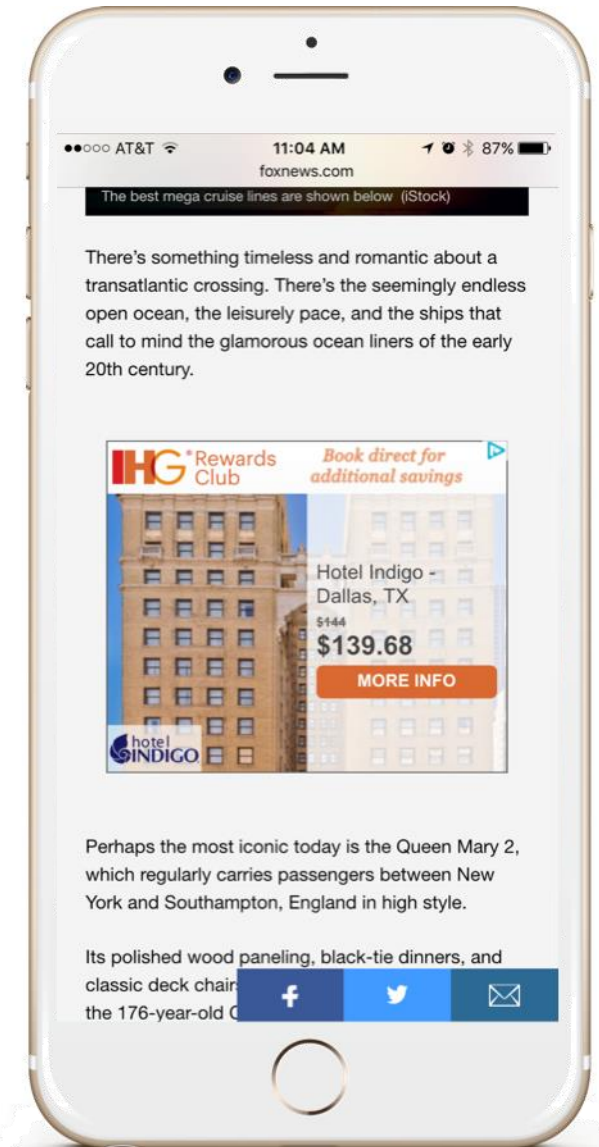
3<sup>rd</sup> Party Data

- Demographics
- Interests
- Travel
- Purchase Patterns

## Incomplete booking at Hotel Indigo in Dallas



## Targeted re-marketing



### 1<sup>st</sup> Party Data

- Holiday Inn Brand Family guest
- Was a Gold Elite member
- Downloaded mobile app
- **No activity for six months**



**IHG Rewards Club**  
Sponsored · ✱

Hands up who loves travelling! It's #TravelTuesday AND #WorldTourismDay

***'People don't take trips - trips take people.'***

*John Steinbeck*



 80

2 Comments 6 Shares

 Like  Comment  Share

## 1<sup>st</sup> Party Data

- Crowne Plaza and Kimpton guest
- Platinum Elite member
- Occasional stays in New York
- Searched ihg.com for New York

## 3<sup>rd</sup> Party Data

- DIY enthusiast
- High earner
- Gym member
- Reads health food magazines



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## 1<sup>st</sup> Party Data

Guest not known

## 3<sup>rd</sup> Party Data

- Aged 40-50
- Two children
- Median household income
- Reads Mail Online



A young girl with blonde hair is holding a smartphone, looking at the screen. The background is a blurred indoor setting, possibly a restaurant or bar.

**kids eat free**  
AT HOLIDAY INN

 **Holiday Inn**

LET'S GO



A woman and a young child are swimming in a pool. The woman is smiling and looking at the child, who is also smiling. The background is a blurred outdoor setting with trees and a building.

 **IHG**  
InterContinental Hotels Group

*It's a place to*  
**Connect**

 **Holiday Inn**

BOOK NOW



A man and a woman are sitting at a table in a restaurant, smiling and looking at each other. The table is set with glasses, plates, and a pitcher. The background is a blurred indoor setting with plants and a building.

 **IHG**  
InterContinental Hotels Group

*Start your*  
**Journey**

 **Holiday Inn**

BOOK NOW

# Our brand websites and call centres are important for driving revenue and an enhanced guest experience

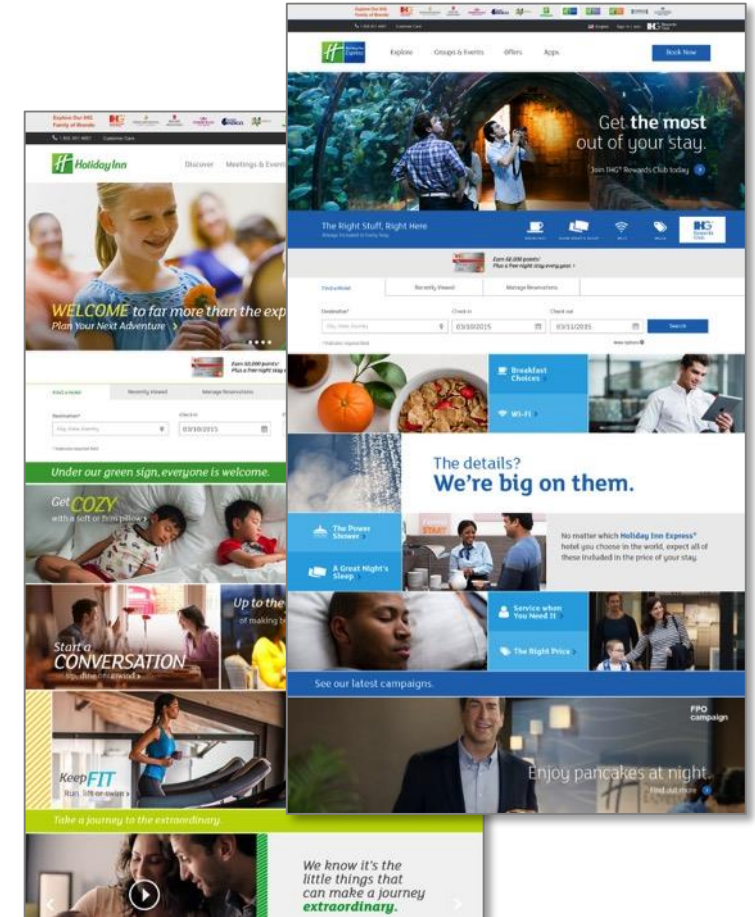
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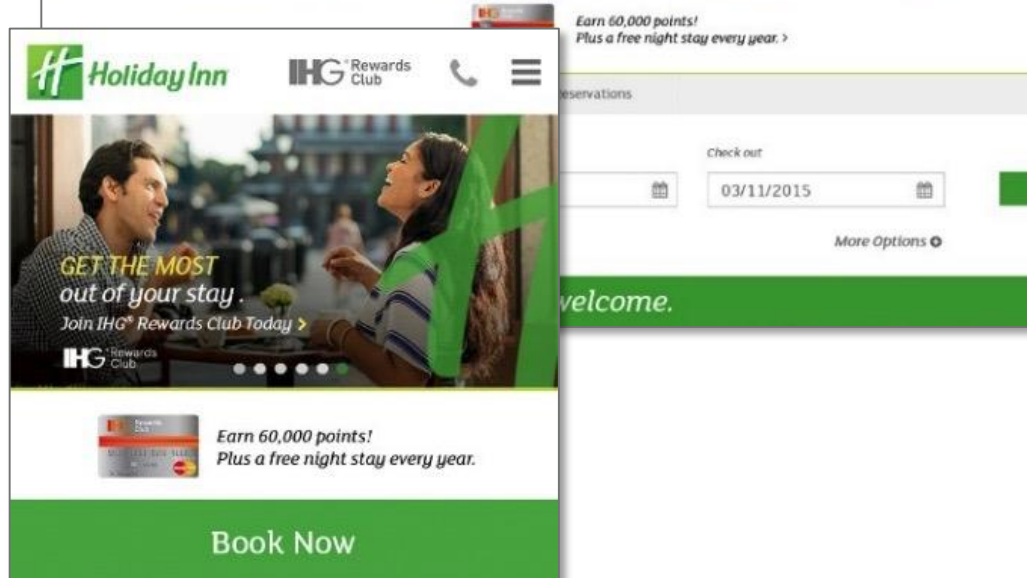
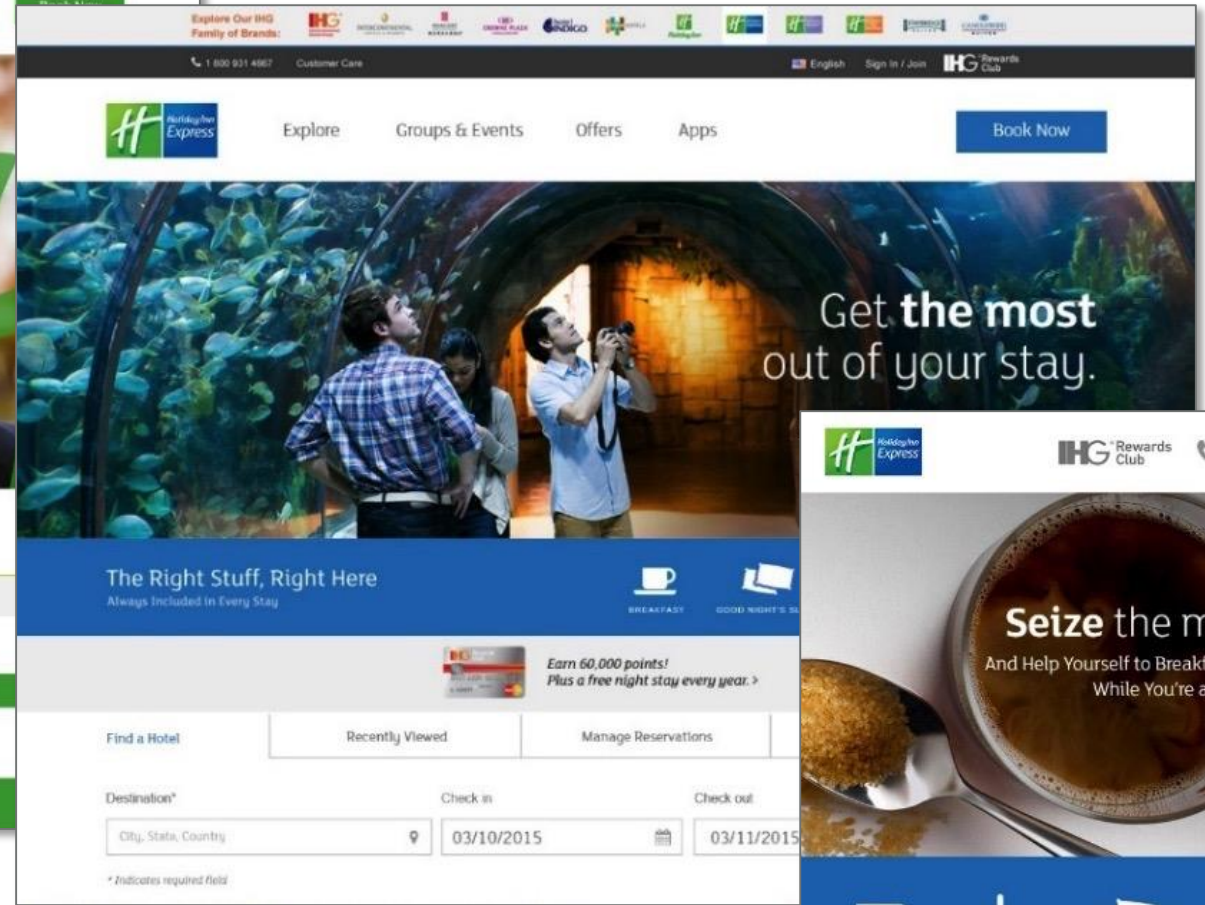
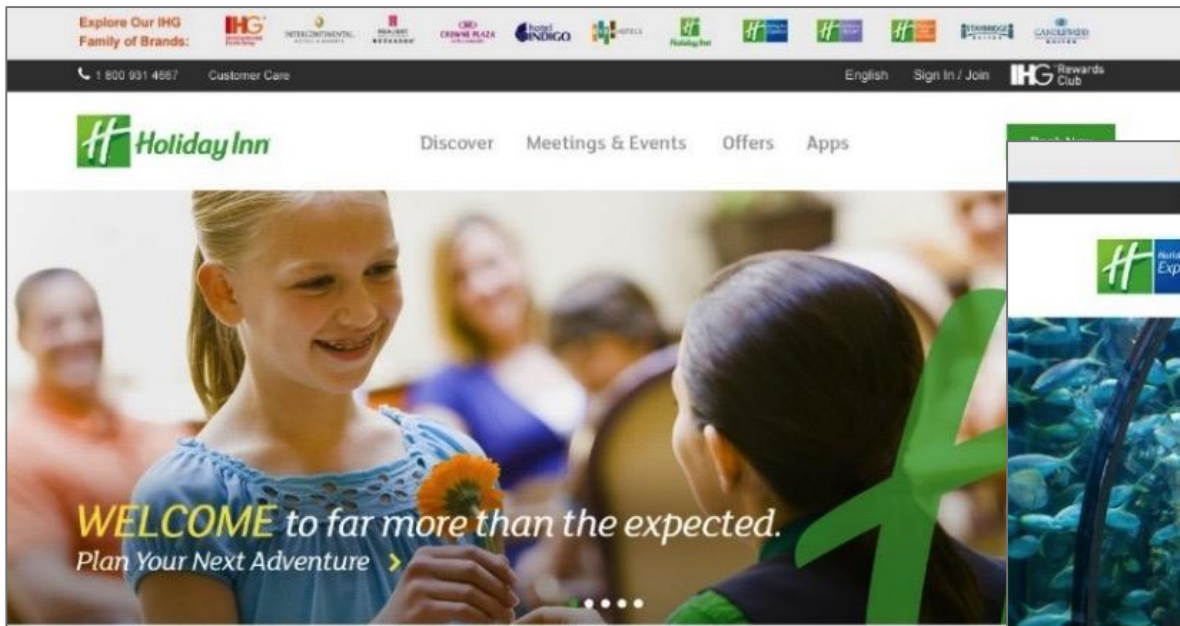
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- Evolving and enhancing our brand websites
  - 87 brand / language combinations
  - Responsive websites
  - High customer satisfaction overall and versus travel industry benchmarks





# Our brand websites and call centres are important for driving revenue and an enhanced guest experience

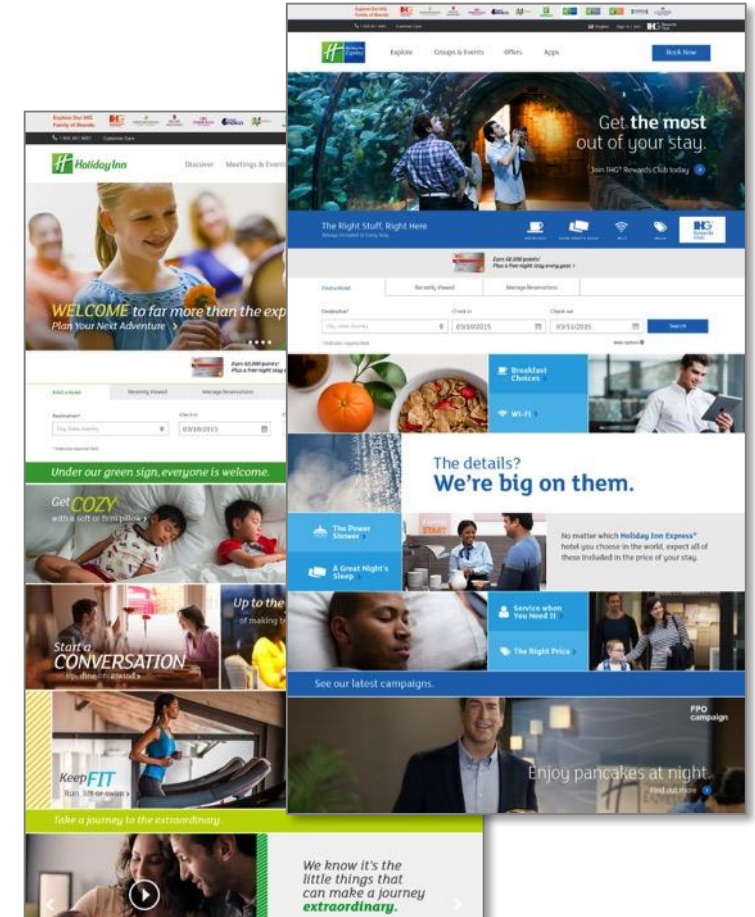
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- Evolving and enhancing our brand websites
  - 87 brand / language combinations
  - Responsive websites
  - High customer satisfaction overall and versus travel industry benchmarks
- Optimising our call centre network
  - 11 call centres in 7 countries; 14 languages supported
  - Important in Asian markets and for high-value guests
  - Driving \$1.5bn in revenue YTD
  - Using data to identify trigger points from web to call centre



## *... but the majority of digital revenue growth is from mobile, and particularly from our App*

DREAM

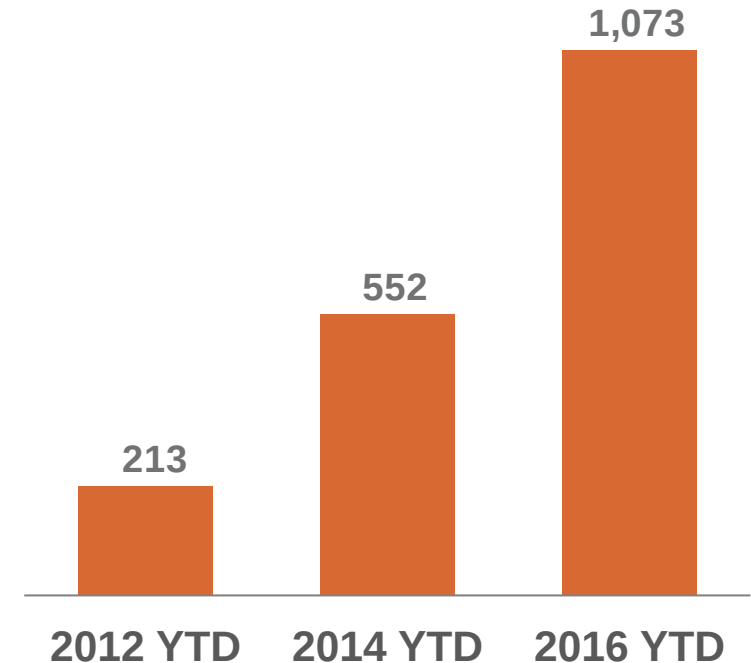
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- Mobile revenue up 400% since 2012
  - Represents >70% of digital revenue growth in 2016
- App revenue up 57% YTD (90%+ in China)
  - Represents 86% of mobile revenue growth
- App adoption generates uplift on all key metrics:
  - Increase bookings by 22% p.a.
  - Stay 23% more nights p.a.
  - Contribute 21% more rooms revenue p.a.

Mobile gross revenue (\$m)



# *We continue to invest in the App: now with 16 languages, a growing user base and high penetration among our most valuable guests*

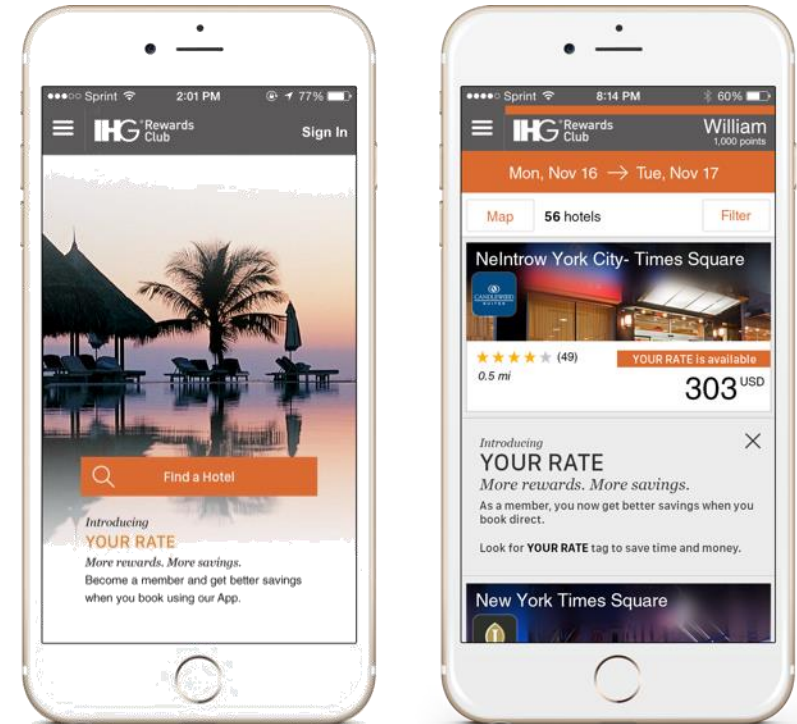
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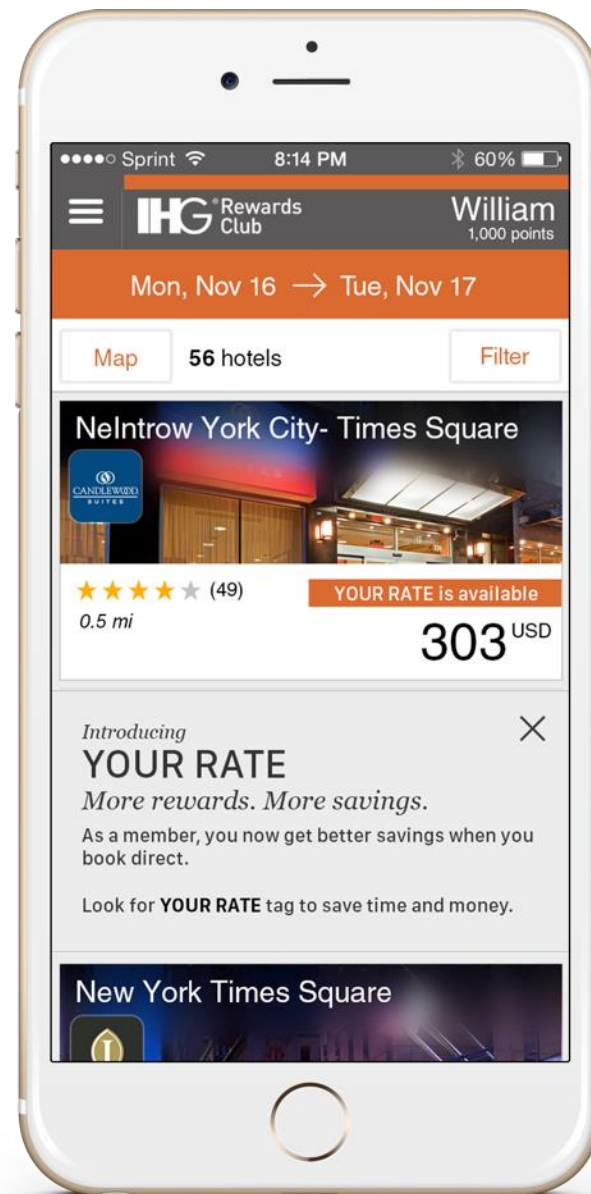
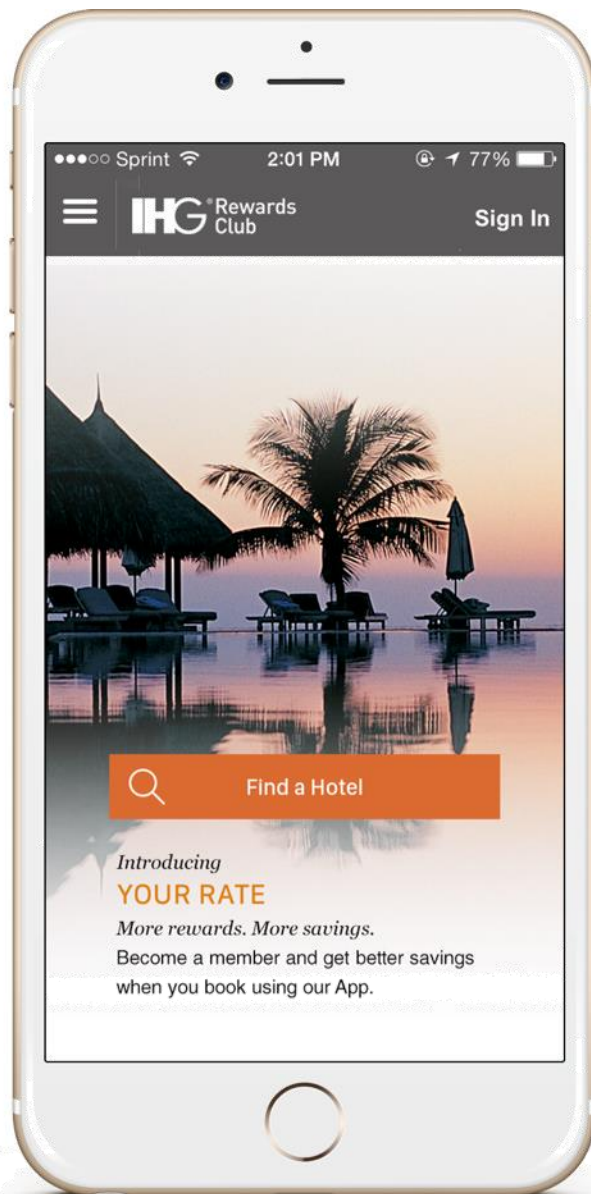
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- Multi award-winning App, rated ★★★★★
- Invested early: 1<sup>st</sup> to have apps on all major platforms
- 1.3+ million downloads YTD, up 15% YoY
- Most in-app loyalty offerings in the industry
- Significant concentration of loyalty members using App
  - 55% of Spire Elite members
  - 36% of Platinum Elite members





# China is a unique market and we offer a domestic site experience, dedicated WeChat platform, and local payment solutions

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- Mobile drives over half of IHG's Greater China bookings
- Half of all Chinese users spend >1 hour per day on WeChat; c.20% spend >4 hours a day
- IHG operates a dedicated full-service WeChat Account
  - Launched in 2013
  - Real-time customer service support to our guests

*Mobile is increasingly being used after booking, for further research, immediately before the stay occurs*

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**66%**

of IHG emails  
opened via  
mobile

**55%**

of traffic  
to our sites from  
a mobile device

**34%**

of digital  
bookings  
through mobile

Mobile users are

**5x**

more likely to  
view an existing  
reservation

**74%**

of in-hotel guest  
internet access  
from mobile

# *Major CRM investment has allowed us to provide more flexibility to guests, and to personalise our interactions*

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## Arrivals reports

- Greater in-hotel personal recognition via “arrivals report”, including:
  - Previous Stay Data, Guest Reviews, Loyalty Status, Booking Channel
- High-use hotels performing better on several key guest satisfaction metrics
  - Guest recognition, problem handling and guest review scores

## Stay preferences

- Pre-selectable guest stay preferences
  - Built widest range in the industry (36)
  - e.g. rollaway bed, pillow type, early arrival
- 1<sup>st</sup> in industry to trial automated customer service Facebook Messenger ‘bot’

# *IHG Connect will drive a superior guest Wi-Fi experience, will build loyalty and enable future technology initiatives*

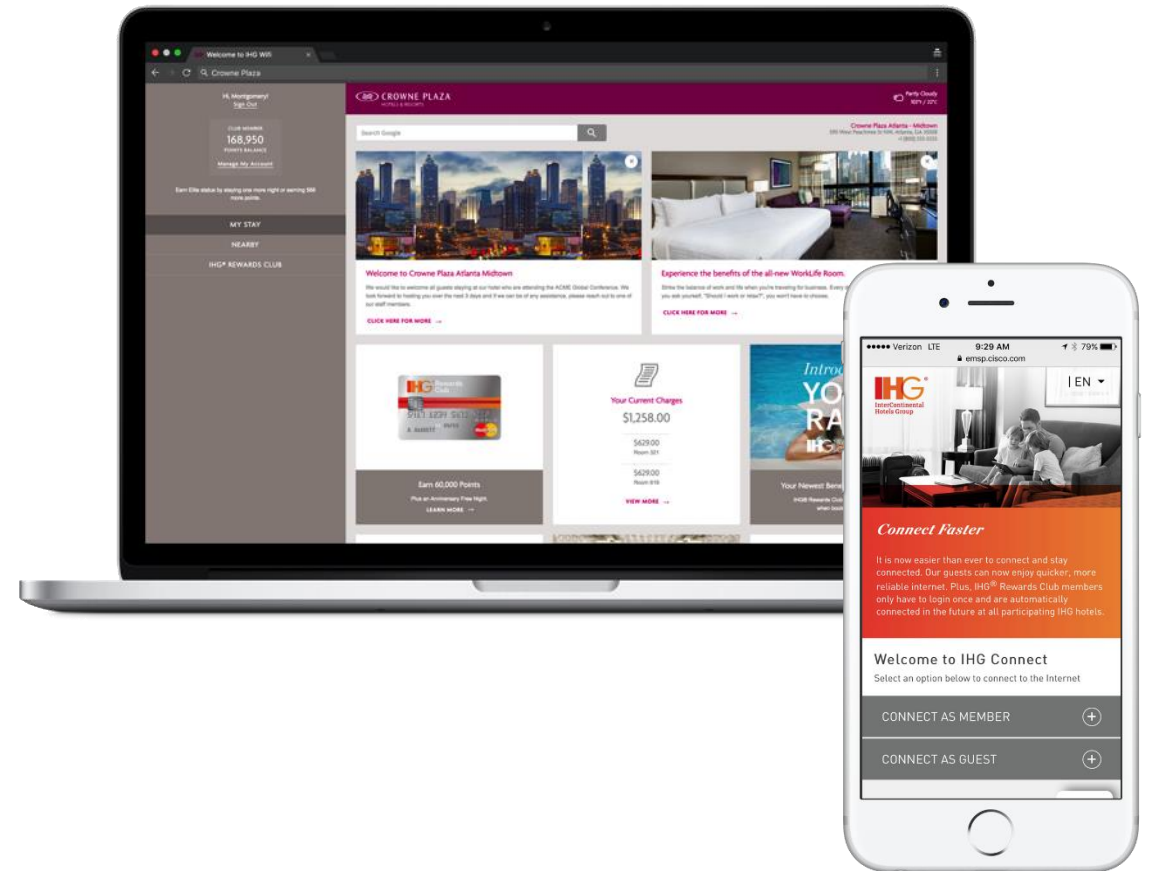
DREAM

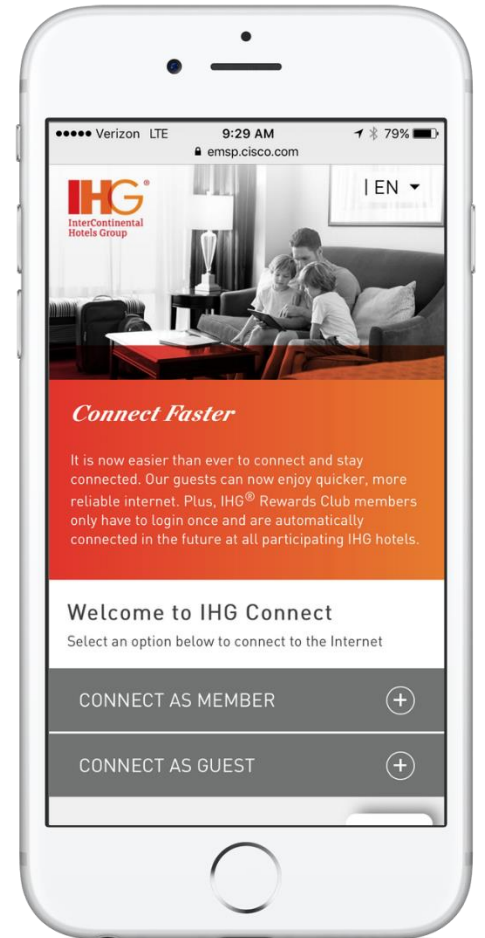
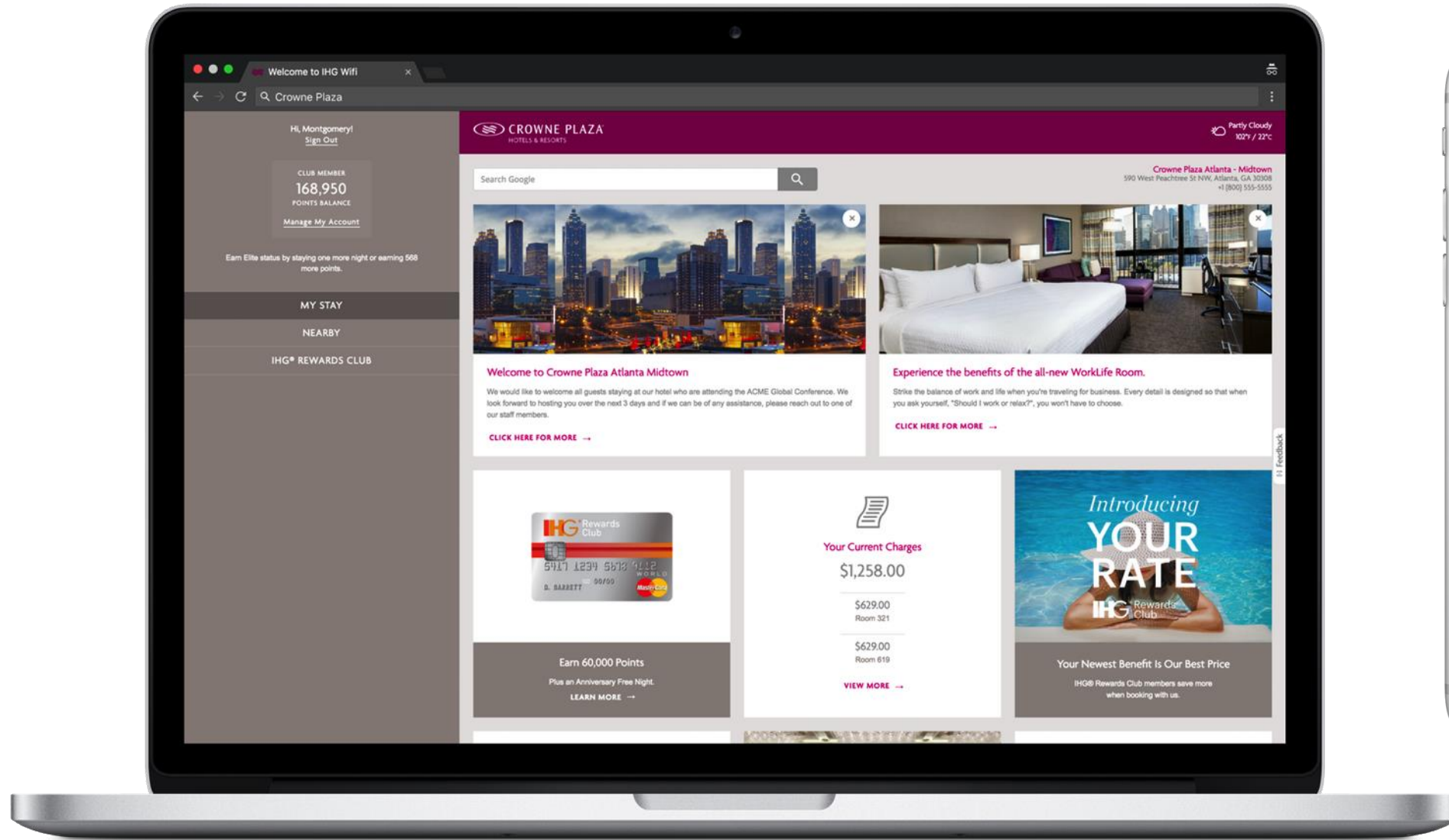
PLAN

BOOK

STAY

- Immediate guest benefits
  - One-time Wi-Fi sign-on across all hotels
  - Consistent, relevant landing page
- Laying future foundations
  - In-room entertainment
  - Location-based marketing
  - Bandwidth and functionality for future systems innovation
- Live in 1,500 Americas hotels by end of year





# *We are implementing further uses of mobile to meet changing guest needs*

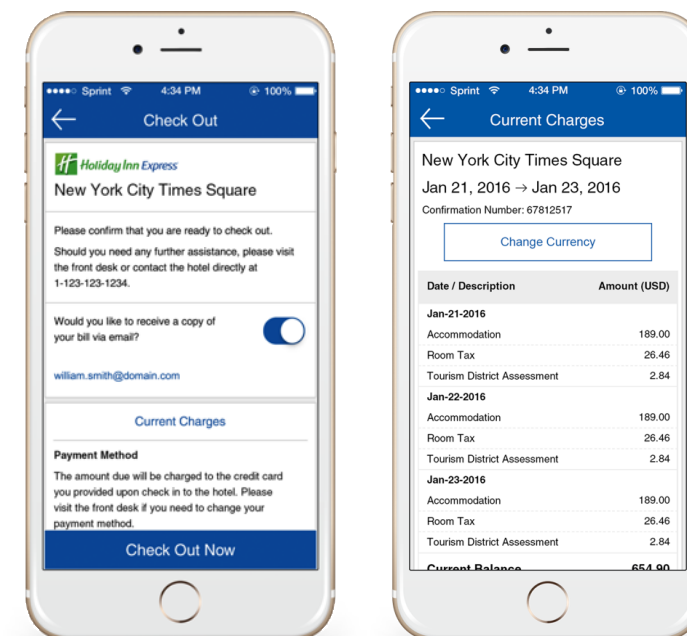
DREAM

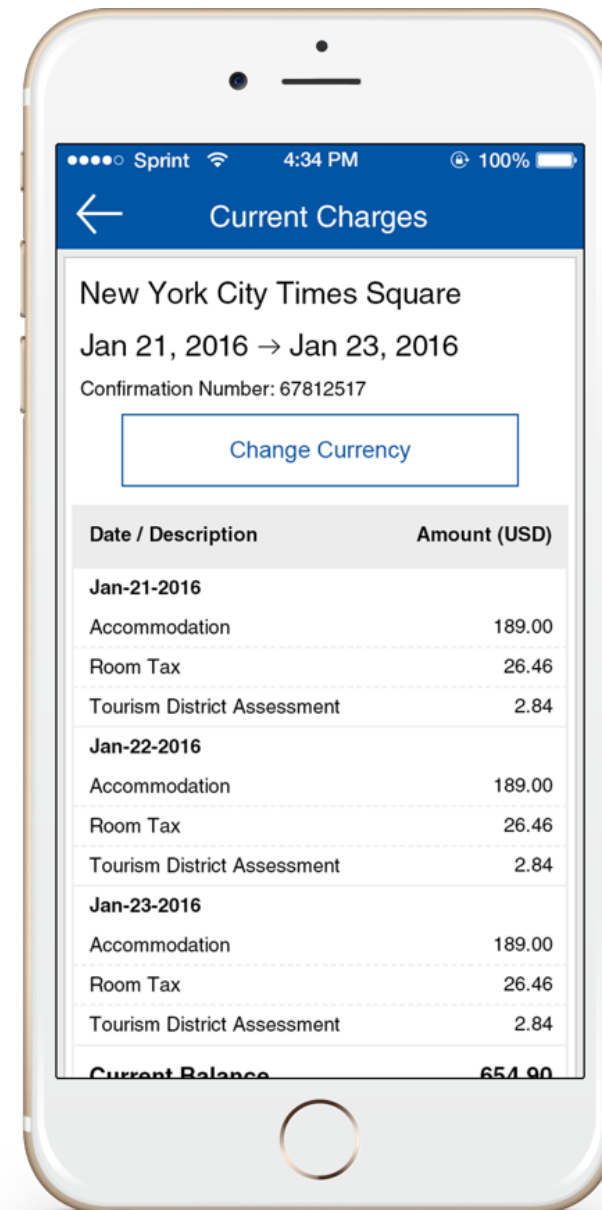
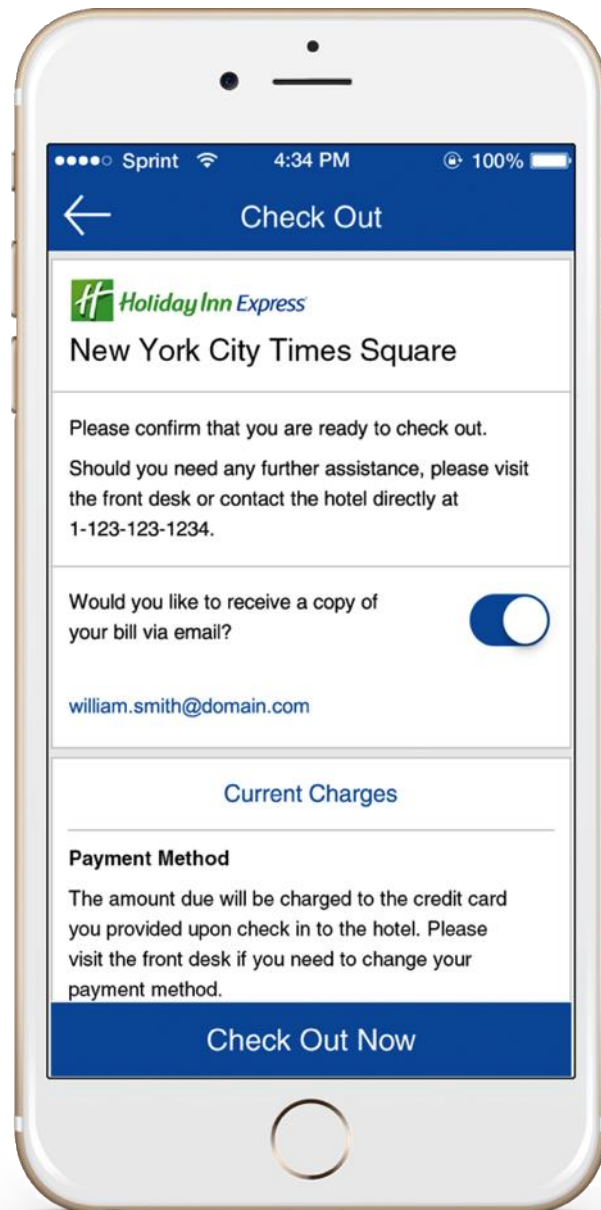
PLAN

BOOK

STAY

- Mobile Check-Out & Current Charges
  - Live in 860 Hotels (1,500 by end of year)
- Mobile Upgrade Notifications:
  - Pre-arrival room upgrade notifications to Spire Elite members
  - Live on IHG App in Q4 2016
  - Upgrade emails have 2x the average email engagement rate





# *We have a leading and innovative Digital business, driving direct revenue and profitability*

DREAM

PLAN

BOOK

STAY



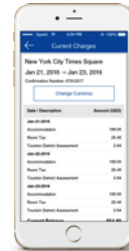
**Segmented & Personal Communications**



**Data-driven Programmatic Marketing**



**Industry-leading Websites & Apps**



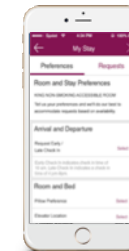
**Mobile Current Charges**



**Social Marketing**



**Performance Marketing**



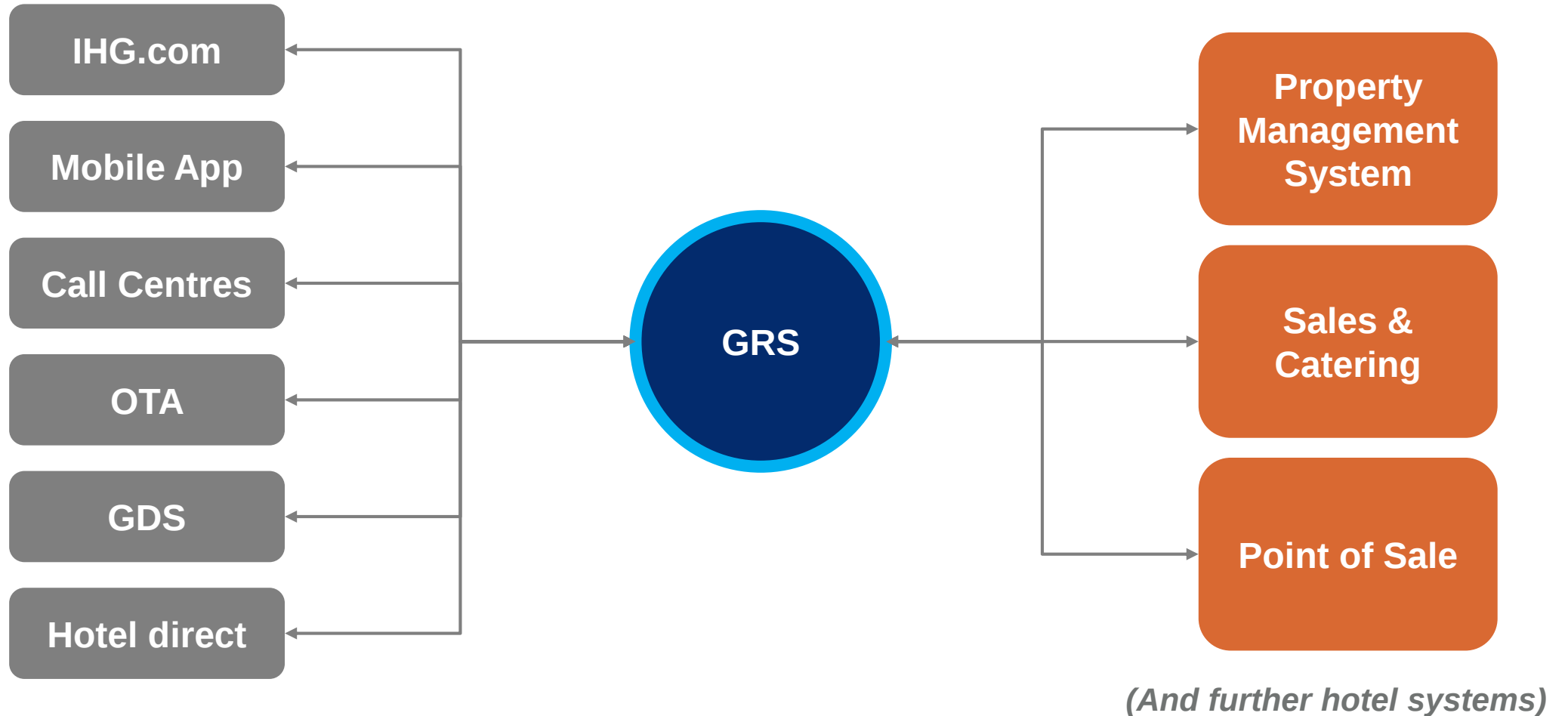
**Stay Preferences**



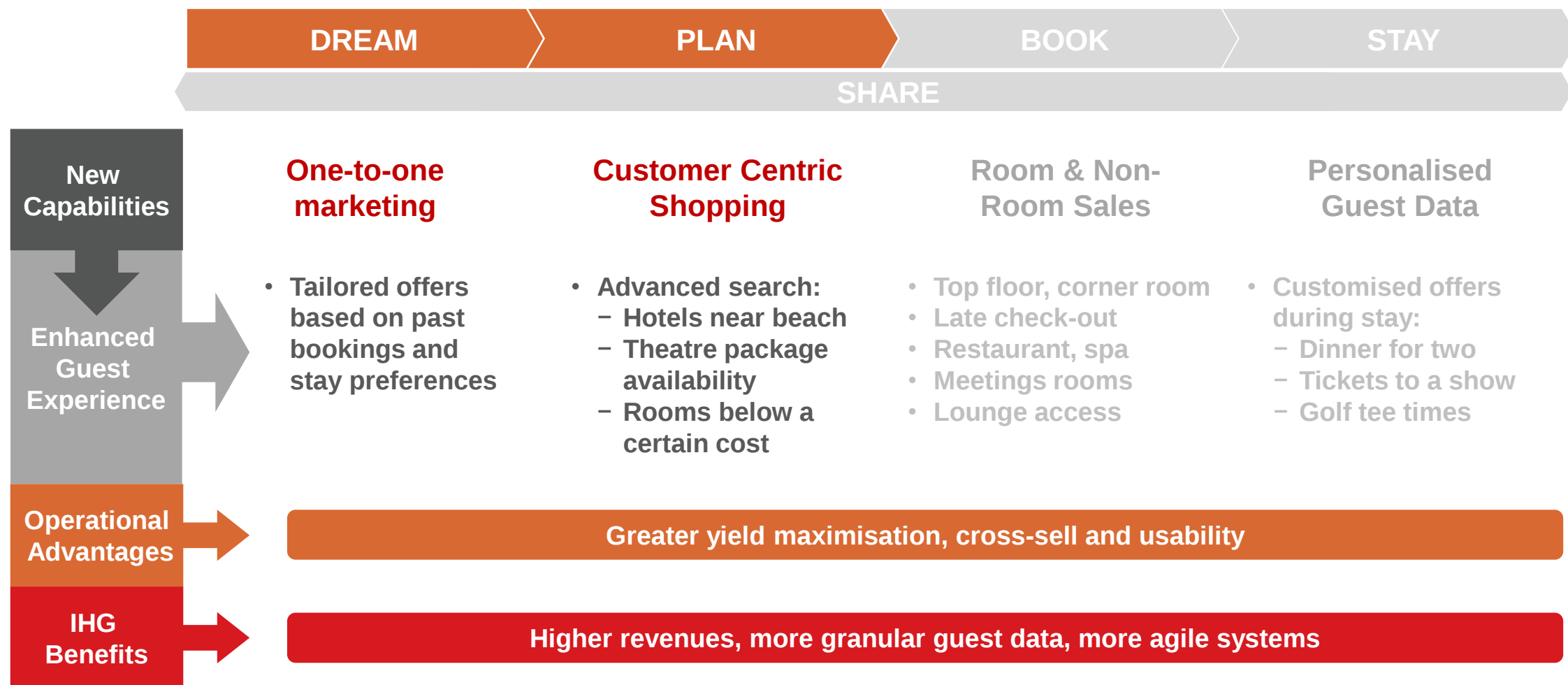
Crowne Plaza, Charlotte Executive Park, USA

# *Guest Reservation System*

## *Guest Reservation System provides availability and pricing from hotel systems to marketing and booking channels*



# GRS will enhance our offer right across the Guest Journey



# *We will be able to serve guests in the Plan stage with far more search flexibility*

PLAN

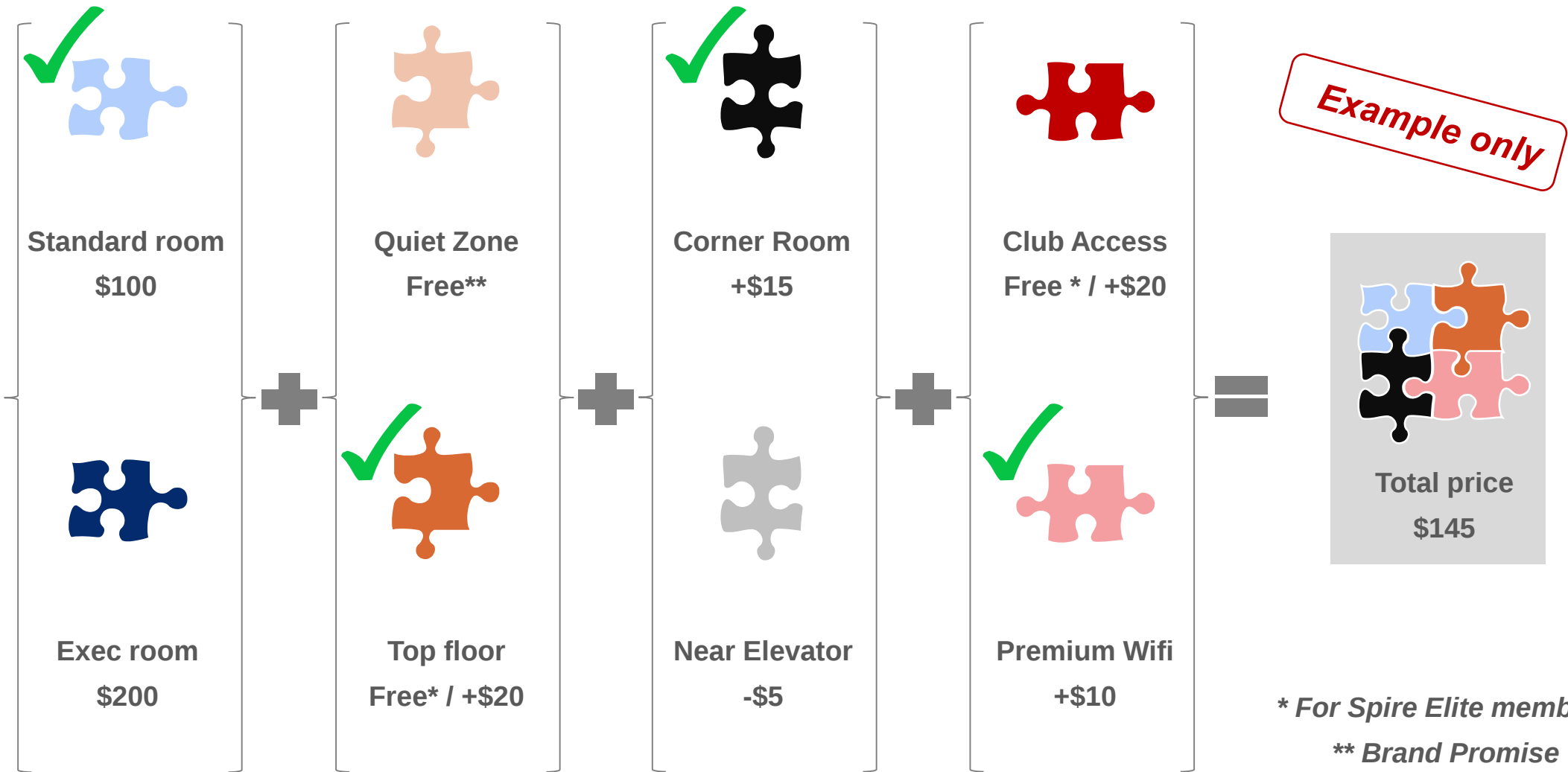
| Search type           | Guest need                                                        | Results returned                                                                                                                             |
|-----------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Location & Attribute  | <i>“Which San Diego hotels offer ocean view rooms?”</i>           | <ul style="list-style-type: none"><li>• Hotels with that attribute</li><li>• List with teaser rates</li></ul>                                |
| Location, Date, Price | <i>“I want to pay less than \$150 for a room in DC next week”</i> | <ul style="list-style-type: none"><li>• List of hotels with availability at that price point</li></ul>                                       |
| Property and Package  | <i>“I want the Theatre Time Out package at Paris Le Grand ”</i>   | <ul style="list-style-type: none"><li>• Availability calendar for that promotion/package</li></ul>                                           |
| Date and Attribute    | <i>“I’d like a beachfront room somewhere over Easter”</i>         | <ul style="list-style-type: none"><li>• Hotels by location with that attribute &amp; availability</li><li>• List with teaser rates</li></ul> |

# GRS will enhance our offer right across the Guest Journey

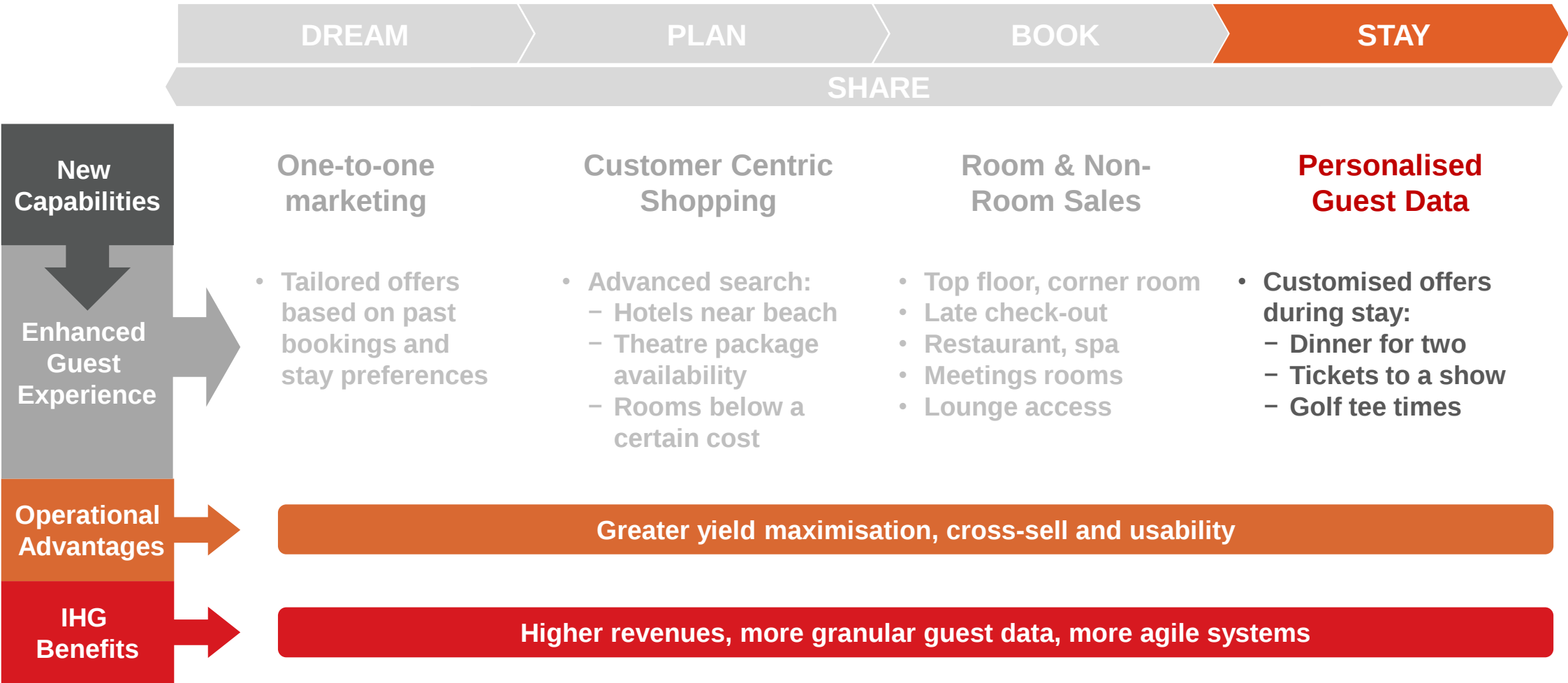


In the future we will be able to tailor and price our offer accordingly, informed by past booking behaviours

BOOK



# GRS will enhance our offer right across the Guest Journey



# *We have a world-class partner in Amadeus as we shape the future of industry reservations systems*

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## amadeus

**World-leading expertise**

**Launch partner for BA and Qantas reservation and ticketing systems**

**Shares IHG's vision for future of industry reservation systems**

- IHG & Amadeus: defining the future of industry reservations systems
- Amadeus is a highly experienced partner - will build and maintain GRS
- Community model builds scale around a commoditised process
  - IHG has “first mover” advantage
  - Supportive of community model

## *GRS offers significant benefits for IHG, given our advanced, proprietary systems*

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**aMADEUS**



- Categorise inventory better & display additional room types

# *GRS offers significant benefits for IHG, given our advanced, proprietary systems*

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amadeus



- Categorise inventory better & display additional room types



CRM systems

Revenue Management

Channel distribution  
systems

B2B sales systems



- Greater personalisation of offers and upgrades
- Enables upselling at various points in Guest Journey
- Better yield management capabilities

*After extensive testing, we will start a multi-year rollout in 2017*

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*Growing sophistication and benefits*



Holiday Inn Resort, Bali Benoa

## *Conclusion*

# *We have continued to drive strong progress against all key metrics*

*2016 YTD vs. 2014 YTD unless otherwise indicated*

**Guest Love**



+ 3.8%pts

**Digital  
Revenue**



+ 20% to \$2.9bn

**Loyalty  
Contribution**



+ 3.4%pts to 41.8%

**System  
Contribution**



+ 2.9%pts to 74.7%

**Hotel  
Cost of Sale<sup>1</sup>  
(\$)**



~20% lower with  
“Your Rate”

**Owner  
Advocacy<sup>2</sup>**



+ 4.0%pts

# *Disciplined execution of our commercial strategy will continue to deliver for guests, owners and shareholders*

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InterContinental, Pattaya Resort, Thailand

*Q&A*