



Central Reservations Services Executive Summary

Overview

Giants Ridge engaged JW Clifford marketing to conduct a feasibility study of the addition of a Central Reservations Service (CRS) for Giants Ridge. Our goal was to gather and analyze all data available and relevant to a CRS at Giants Ridge, evaluate the factors that determine the likelihood of success or failure of a CRS at Giants Ridge and make recommendations on how to implement a CRS if it were determined that it could contribute to the financial success of the resort.

Process

Our study was conducted in the following sequence:

1. Gather marketing, traffic and demand information
2. Gather lodging and Resort data
3. Survey past customers
4. Conduct Competitive Analysis
5. Formulate prototype solutions
6. Identify system solutions for the prototype
7. Build cost models for possible solutions
8. Consider operating options
9. Make final recommendation
10. Establish a set of "Next Steps" needed to implement

Key Findings

- ❖ Giants Ridge draws the majority of their visitors from the Minneapolis and St. Paul markets and over 73% of Giants Ridge's guests drive three or more hours to reach the resort.
- ❖ As a result of the travel time from the primary market, approximately 65% of all Giants Ridge guests require lodging as a part of their visit to the resort.
- ❖ Giants Ridge received over 19,000 calls between April of 2008 and March of 2009 to its toll free number and 79% of all calls are made from locations that are more than 1 ½ hours drive from the resort. It should be noted that this time period was one of the worst times for destination

resorts due to a severe recession. We would anticipate higher volumes during more normal economic times.

- ❖ Call traffic to the toll free number analysis indicated that a reservations call center would need to be staffed from 8 AM till 8 PM Monday to Friday and from 8AM to 6 PM on Saturday and Sunday in order to capture over 80% of the calls.
- ❖ The Giants Ridge web site received over 82,000 unique visitors to its web site between April 2008 and March 2009. The lodging pages were the most frequently visited of all pages.
- ❖ In a survey of past visitors to Giants Ridge, 74% indicated that the Giants Ridge web site was either a "Critical" or "Very Important" information source for planning their trip.
- ❖ When making an actual reservation to visit Giants Ridge, 76% of past guests placed their reservations via telephone, 12% placed their reservations through the Giants Ridge web site and 3.4% made reservations directly on the lodge's web site.
- ❖ 28% of past guests began planning their trip to Giants Ridge three or more months in advance and 39% began planning their trip one to three months in advance.
- ❖ 48% of past guests considered their reservations experience for Giants Ridge equal to other resorts, 37% considered it above average. Only 3% considered it superior and 6% considered it inferior or below average.
- ❖ Our study of competitor resort reservations services indicated that resorts that only focused on booking just the properties that they owned and/or managed were providing a higher level reservations service with both call center and online booking services. Competitive ski resorts that did not manage lodging were providing comparable services and we did not find any competitive resorts that provide comparable destination golf that did not own or manage their primary lodging. We believe the independent lodging structure at Giants Ridge has created a challenging reservations process for guests interested in visiting the resort.
- ❖ 80% of past guests indicated that they would use both a call center and internet reservations service when booking a trip to Giants Ridge, but only 29% said they would use an Internet only reservations service and 17% said they would use a call only service. Also, 77% of past guests indicated that they would be more likely to use the services if they offered complete packages with lodging, golf tee times, skiing and/or dining.
- ❖ Regarding the type of lodging preferred by past guests, 52% listed full service hotels with dining and amenities as their first preference, 35% selected condominiums (only) as their first choice and 21% listed economy lodging, motor inns or hotels as their first choice. We believe this reflects demand for a diverse range of lodging at Giants Ridge.
- ❖ Interviews with area lodges indicated a high level of interest in working with Giants Ridge to develop improved reservations services, but some concerns were expressed regarding commission costs for the service
- ❖ The lodging properties located at the resort (The Lodge and The Villas) have a combined total of 130+- units in rental programs with an estimated maximum capacity of 500- 600 guests. We believe there is additional lodging capacity for approximately 1,000 guests in area lodges that would be appealing to Giants Ridge's guests.
- ❖ Based on lodging availability reports provided by the Iron Range Tourism Bureau (industry standard reports for the Virginia/ Giants Ridge area are not available) we found lodging available

on virtually every weekend in both summer and winter with the majority of weekends showing a large number of units unoccupied. As for onsite lodging, we found over 300 weekend unit nights open in the winter and over 500 in the summer.

Conclusions

The majority of people visiting Giants Ridge are overnight guests and require advanced reservations in order to visit the resort. There is a high level of customer demand for improved reservations services at Giants Ridge if both online and call center services are offered and complete packages are provided. Demand seems to drop off significantly, however, if only one or the other were provided. We believe prospects considering a visit to Giants Ridge wish to use the Internet to shop for lodging and packages but make their actual reservations via telephone in order to finalize the details involved in a destination resort reservation.

We believe a substantial amount of lodging in the Giants Ridge area is currently going unsold and that the current methods of connecting prospects to lodges is not maximizing utilization of the independent lodging potential. In turn, the resort is not receiving the maximum benefit from its marketing efforts and may be missing out on significant potential golf and ski revenue.

We investigated numerous options and models for operating a CRS for Giants Ridge that could support a wide range of independent lodging properties, manage lodging and resort activities packages and provide both an online and call center reservations service with vacation packages. We investigated the option of outsourcing a CRS service for Giants Ridge but did not find any that could provide the full service at an affordable cost. We also built a model financial operating budget for an independently operated CRS for Giants Ridge. At current volume levels, we determined that it would cost approximately \$250,000 annually to operate a CRS with combined call center and online package services. We believe the service would handle approximately 2,300 reservations with an average of 4 guests per reservation for 2 nights. The projected reservations volume would handle over \$2,300,000 in reservations revenue. The lodges would receive 52% of this revenue and Giants Ridge would receive 48% of the revenue based on our estimates. As stated it is very difficult to project exact revenues for this service with the data available, however we believe this service could exceed projections and handle more volume if staffing levels keep pace with demand.

Our study leads us to believe that a central reservations system will generate higher levels of occupancy at all of the participating lodges and in turn increase traffic to the ski and golf operations at the resort. It is not possible to determine the exact amount of increased revenue a CRS system would generate over the current system, but at our estimated average daily per person revenue level of \$60.00 at the resort (golf and skiing) with the average reservations including four people for two days it would take 525 additional reservations to generate an increase of \$250,000 in revenue to Giants Ridge. To reach this minimal level of incremental revenue Giants Ridge would need to improve its conversion on current call volume by less than 5%, something we believe is very achievable.

Recommendation

Since Giants Ridge is for the most part a fixed cost business like most resorts the majority of all incremental revenue increases generated by a CRS could significantly improve the financial performance of the resort. Based on the results of the study, we believe a CRS is feasible and that Giants Ridge should move forward with the next steps required to establish a CRS services as described in our full report. We also believe the establishment of a CRS can have significant impact on Giants Ridge and that the service should remain firmly within the control of the resort. If properly established, this service can enhance the financial performance of Giants Ridge and the businesses associated with the resort on a short term basis as well as improve the long term prospects for future resort development.

Next Steps

The establishment of a new central reservations service is somewhat complex and success requires detailed planning. Significant issues need to be considered and resolved regarding the organizational structure of the service, who will manage the service, how it will be funded, what systems will be used and under what policies the service will operate. We would recommend that the following process be followed in order to achieve a successful implementation.

- ❖ The leadership of this process needs to be clearly established and a project manager or team needs to be created that is empowered to manage the planning process with goals and approval requirements clearly defined.
- ❖ A series of steps need to be completed and a time line for their completion should be established.
 - The development of a plan that determines operating schedules, service level requirements, participation policies and a more detailed operating budget.
 - The plan needs to be configured into an operating proposal that can be presented to area lodging properties for consideration and input then revised to final approvals.
 - A list of potential systems and service vendors needs to be established and a Request for Capabilities Presentations needs to be written that will initiate the first step of developing a full request for proposals from the primary vendors who would be needed to support the service. This would include reservations, telecom and point of sale systems.
 - A Full RFP must be written for proposals from independent organizations that could be considered possible candidates to manage the CRS under control of Giants Ridge and proposals then need to be considered to determine a primary or overall service provider for the CRS.
 - Final approvals need to be given or denied for the implementation of the service and contracts awarded.

We believe this process can be completed in 6-8 months once funding for the initiative is approved.



Giants Ridge®

Central Reservations Feasibility Study

Produced by

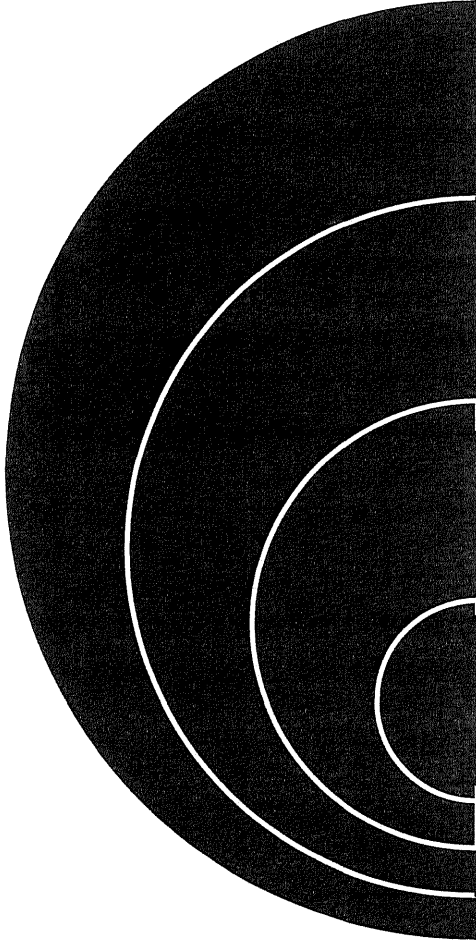
jw::clifford
:: marketing

September, 2009

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Overview



JW Clifford Marketing has been engaged to analyze the feasibility of adding reservations services for Giants Ridge Golf and make recommendations regarding the benefits and costs of the service based on the study results. Criteria for our recommendations included the anticipated volume of reservations, the capacity of area lodging to provide sufficient inventory and the revenue that could be generated.

Our initial task was to gather as much information as possible regarding visitor traffic, call volume, web traffic and lodging patterns in order to determine the type, scope and viability of customer contact management services that might be supported by current market activity.

Once we completed our initial findings we moved to a more in-depth analysis of the options available to Giants Ridge through improved sales channel management and reservations services.

Our final step was to develop operating and financial models, based on our findings and industry standards, to determine the financial impact they might have on Giants Ridge so the resort could decide if adding new reservations services were in their best interest.

Executive Summary

Our analysis found that Giants Ridge is on the threshold of needing more advanced reservations systems and services including a central reservations service for both call-in and online reservations in order to remain competitive and meet the needs of its market. We also believe Giants Ridge will soon require an advanced point-of-sale system to support online vacation package sales and E-commerce transactions.

A new central reservations service with both Internet and call center capabilities could produce over \$2.3M in sales of lodging and resort services at an operating cost of approximately \$250K. Our study also determined that 80% of Giants Ridge's guests would use both the online and call center services if offered.

The addition of central reservations services will become critical to the success of Giants Ridge over the next few years as the competition improves their online capabilities. A regional central reservations service is capable of performing a much wider function than just supporting Giants Ridge. Destination resort regional marketing efforts are becoming more common throughout the country and we believe that Giants Ridge and the Iron Range Tourism Bureau would benefit significantly over the long term by adding the services we are recommending. We also believe the joint effort would provide economies of scale needed to support this service.

Key Findings

Market Data

Industry information on ski resort reservations services

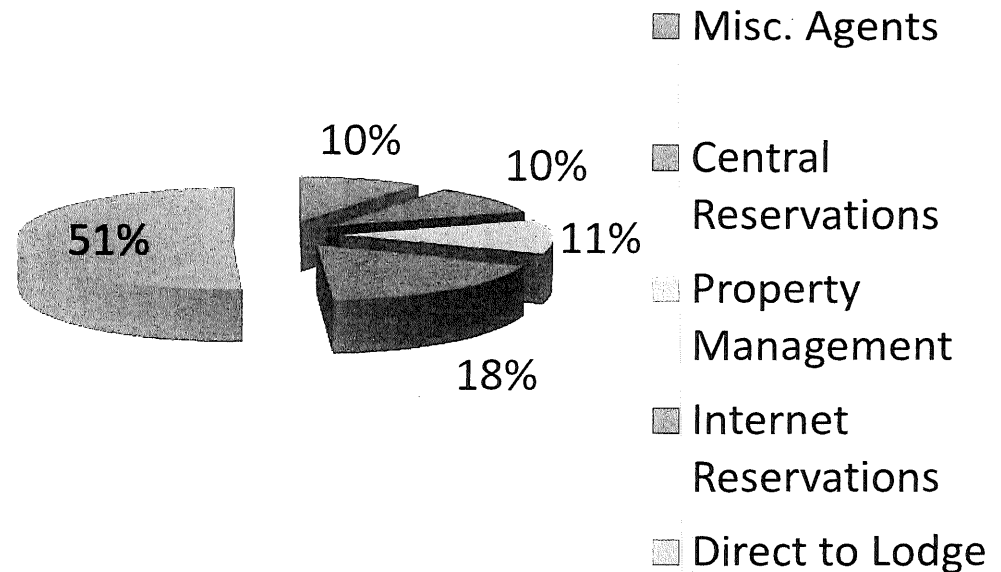
Based on the National Skier Opinion Survey produced by Leisure Trends Group, ski resort visitors place lodging reservations through various services at the frequency shown to the right.

While central reservations services accounted for only 10% of all reservations, a recent study by JW Clifford Marketing indicated that only 18% of all mid-size ski resorts operate central reservations services. We know the percentage is more likely to be in the range of 30% at resorts with central reservations services.

Some ski resorts are currently reporting that online reservations now account for up to 38% of all area lodging reservations.

Similar data on golf resorts is not segmented in this way as most golf resorts are owned and/or operated by private hotels or resort companies with in-house only reservations services.

Industry averages for booking resort lodging and packages



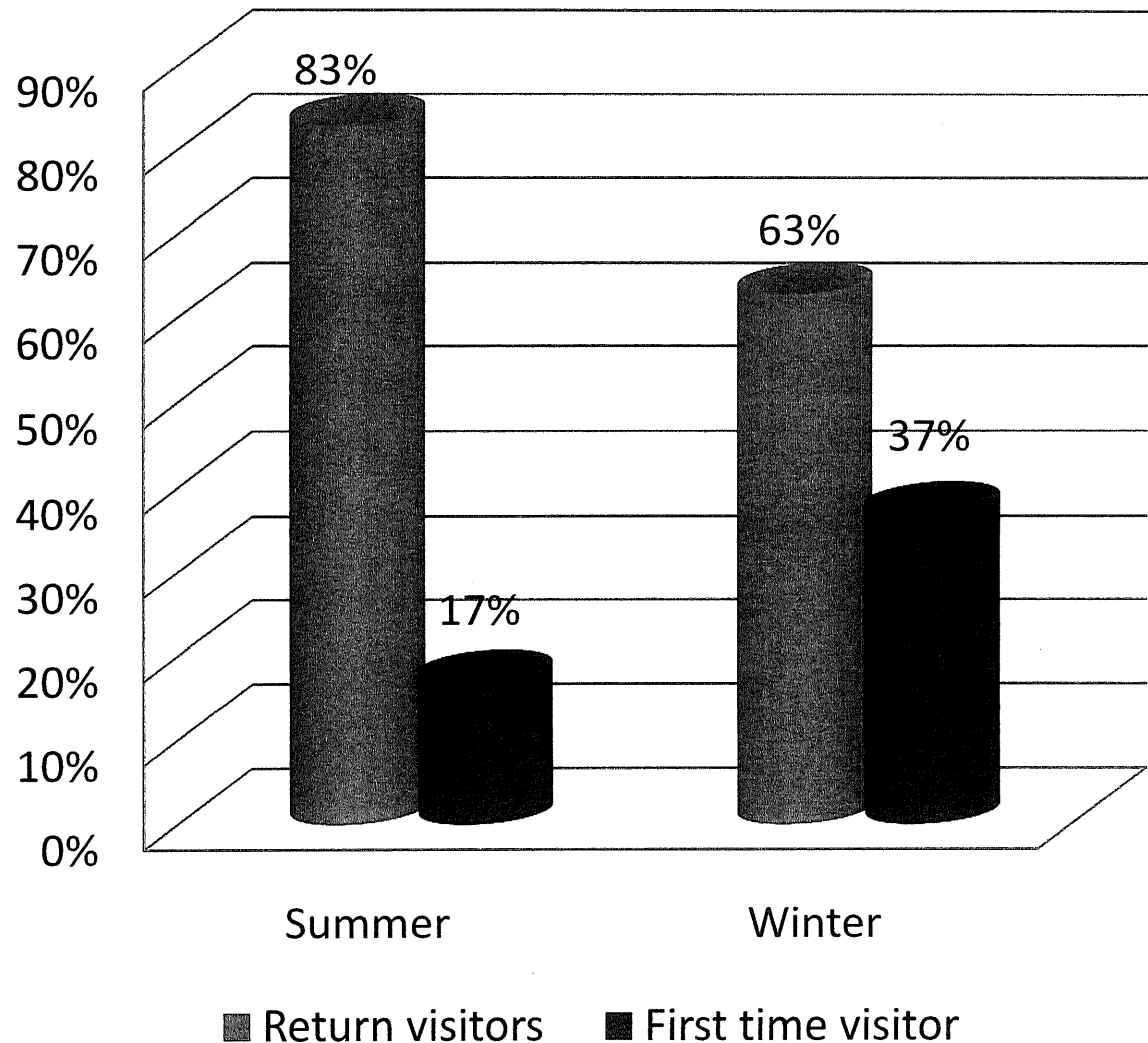
The majority of visitors to Giants Ridge are returning guests.

The high rate of return visitors is a credit to the quality of the experience guests receive at Giants Ridge.

The national average for repeat visitors to ski resorts and lodging properties varies by study, but the general consensus is around 55%.

While the high repeat rate is a positive it might also indicate that Giants Ridge is not attracting a large enough pool of new customers.

Repeat guests as a % of all guests



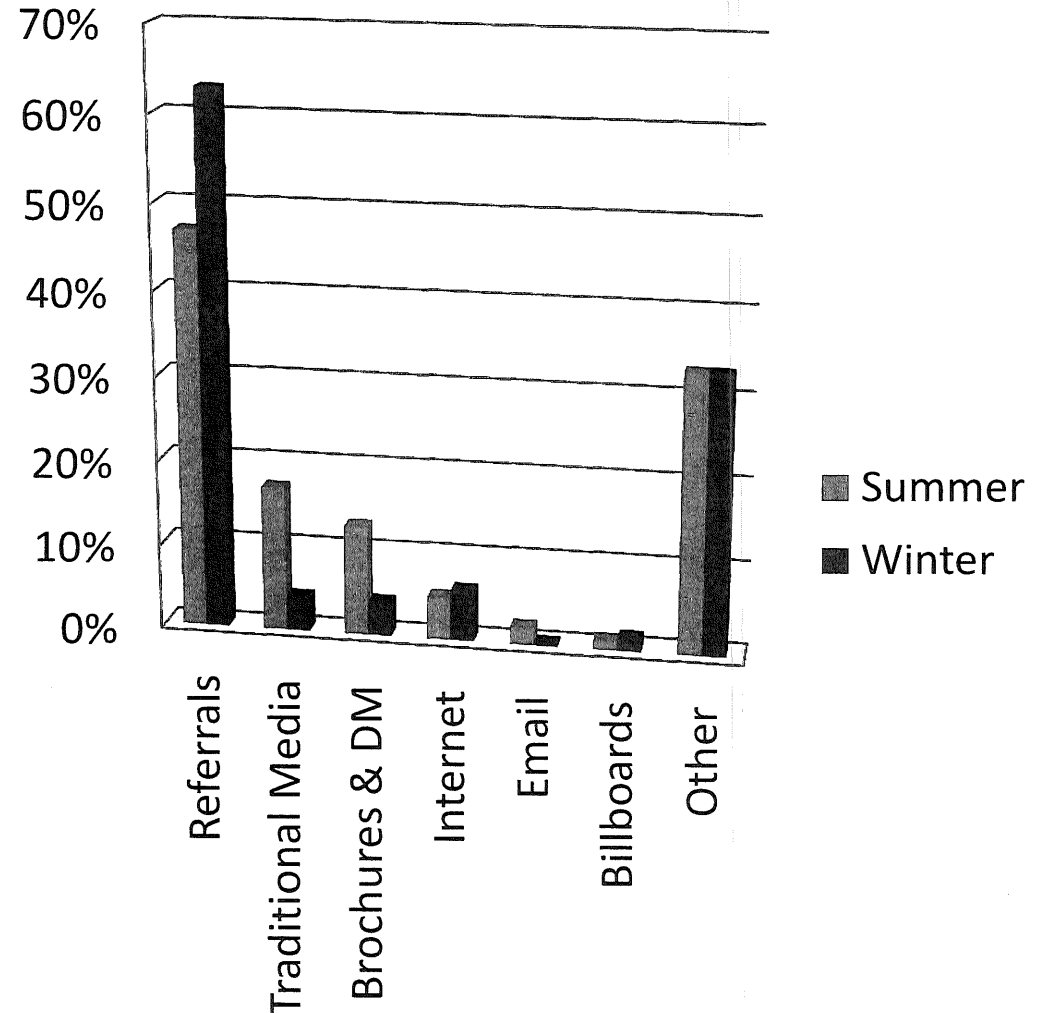
How do visitors find out about Giants Ridge?

According to the customer surveys conducted on site by Leisure Trends for Giants Ridge, Referrals and Other are reported as the primary sources of information. "Other" normally relates to past experience with the resort.

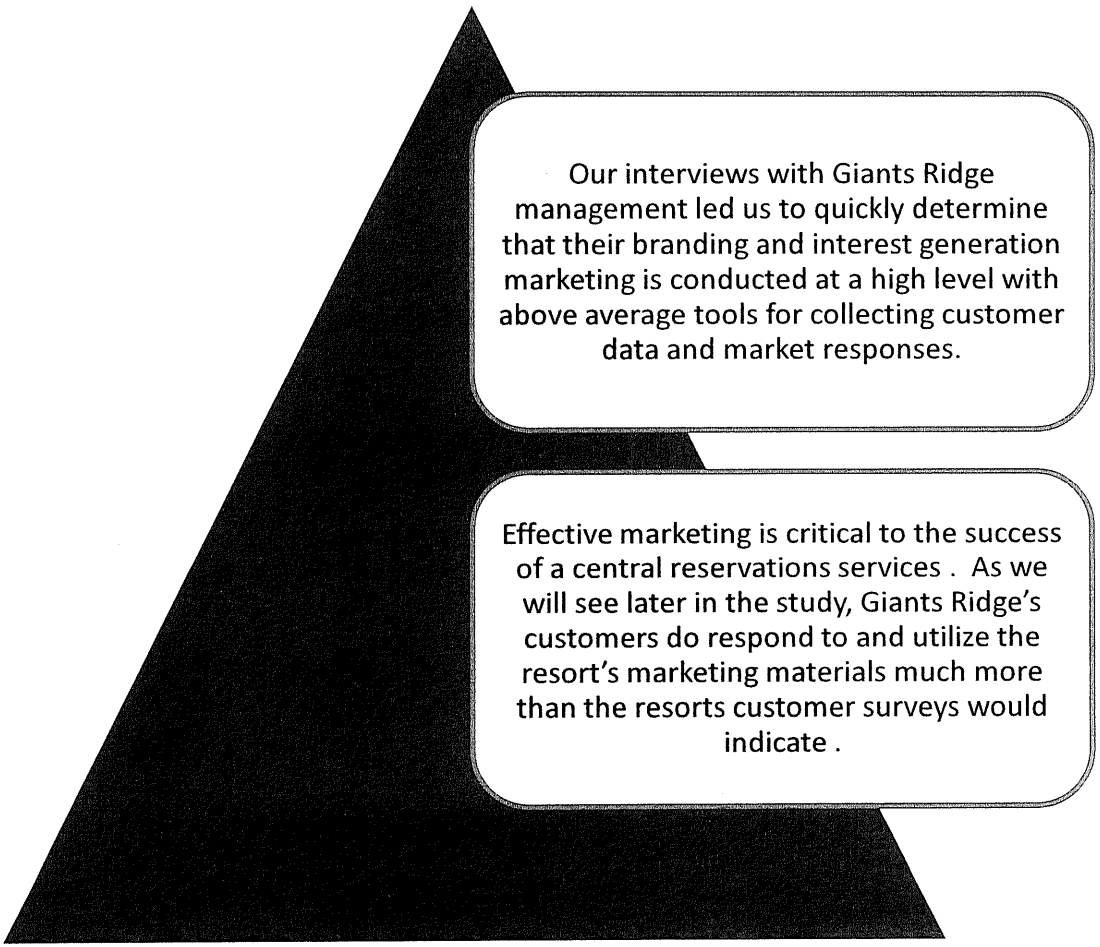
This data is similar to other resorts with strong repeat visitors. The limited responses for marketing efforts may also reflect the amount of detailed information available in marketing materials such as details on lodging packages, availability or rates.

It is important to note that marketing may have a limited ability to influence or change the buying habits established by Giants Ridge's current customer base. This will have implications when considering the addition of a reservations service as it implies a need to anticipate a ramp-up period for the service.

Visitor Information Sources



Giants Ridge Marketing



Our interviews with Giants Ridge management led us to quickly determine that their branding and interest generation marketing is conducted at a high level with above average tools for collecting customer data and market responses.

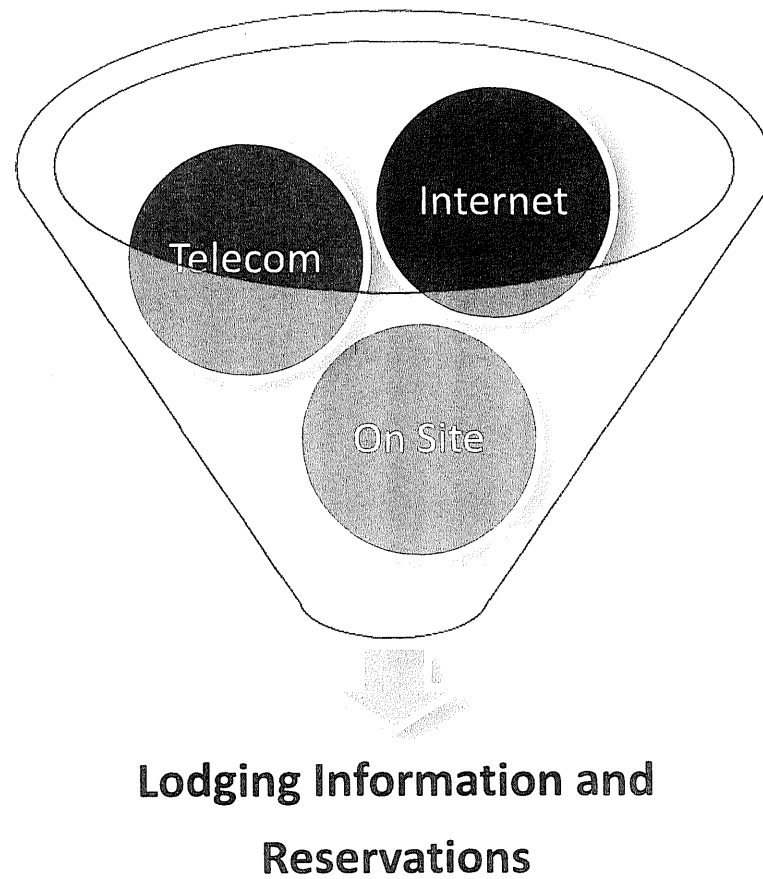
Effective marketing is critical to the success of a central reservations services . As we will see later in the study, Giants Ridge's customers do respond to and utilize the resort's marketing materials much more than the resorts customer surveys would indicate .

Key Findings

Channel Traffic

The demand for information and reservations services comes through multiple channels.

potential feasibility and viability of a central reservations service, it is important to first examine the existing communications channels used by Giants Ridge's guests to determine traffic levels, interests and the scope of activity. Once the potential volume of activity is determined it is necessary to match this demand with the amount of market appropriate lodging available to support increased sales.



Call volume to Giants Ridge Toll Free number April 08 - March 09

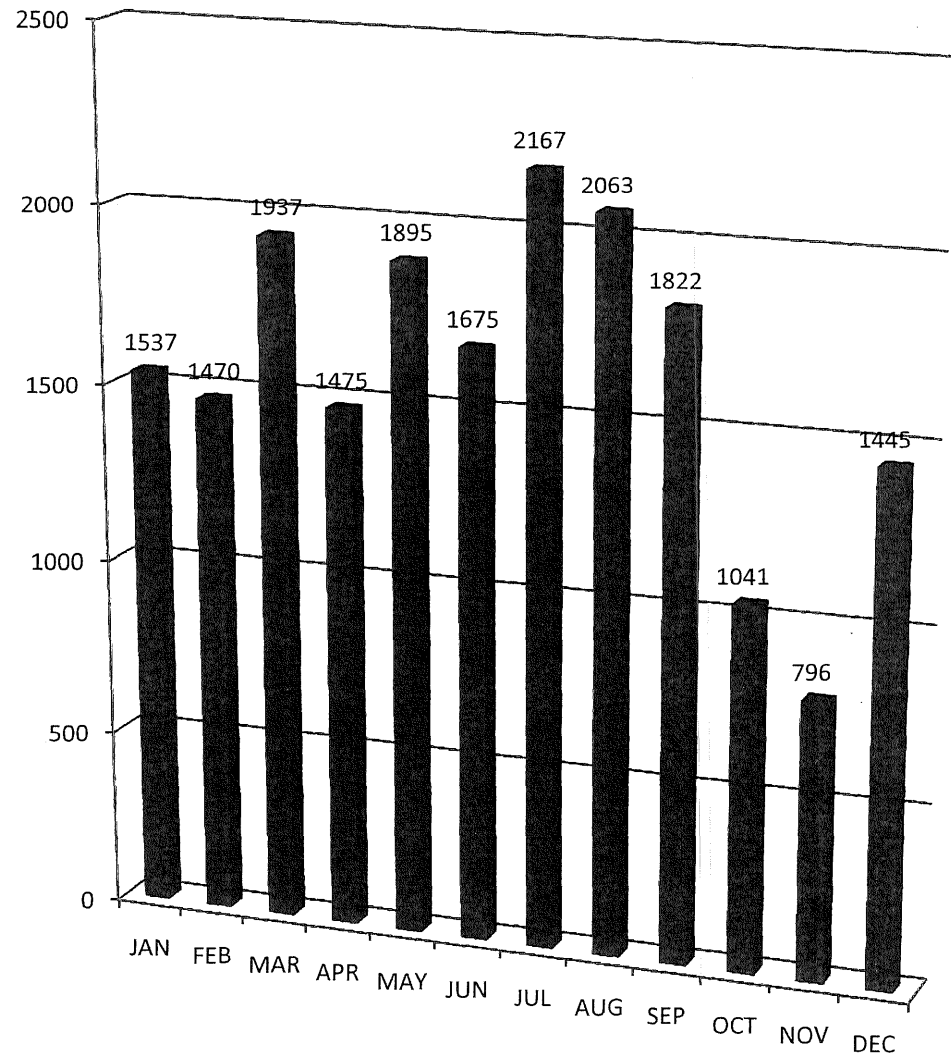
Giants Ridge received over 19,000 calls to its toll free number (800-688-7669) between April 1, 2008 and March 31, 2009.

The average length of call was 2.48 minutes. If a call is transferred to a lodge the time of the call stops.

Peak call volume came in July (2,167) and the lowest call volume was seen in November (796).

No data is available on the nature or subject of the calls at this time so it is not possible to determine the percentage of calls that were for lodging or golf tee time reservations.

Monthly Call Volume



Talk time on the Giants Ridge calls also varies by season

The average length of each call received at Giants Ridge varies significantly by month.

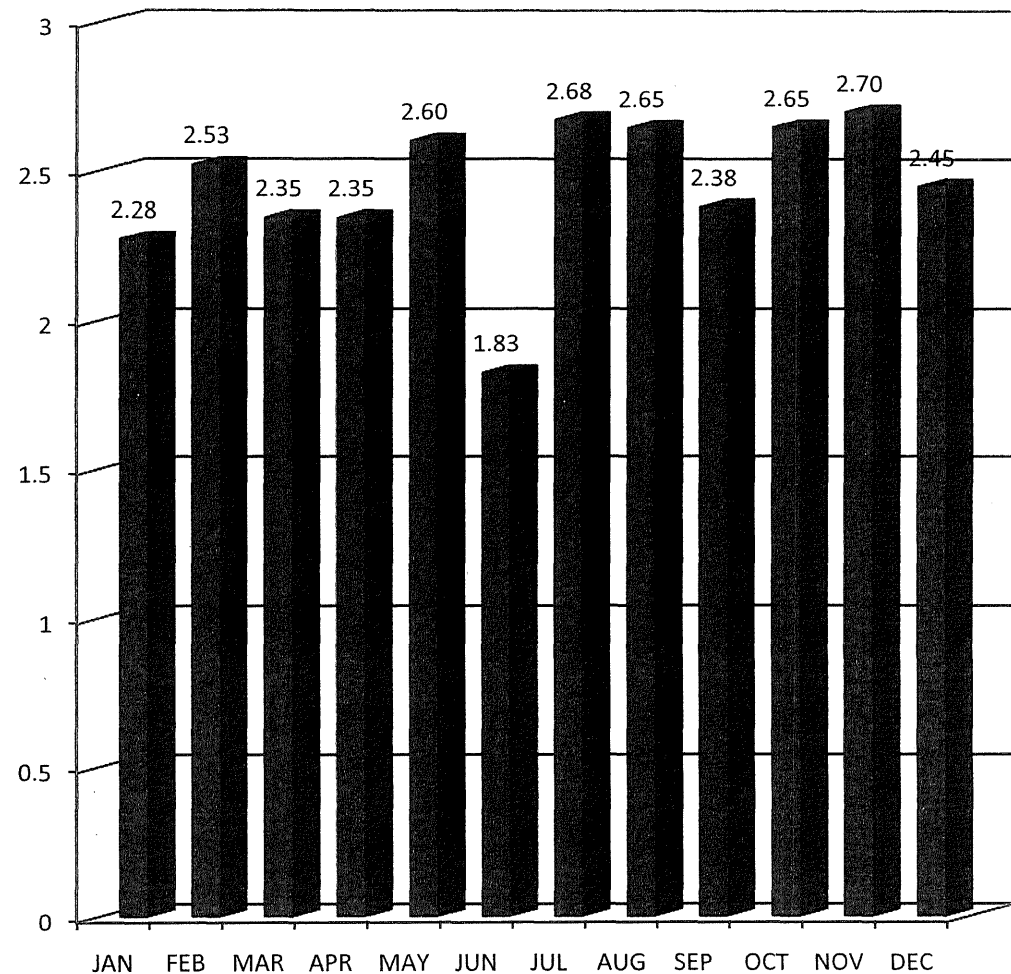
The longest monthly call time is in November at 2.7 minutes followed closely by July, August and October at 2.6+ minutes.

The lowest call time came in June at 1.8 minutes which is 34% below peak.

Based on industry data the normal call time in a reservations center runs between 5 and 9 minutes depending on the complexity of the reservations. This would include a full package reservation with golf and lodging.

If a call center service is developed for Giants Ridge some portion of the current call volume would shift to the new service and the length of calls relating to reservations would likely increase 2-3 fold.

Average Call Duration
In minutes



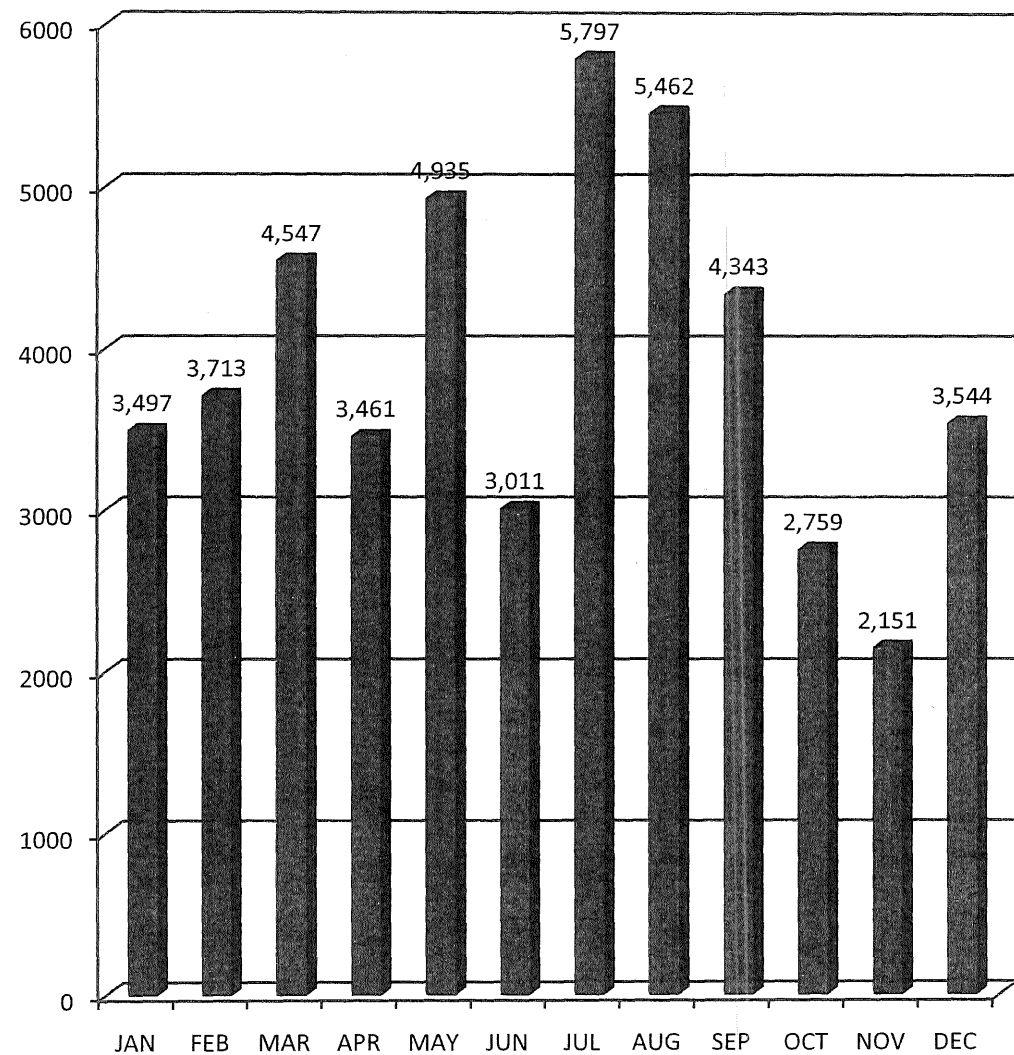
Call Duration affects the amount of time needed to handle calls and potential call center staffing times

The combination of total calls and average call duration determine total talk time. July generated 2.7 times the talk time as November.

Staffing level requirements for a call center are determined by a combination of talk time, back office work time and an adjustment to accommodate the fact that calls arrive at an irregular pace. Back office time in a resort call center is normally 60% of call time.

As a rough estimate, if 50% of the call volume shown in this slide were converted to a call center and normal reservations call times were applied, the estimated staff time to handle the peak month of July would be 200+- hours which would require 2 agents. This does not include any administrative time.

Total Talk Time



Call Activity by day is a key indicator for call center staffing levels

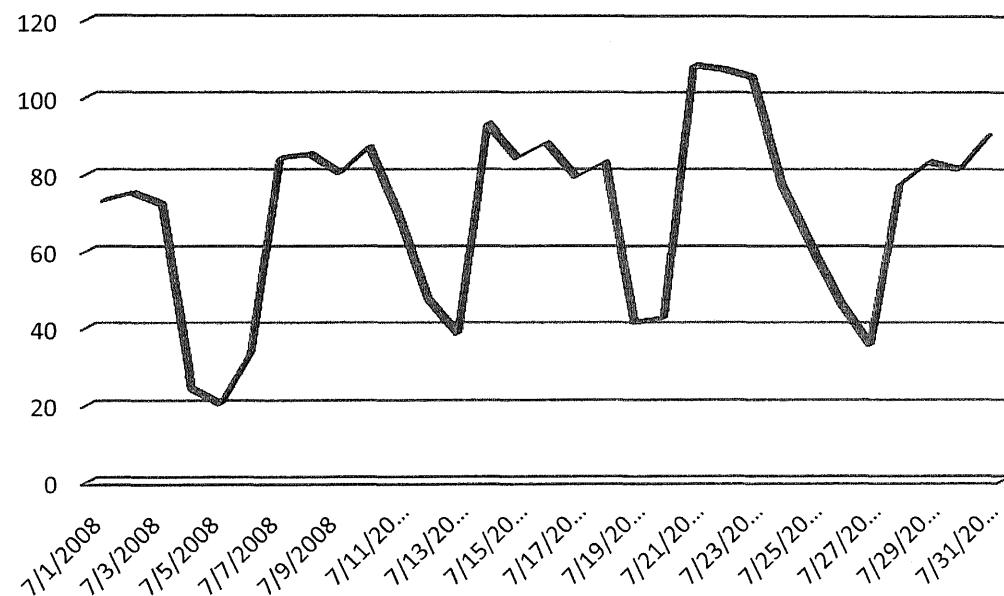
In order to determine the level of staff required to provide reasonable call answer performance it is critical to anticipate the number of calls expected for each day and then staff accordingly.

The peak day call traffic for the month of July, which was the busiest month of the year, is just over 100 calls.

Monday – Friday are peak call days. Weekend call traffic is off by 40-60% however it is still significant.

Our experience with other resort call centers and analysis of the actual calls received on this toll free line would indicate that roughly 40-60% of the total call volume would end up in the call center if one were established.

Call Pattern by day - July



Calls per hour for the month of July

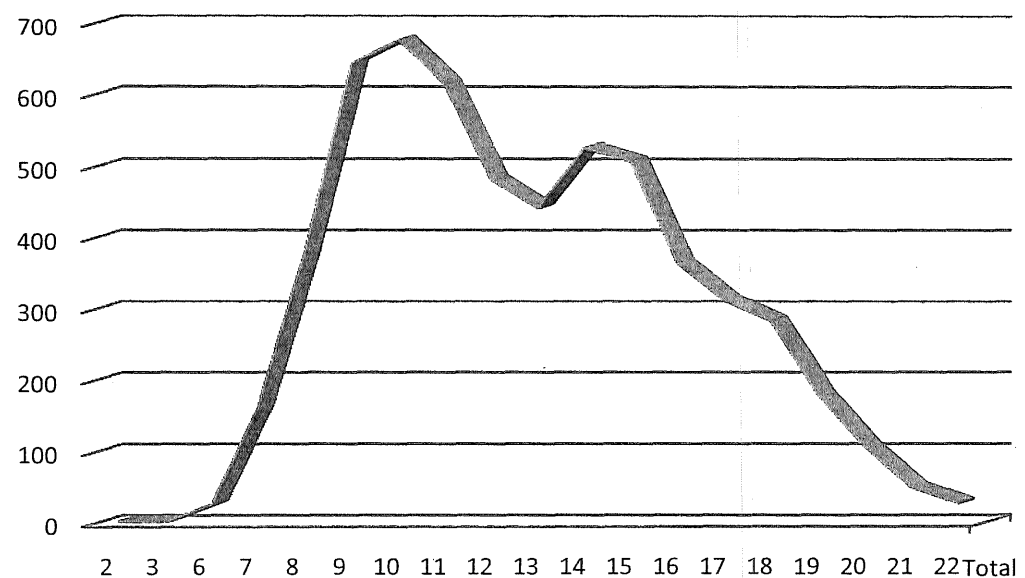
Hourly Call Traffic

As a part of our analysis we reviewed the hourly call patterns for each month and there is very little variation from month to month.

Peak call volume occurs at or around 9AM and tapers slowly till 10PM, with a dip during the lunch hour. This is a common pattern for most resort call centers.

In order to capture over 90% of the calls, the call center should be open at 8AM and should remain open until 8PM.

During peak booking periods it might be prudent to remain open until 9PM as call traffic tapers off slowly in the evenings.



Calls received by Area Code

Top 10 area codes

(not including 218, the local code)

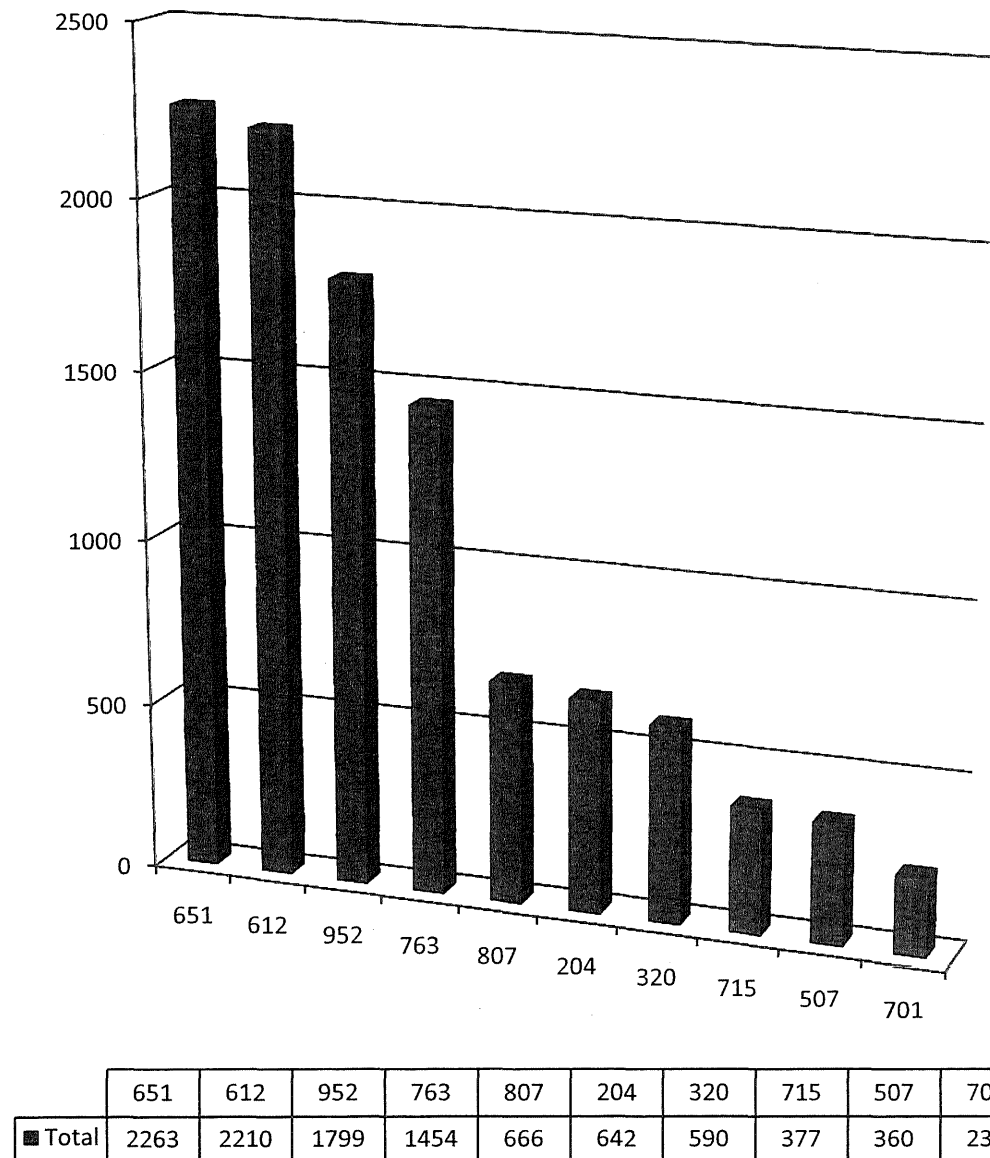
5,951 calls (31% of all toll free calls) came from area code 218 which is the local drive market area and was not included in this chart as we assume few if any of the calls were lodging related. (Area code 218 includes Duluth and all MN points north.)

The top 10 remaining area codes represent 56% of all calls received.

The most active area code in this list is **651** which covers Minneapolis.

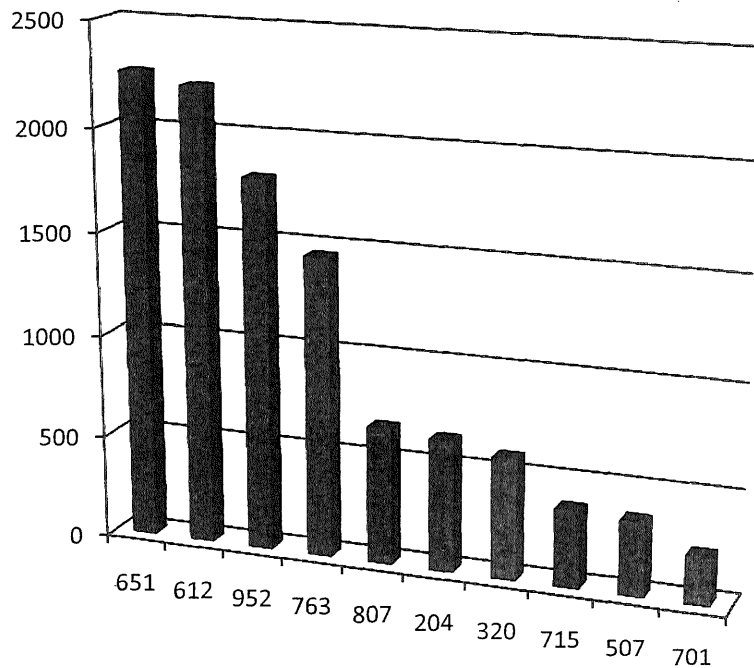
The smallest 701 covers Bismarck, ND.

79% of all calls come from locations that are more than 1.5 hours drive from Giants Ridge.

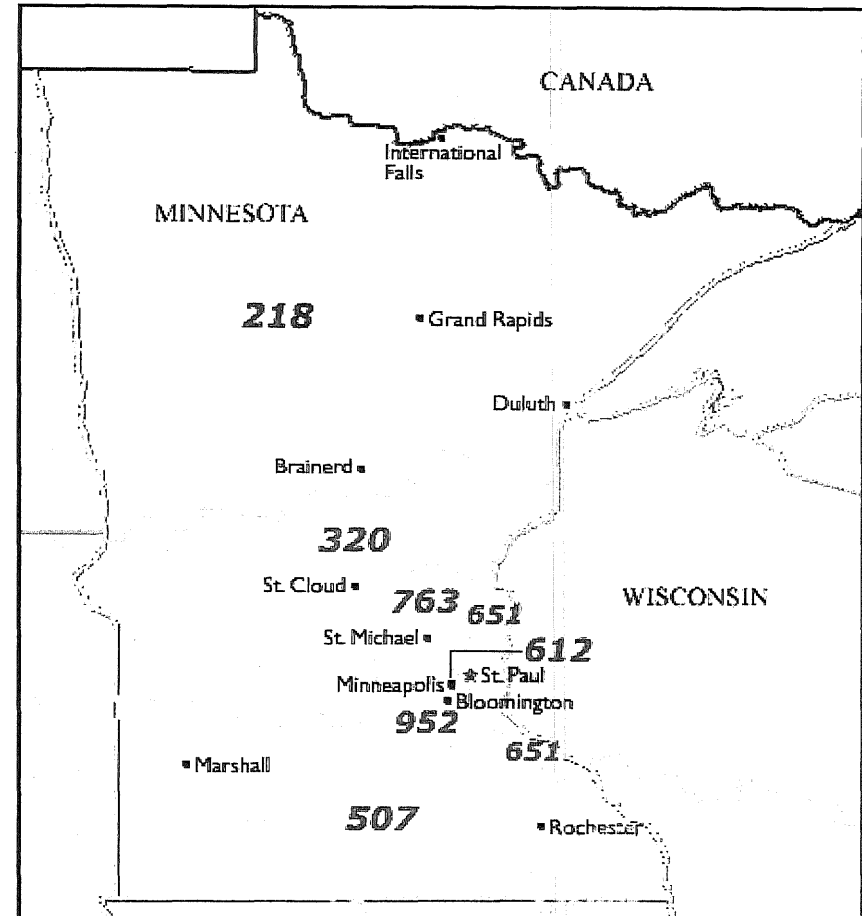


Minnesota Area Code Map

Total



	651	612	952	763	807	204	320	715	507	701
Total	2263	2210	1799	1454	666	642	590	377	360	232

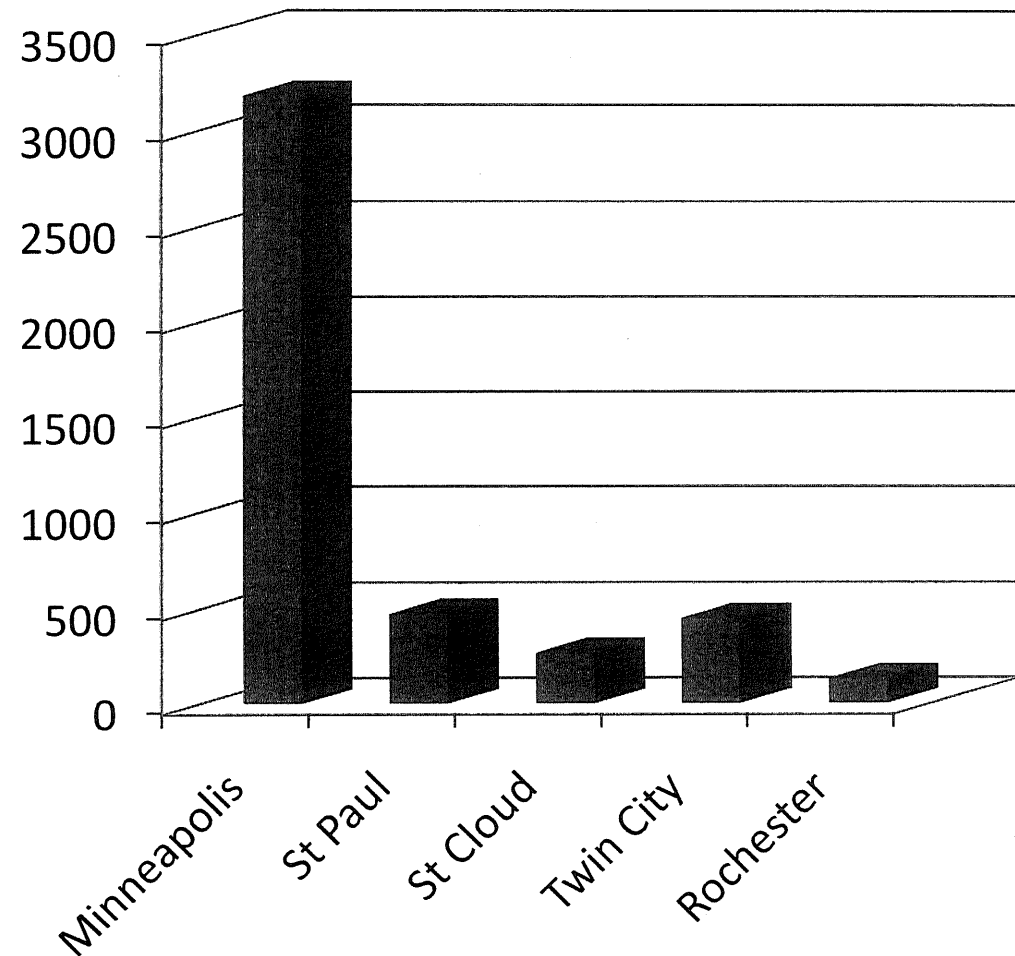


Call Volume by City for the top 5 cities based on billing data

This data is based on the city codes that Qwest places on the calling number in their billing system so it appears that there is a discrepancy with the area code data. However, in billing data Minneapolis covers surrounding towns and multiple area codes.

The point of the chart is to identify the locations of callers as it might indicate a need for lodging information.

Top 5 Calling Cities



Internet Traffic Giantsridge.com

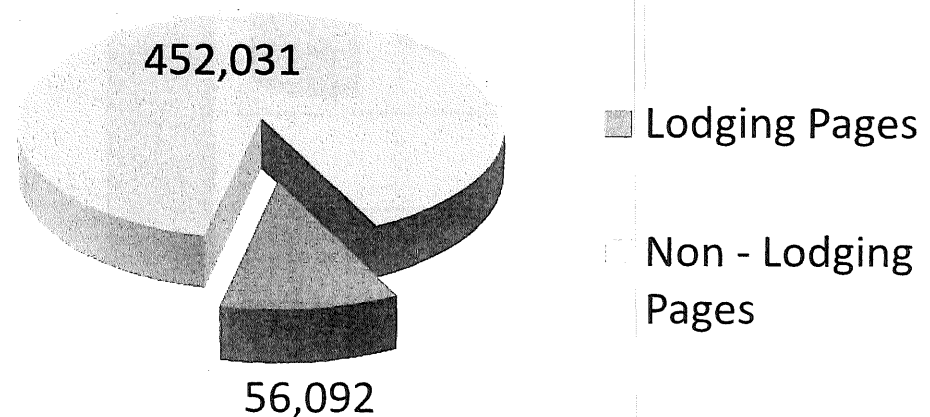
Giants Ridge's web site received 130,737 total visits and 82,298 unique visits over a 12-month period beginning in April of 2008. The visitor traffic generated 508,123 page views.

Approximately 12% of all page views on the Giants Ridge web site were lodging related. This is the highest level of any pages on the site.

The highest lodging page view was the page on "Onsite lodging" at 23,862 views. This was also the highest "Exit" page on the site at 42% of page viewers. This may indicate that a large percentage of the visitors who viewed this page linked over to the Lodge or Villas from the page.

The Onsite lodging page also had the highest "Time on Page" rating of all pages on the site at 2.43 minutes.

Total Page Views



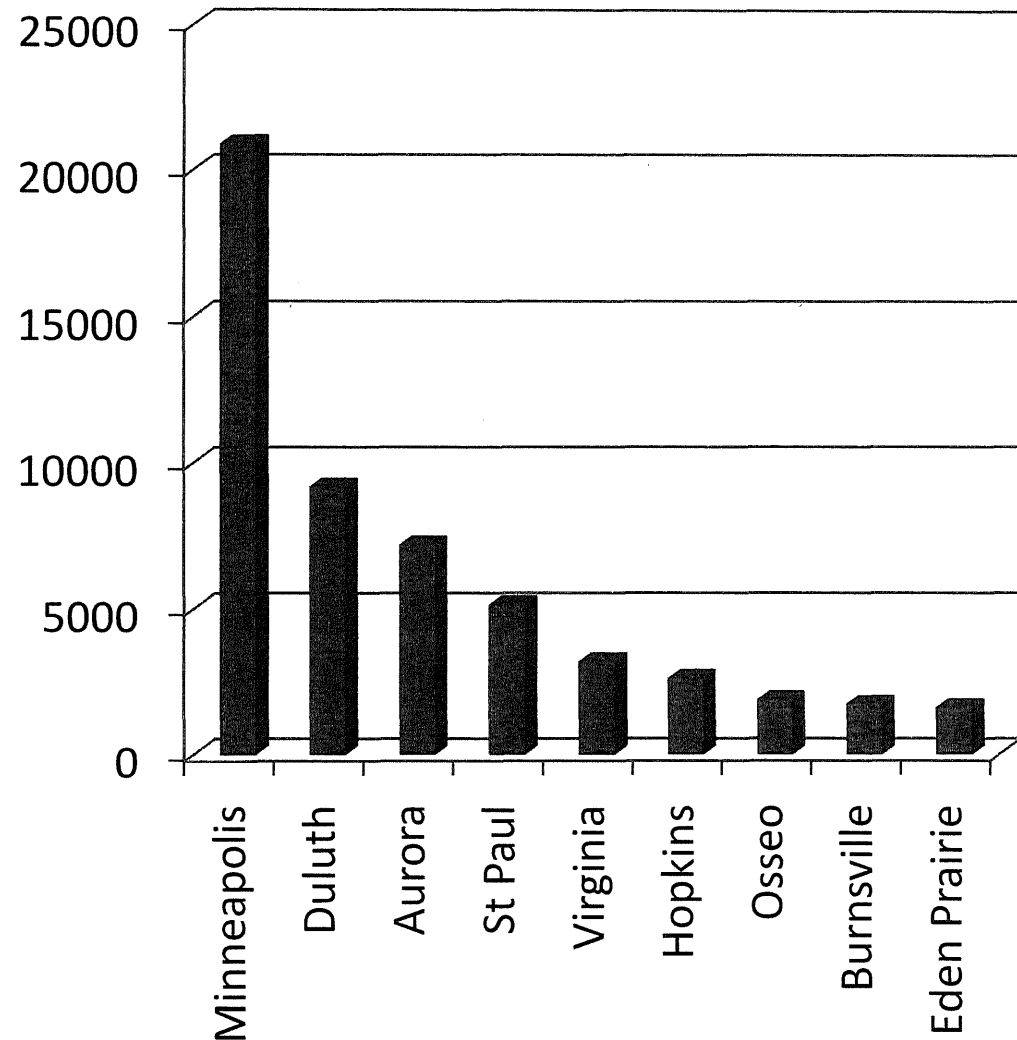
The top 10 locations generating visits to the Giants Ridge web site.

Again we see a large percentage of the interest for Giants Ridge coming from the Minneapolis / St Paul area. This is not new information for the management team at Giants Ridge, but it does reinforce the impression that prospective visitors are using the web site as a travel planning tool.

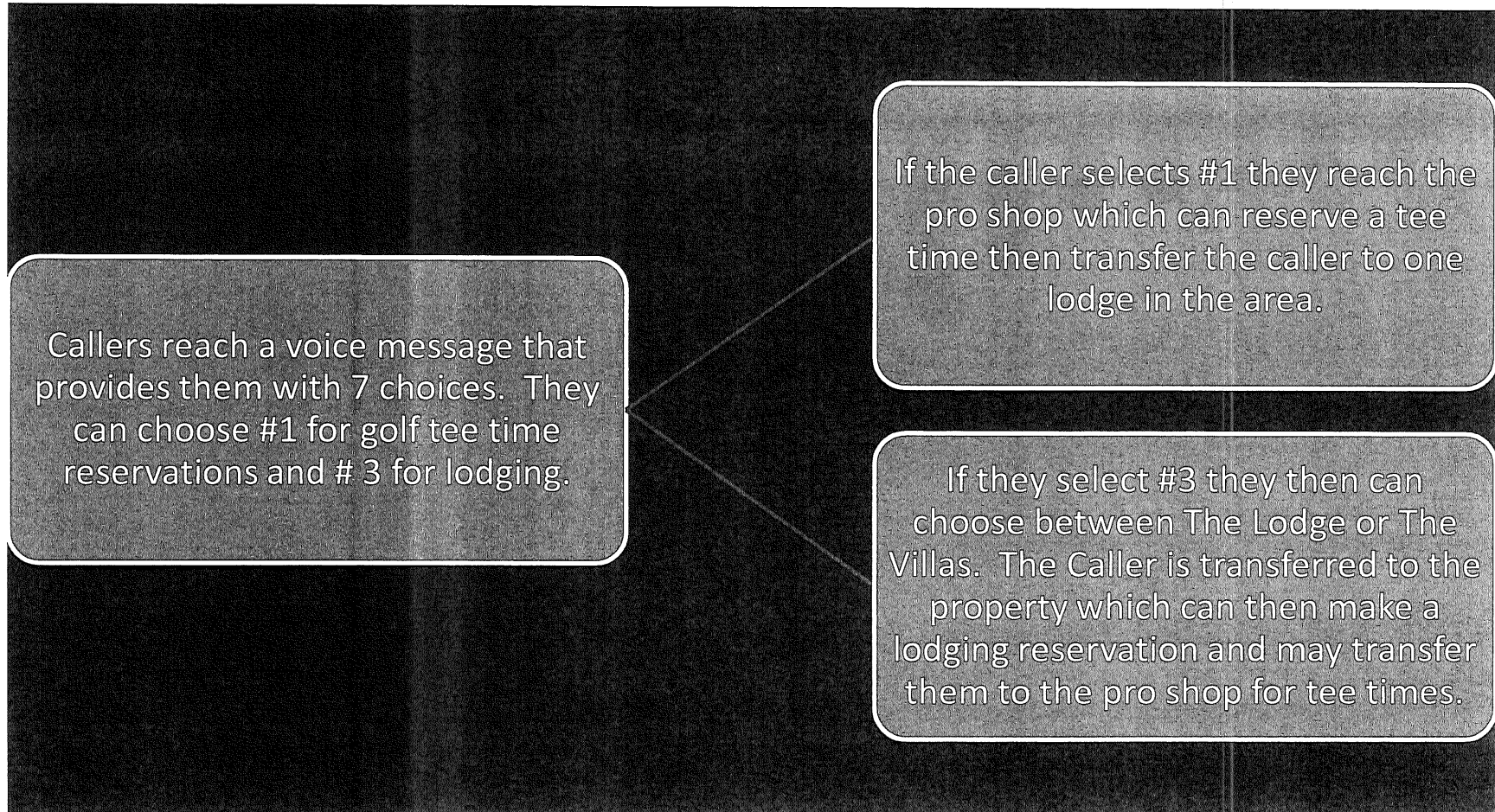
According to Leisure Trends' Annual Skier Opinion Survey, 37% of Giants Ridge's skiers and snowboarders reported using the Internet as a source of information for their trip planning.

The combination of lodging page visits and the geo location of web site visitors implies that the Giants Ridge web site may represent an opportunity for an online reservations service.

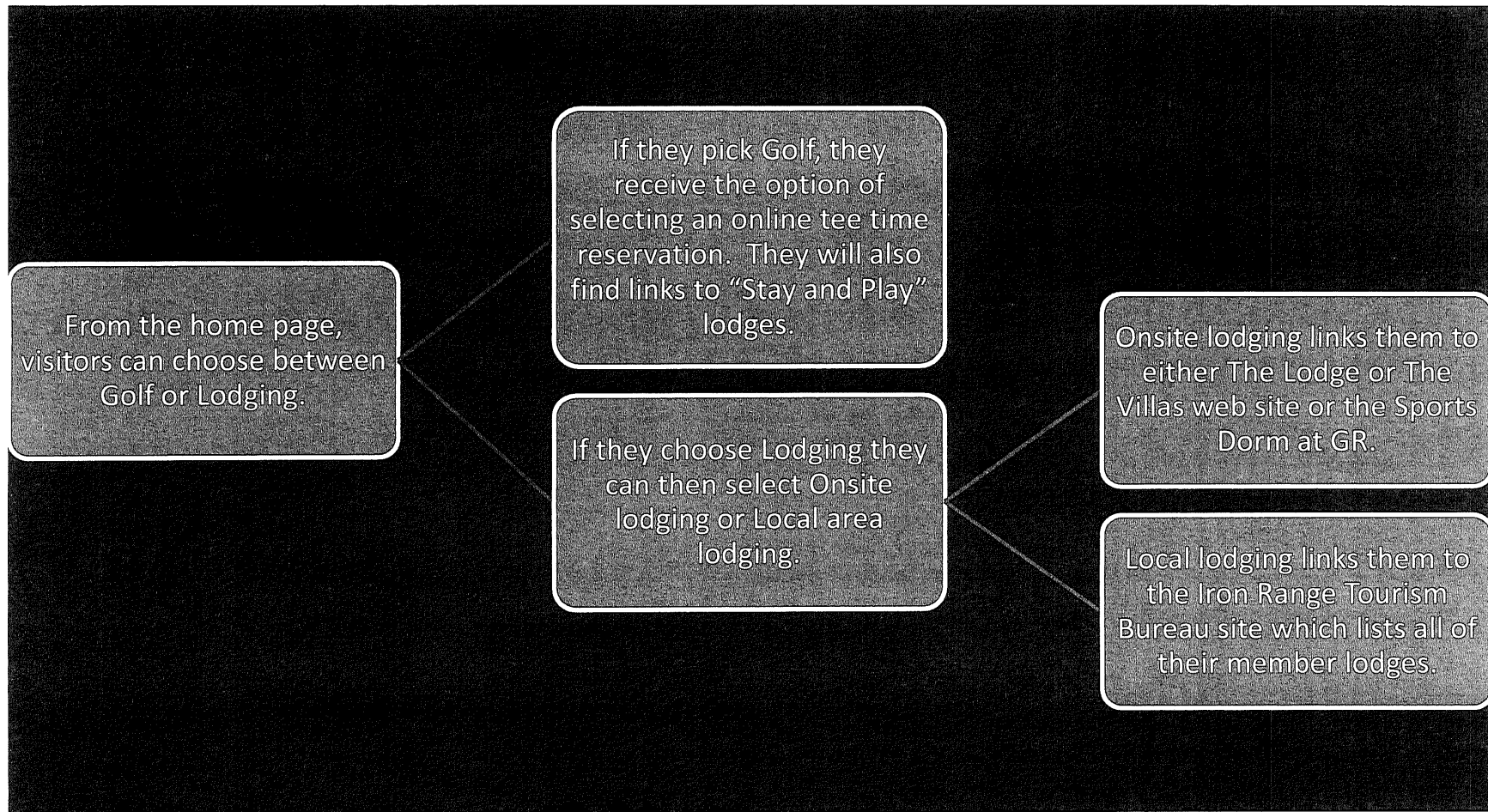
Web Visits by City



Current Process for Telephone Reservations



Current Internet Reservations Process



Implications of Current Call Processes

Individuals who are new guests calling Giants Ridge may not know that they are not speaking to a Giants Ridge staff member when they are transferred to a lodging property.

The independent lodges generally do not book tee times and generally suggest the caller once again call the Giants Ridge toll free number and select the golf shop extension or go to the Giants Ridge web site to book tee times.

If the property the caller selects does not have units available or does not have what the prospect is looking for they have no other options at that point but to call back.

This multi step process is not user friendly and results in multiple calls as prospects most likely check lodging availability at multiple properties and check available tee times before booking either.

Implications of the Internet Process

As with the telecom process guests must make two reservations in the summer, one for golf and one for lodging. While both services are available the guest must take multiple steps to book lodging and/or golf and no packages are available.

If lodging in the two onsite properties does not meet the preference of the guest they can link to the Iron Range Tourism Board web site and begin a new search for lodging on this site which again will transfer the guest to the independent lodges sites to make an online reservations



The web links for lodging are live transfer links to independently run sites and no data is captured on success rates.

Again, this is an extremely cumbersome process and not very user friendly. In this time of quick online booking services it is unlikely that many people will follow this path to complete a reservations online.

Key Findings

Lodging and Resort Data

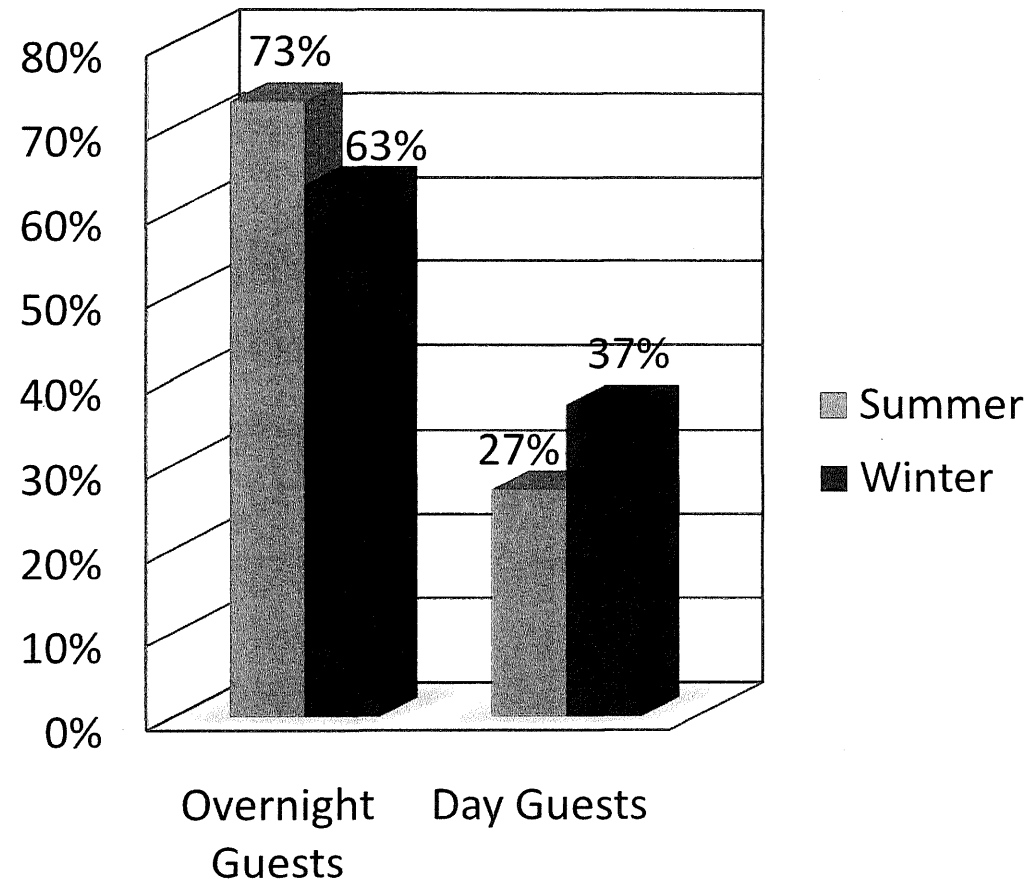
The majority of visitors to Giants Ridge stay at the resort for at least one night.

According to Leisure Trends studies conducted on site, 73% of all summer guests and 63% of all winter guests at Giants Ridge report staying in the area for at least one night on their visit.

The percentage of guests staying one or more nights indicates that planning and booking lodging at or near Giants Ridge is a key component of the guest experience for the majority of visitors.

This data combined with the high repeat visitor rates would imply that past guests are able to find suitable lodging however we do not have any data that indicates how many potential guests were lost because of the reservations process or not being able to find the lodging they were looking for.

Overnight vs. Day Guests



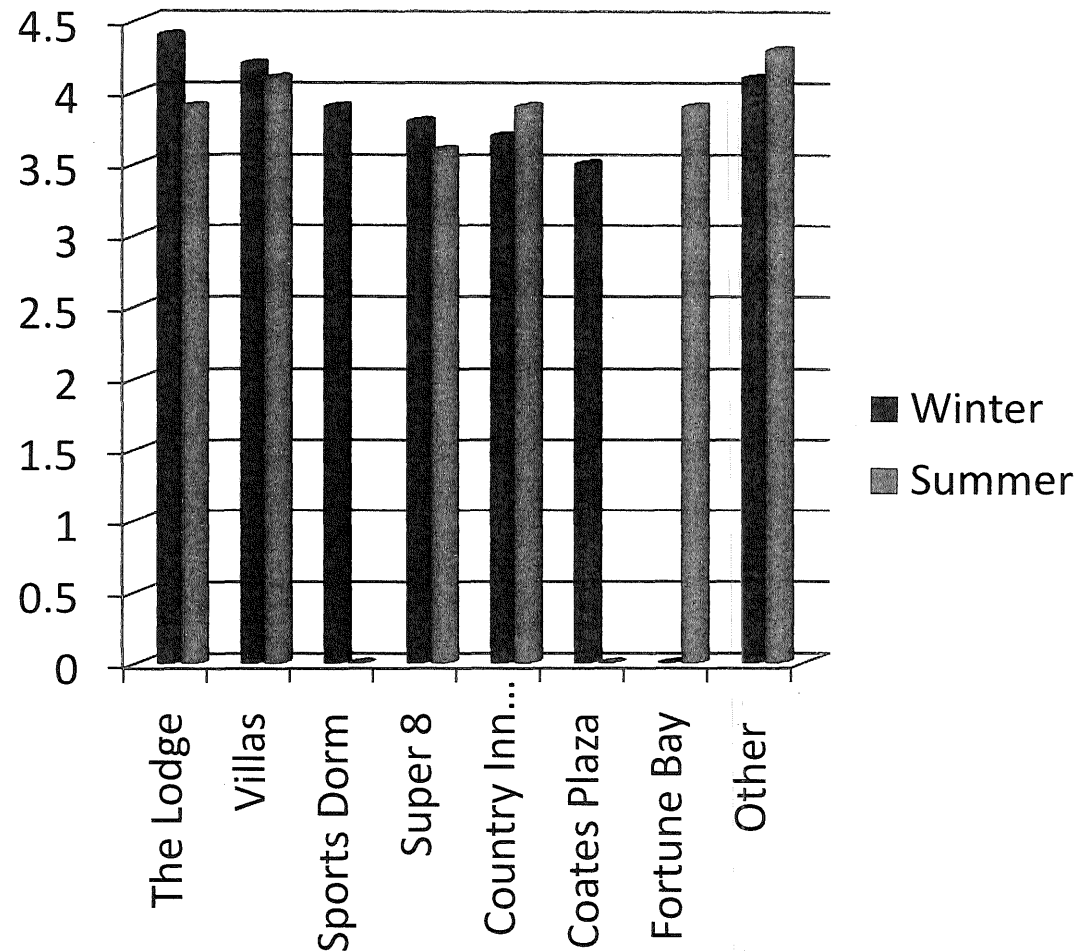
Guest ratings for their lodging experience is positive.

The high ratings (4.4 on a 1-5 scale) and a low variation in scores for all properties indicates that current guests are able to find the type of lodging that, at a minimum, is meeting their needs.

The Lodge and Villas consistently received the highest rankings.


We do not know if prospective visitors who did not come to Giants Ridge were deterred by an inability to find lodging that met their preferences.

The Sports Dorm and Coates Plaza were not included in the winter evaluations. Fortune Bay was only evaluated for summer visits.




Lodging Availability


One of the key measurements required in determining the feasibility of a reservations service is the amount and type of lodging space that would be available and is currently going unsold.



Very little information is available on occupancy levels in the Giants Ridge area from standard industry sources such as Smith Travel.



The Iron Range Tourism Bureau does maintain a room availability report as a referral resource for visitors seeking lodging. Their system tracks the exact number of rooms if less than 10 rooms are available. If more than 10 rooms are available, it simply reports 10+ rooms.



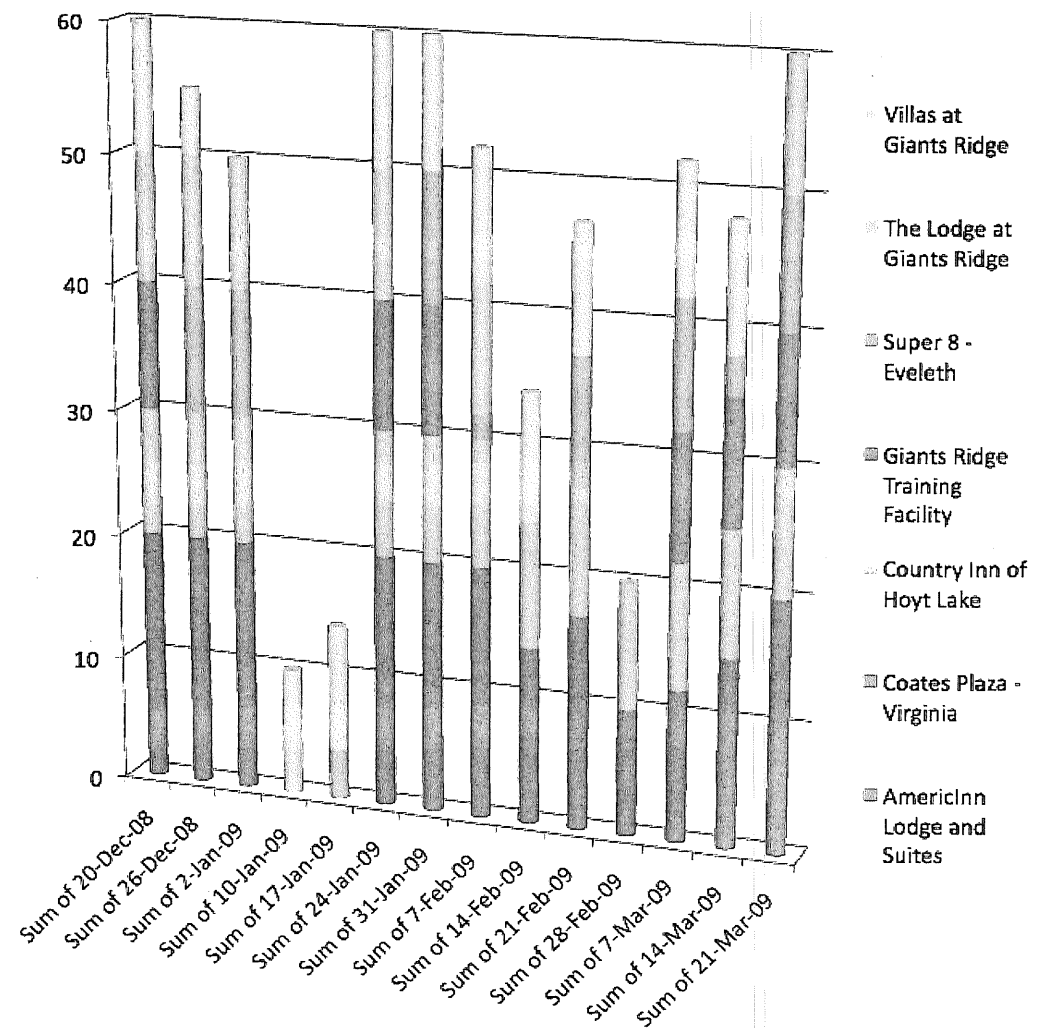
The following charts reflect the minimum number of weekend rooms available according to the IRTB system on the Friday report for the coming weekend. It is reasonable to assume that more rooms were available and that some rooms might have been booked at the last minute however this report provides a baseline for analysis.

Winter Weekend Lodging availability for 2008-09 from IRTB data

The number of weekend rooms available for this time period is 622+.

Assuming each available room represents two potential room nights, the total potential weekend room nights available was 1244+.

If each room night represented an average of three guests (some rooms in the count are multi-bedroom condos) the potential increase in visitor traffic at the resort, if all room nights were filled, would be 3,732.



Winter on resort lodging availability

Lodging space was available at the resort on all but one weekend.

Based on the IRTB availability report lodging was available on all but one weekend during the winter of 2009.

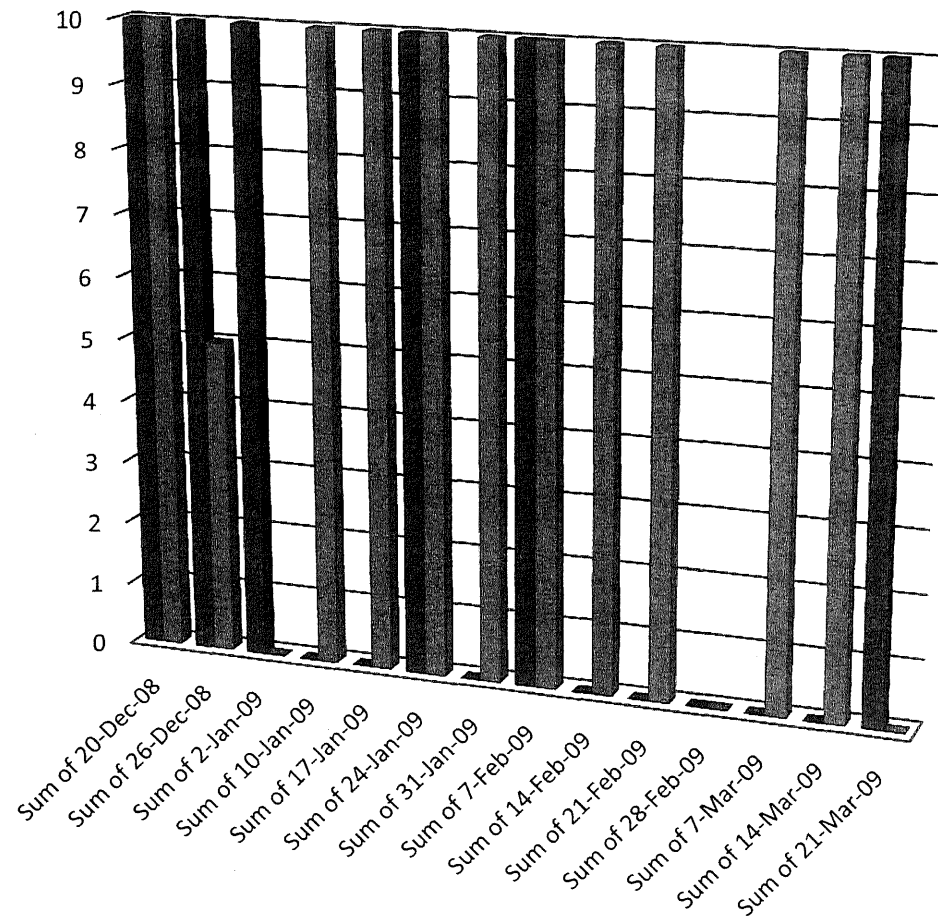
The Villas at Giants Ridge showed 10 or more units open on all but one weekend of the winter.

The Lodge showed 10 or more units available 6 of the 14 weeks studied.

The types of units available in each of the properties will have some effect on this report in that both properties have both large and small units that may be more difficult to fill at various times.

Interviews with the two properties indicated that peak weekends are often driven by events at the resort.

Lodging Availability - The Lodge & Villas Winter 2008-9



Summer weekend lodging availability 2008

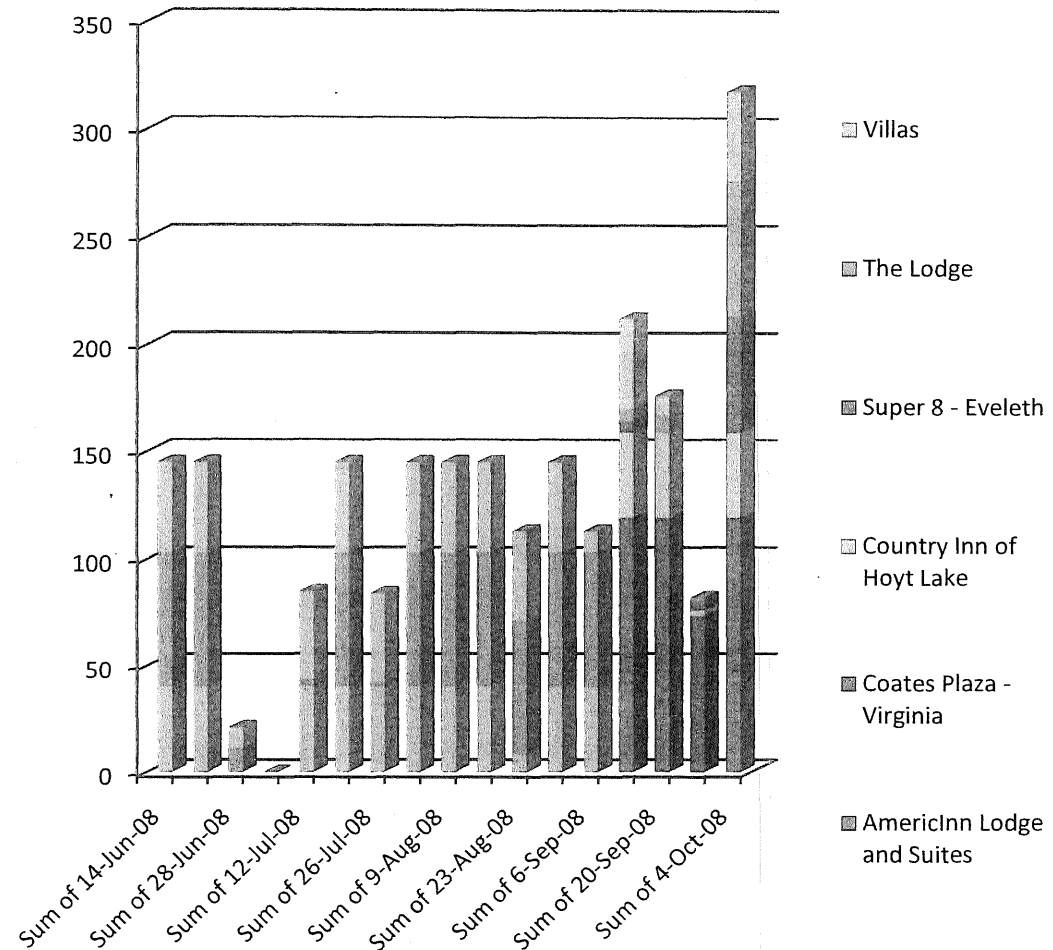
The total minimum number of rooms available for this time is 471+.

Assuming each room could be booked for an average of 2 nights this represents 942+ potential rooms nights that were available for the summer/fall time frame.

If the rooms were booked with an average occupancy of 2 guests this reflects a potential increase in of 1,884+ resort guests. (summer guests tend to book in smaller groups).

It would appear that the July 4th weekend was a sellout, the only one found in the study.

Some of the properties were not diligent in reporting room space in the summer.

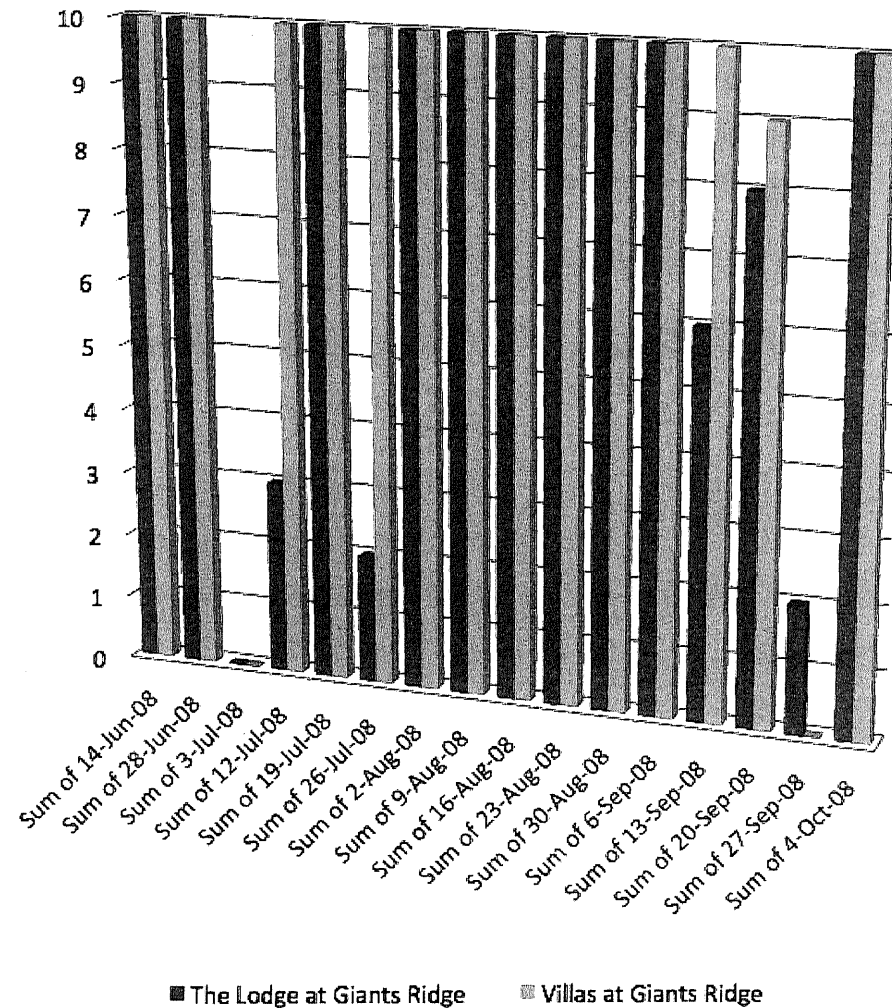


As with winter, we see a significant amount of lodging available on property during the summer.

The only reported period of full occupancy was the July 4th holiday. We suspect this may be the result of high owner use during the peak holiday period based on comments from the lodges.

The high occupancy in late September was driven by foliage visits and special events.

Lodging Availability – The Lodge & Villas Summer 2008



Interviews with Giants Ridge Area Lodges

All of the key lodging facilities at Giants Ridge are independently owned and operated. To be successful, any new central reservations initiative would need the support of the area lodging properties. To gauge this support and clearly understand the lodges interests, interviews were conducted with the properties most frequented by Giants Ridge guests.

Management
at the
following
properties
were
interviewed

- *The Lodge*
- *The Villas*
- *Fortune Bay Resort and Casino*
- *Holiday Inn Express*
- *Coates Plaza Hotel*
- *Super 8*
- *AmericInn*

The Lodge

Property Key Facts

- The Lodge has 68 condominium units, 100% of which are in the rental pool.
- The Lodge is the only true “Ski-to-Ski-from” property at Giants Ridge.
- The Lodge is the only property at Giants Ridge that operates as a full service resort facility with onsite dining, lounge, full service spa and conference facilities.
- The Lodge has capacity for 350-400 guests.

Perspectives on a central reservations service

- The Lodge is generally in favor of any concepts that will improve occupancy however they felt that any new service should promote the onsite properties primarily.
- The Lodge would like to have a close tie to, if not direct influence on, any new reservations services that might be added.
- Improved packaging is a priority for The Lodge.

The Villas

Property Key Facts

- The Villas manages 56 condominium units of which 80% are in the rental pool.
- The Villas are located at the base of Giants Ridge.
- The property has an outdoor swimming pool, basketball court and lake front activities area.
- The Villas has capacity for 200+- rental guests.
- Eight units at The Villas are managed by The Lodge.

Perspectives on a central reservations service

- The management is generally in favor of the concept.
- The management would like the properties at the resort to receive preferred status in any central reservations service offered.
- The management feels strongly that improved packaging beyond the programs already offered by Giants Ridge would be helpful.

Coates Plaza

Property Key Facts

- Coates Plaza is located in downtown Virginia (not a resort setting).
- The hotel offers economy lodging and feels they are suited to groups and price-conscious families.
- The hotel offers dining services for groups, a lounge and an indoor pool.
- The hotel is an older property undergoing room renovations.
- The hotel has capacity for 150 guests.

Perspectives on central reservations services

- The management is interested in any opportunities to work more closely with Giants Ridge and would welcome a central reservations service.
- They also feel the property is well suited for larger economy oriented groups and would like to find ways to work with Giants Ridge to increase winter group visits from schools and youth groups.

Holiday Inn Express

Property Key Facts

- The Holiday Inn Express is a new property that opened this summer.
- The property has 79 rooms, 17 of which are suites with total capacity for 225+ guests.
- The property has an indoor pool, exercise room and offers a continental breakfast service.
- The property does not operate a full service restaurant.

Perspectives on central reservations services

- The management is very interested in working with Giants Ridge to build occupancy and would welcome a central reservations service.
- The manager offered to categorize a central reservation service as a travel agencies and pay full commissions.
- They would like to find ways to market to all recreational visitors

Super8 and AmericInn

Property Key Facts

- The two properties are operated by the same management.
- The properties offer mid-market accommodations with continental breakfast and either pools and/or spas (hot tub).
- The two properties have a combined capacity of 200+ in 98 rooms.
- The properties do not operate restaurants but several are within walking distance.

Perspectives on central reservations

- The management team attempted to bring a central reservations service to the area in co-operation with the IRTB. This was not successful and they are skeptical about any further efforts.
- The management is interested in working more closely with Giants Ridge and would support a central reservations service if one were established.
- The hotels would like to be able to do more packaging of services with Giants Ridge.
- The management feels any initiatives to develop a central reservations service should support the whole region and be used to promote all the activities and attractions in the region.

General Comments Received from Lodging Management

Virtually every lodging property manager commented on the importance of Giants Ridge to their overall business and their interest in working more closely with Giants Ridge.

All of the lodging property managers expressed an interest in working with Giants Ridge to improve the reservations and booking process.

All of the lodges would like to see Giants Ridge doing more to improve their occupancy levels however, most seemed reluctant to contribute any additional funding to coop efforts.

All of the lodging properties were very guarded with the quantitative data they would share including occupancy levels, daily average rates and Rev Par.

General Observations from Lodge Interviews

When referring to Giants Ridge most property managers referred to it as “The State.” We believe this was a statement used to deflect any need for them to share in marketing costs.

Some of the properties felt that any costs related to improved reservations services at Giants Ridge should be funded by “The State” and not the individual businesses.

Most of the lodges maintain limited data on the sources of their reservations and do not know how much business is currently being generated through channels managed by Giants Ridge.

Key Data From Lodging Interviews

On-site lodging capacity is 500-600

Local off-site lodging capacity is 500-600

Fortune Bay Resort and Casino Capacity 500+

Only two of the properties interviewed offered onsite meals other than morning continental breakfast (The Lodge and Fortune Bay)

All of the lodges interviewed offer online reservations on their web sites

All of the lodges operate with automated property management systems but all properties use unique systems

Conclusions from Lodging Interviews

Any new initiatives undertaken by Giants Ridge to introduce a central reservations services will require a significant sell-in with the lodges if it is not free.

Significant staff resources will need to be committed to working with the lodges by any organization that manages a central reservations service in this region to keep inventory updated and manage sales.

The total number, type and capacity of rooms or units that could be accessed by a central reservations service may be a significant constraint on the service.

Additional Lodging Information Needed

In order to calculate accurate potential revenue gains for the lodges in the Giants Ridge area from increased occupancies, it will be necessary to determine true average daily revenue for both summer and winter for each property being considered in the study.

In order to calculate the total Cost vs. Commission for operating a reservations service it will be important to determine the true average number of people and average number of nights of stay per reservation for the lodges in the study. (Based on current information, this number would have to be estimated.)

Several attempts were made to acquire more in-depth data from area lodges on exact occupancy levels, average revenue per unit and the mix of units booked. However, the lodges included in this study were either not willing or not able to provide this data.

Key Findings

Giants Ridge Customer Survey

An online survey of past Giants Ridge visitors was conducted to gather information on their experiences when booking travel to the resort.

- 9,790 Emails requesting participation
- 3,866 Emails opened
- 930 Clicks to the survey
- 735 Surveys submitted
- 92.2% Surveys 100% complete
- Over 160 comments submitted



Giants Ridge values your feedback.

Giants Ridge is considering the possibility of enhancing guest reservation services and we would appreciate your input.

For each survey fully completed, a tree will be planted in the mineland reclamation areas of Minnesota's Mesabi Iron Range. The surveys must be completed by August 25, 2009.

The survey should take no more than just a few minutes to complete and the information you provide will remain confidential. The survey is being conducted by an independent market research firm hired by Giants Ridge and only the compiled results of the survey will be used in this study.

To participate in this survey and help improve the environment, please [click on this link](#).

We greatly appreciate your time and feedback.

This email was sent to: %%%emailaddr%%%

This email was sent by: Giants Ridge Resort
6325 Wynne Creek Drive Bivabik, MN 55708

We respect your right to privacy - [view our policy](#)

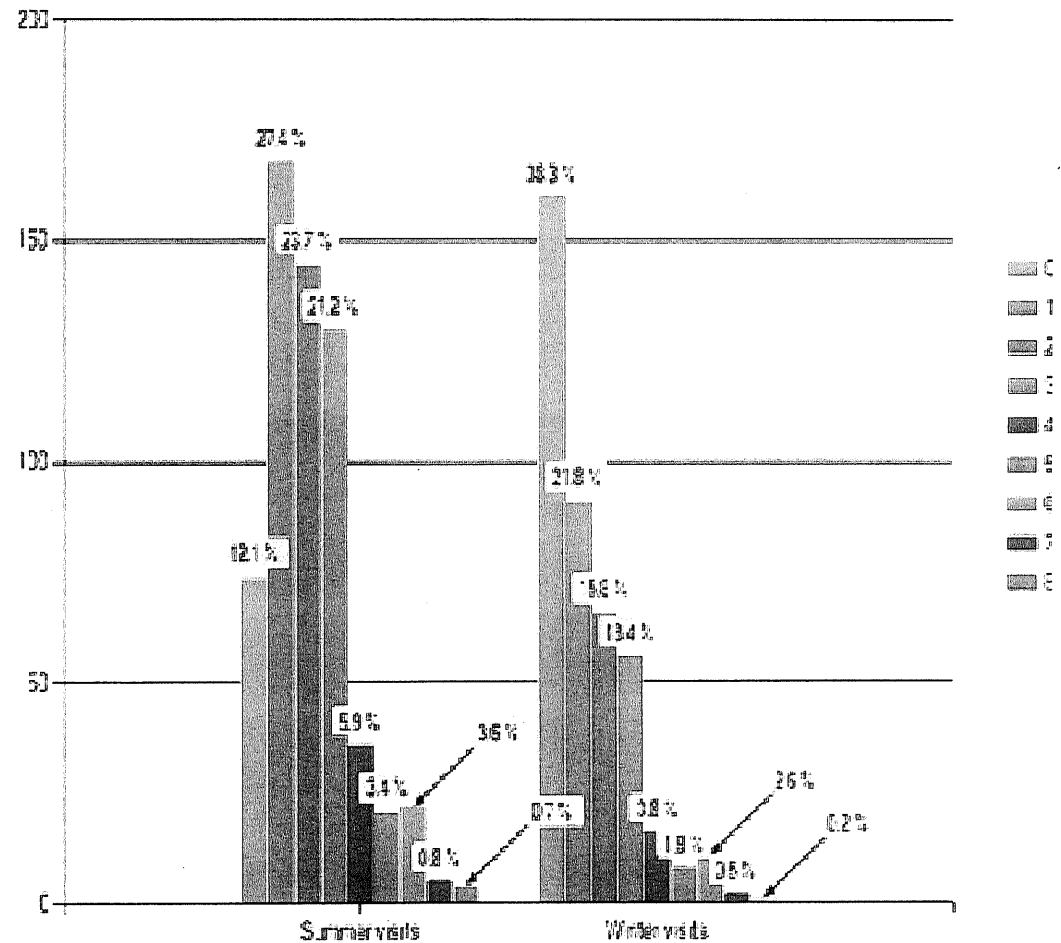
[Manage Subscriptions](#) | [Update Profile](#) | [One-Click Unsubscribe](#)



Summer and Winter visit frequency

- 83% of respondents visited Giants Ridge during the summer
 - 69% of the summer visitors visited 2 or more times in the past 3 years
- 36% of the respondents visited Giants Ridge during the winter
 - 65% of the winter visitors had visited Giants Ridge 2 or more times in the past 3 years.
- 11% of the respondents had visited in both summer and winter indicating a limited cross-over market

How often have you visited Giants Ridge in the past 3 years? (A visit would be any separate trip to Giants Ridge for one or more nights stay.)

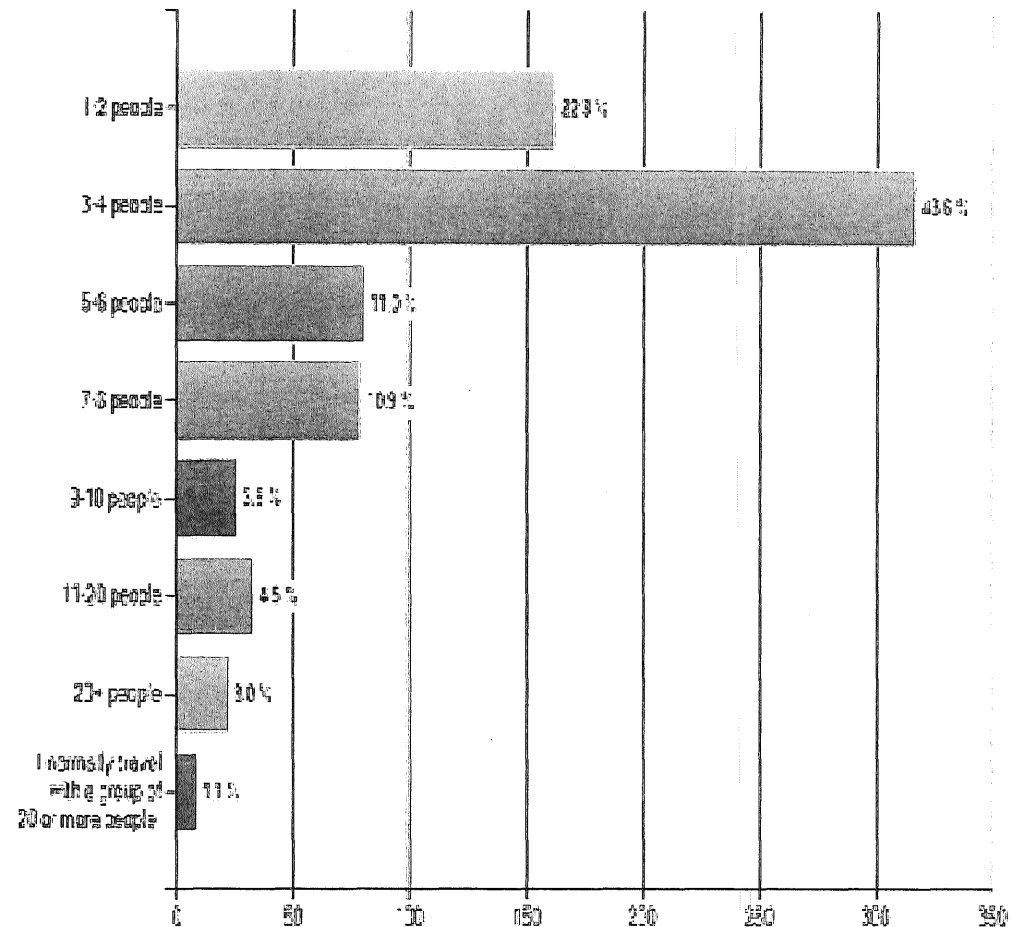


Size of Travel Groups

66% of the survey respondents indicated that they travel in groups of 4 or less. This has significant implications in terms of the size of condominiums that visitors will be willing to book.

Of the condo units available at the resort, 28% are 3 or 4 bedroom units configured to hold 8 or more people. While the percentage of bookings in this size range appears to match the percentage available, the potential exists that the smaller units are filling quickly limiting additional sales to groups of 4 or less or that smaller groups are booking larger units at a high per person rate.

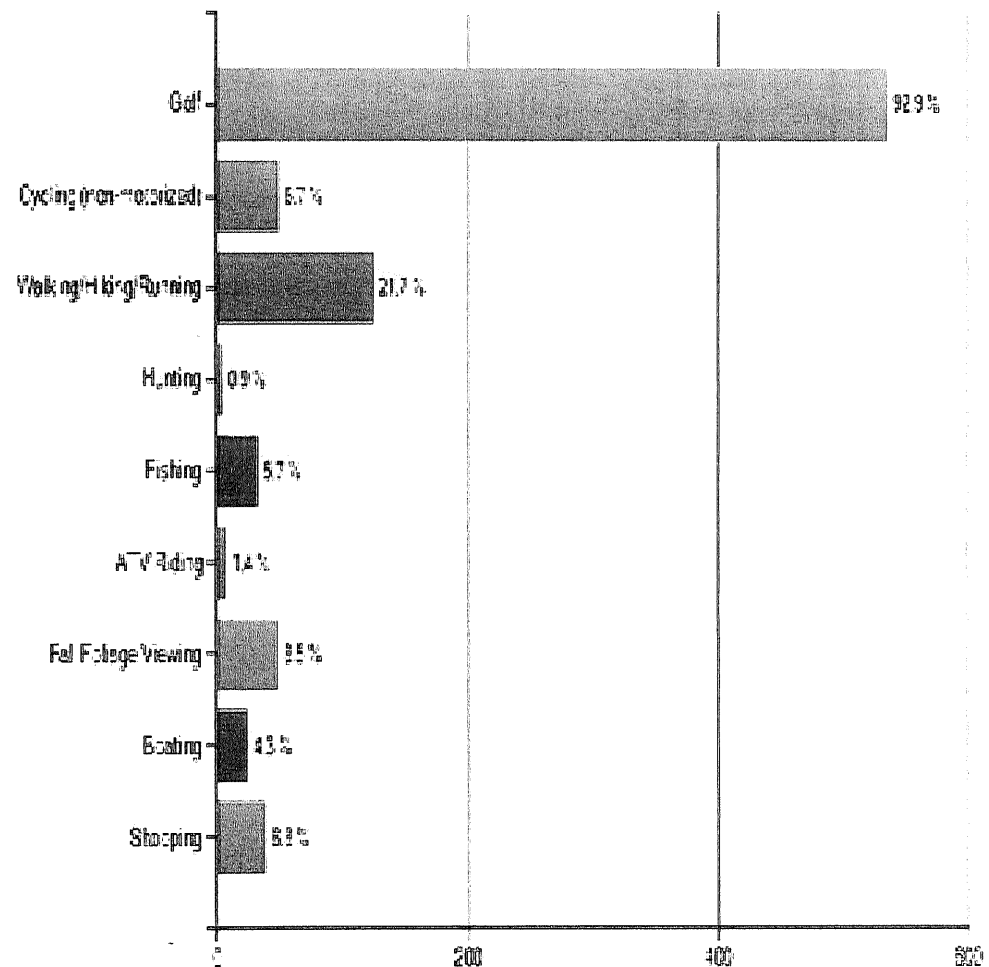
When you visited Giants Ridge, what is the average size of the group? (Please include children.)



Summer Activity Participation

Clearly Golf is the dominant summer attraction. Summer visitor levels might be improved if greater marketing emphasis were placed on the other activities. However, since these are not revenue producing activities for Giants Ridge most marketing of non-golf activities would need to be done by the lodging properties or the Iron Range Tourism Bureau.

If you visited Giants Ridge in the spring, summer or fall, what activities did you participate in.
(Please check all that apply.)



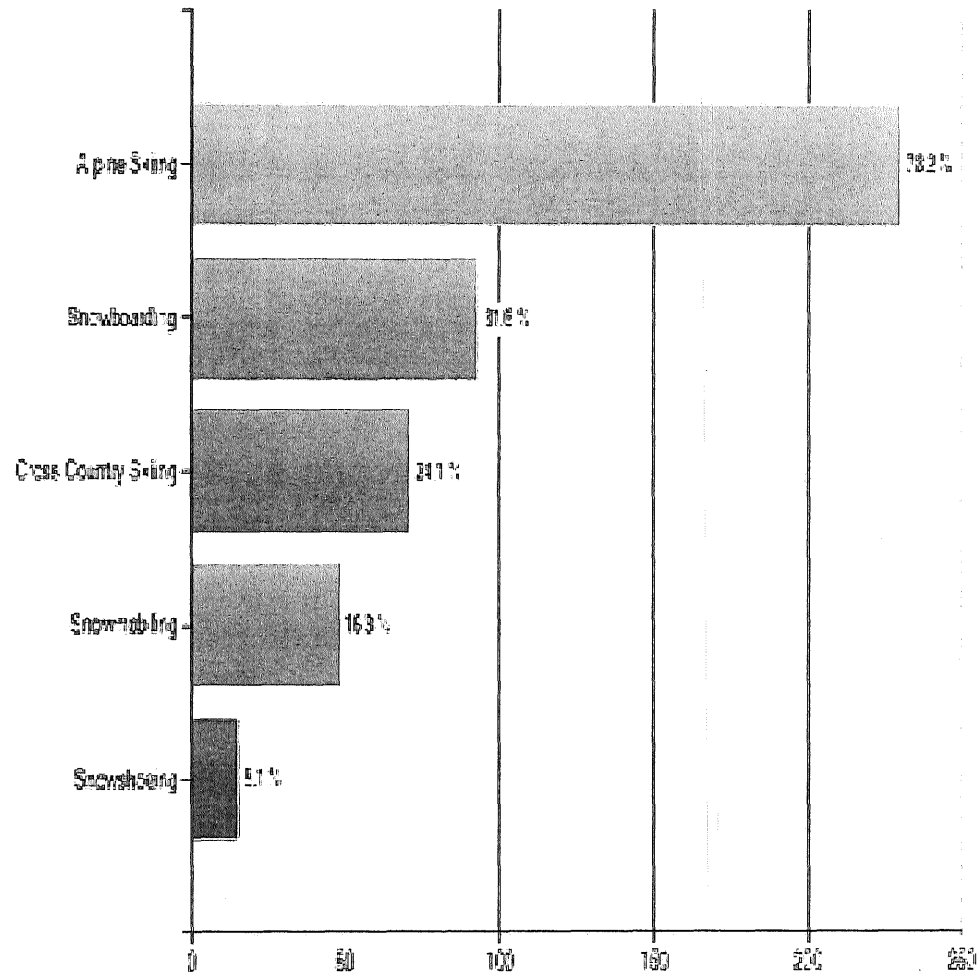
Winter Activities Participation

The mountain is clearly the dominant winter attraction, however participation in alternative winter activities is broader compared to golf in the summer.

45% of winter visitors participated in some form of off-mountain activity.

6% of respondents indicated that they participated in "other" activities (not listed) primarily indicating lounging at the hotels or shopping.

If you visited Giants Ridge in the winter, which of the following activities did you participate in?
(Please check all that apply.)

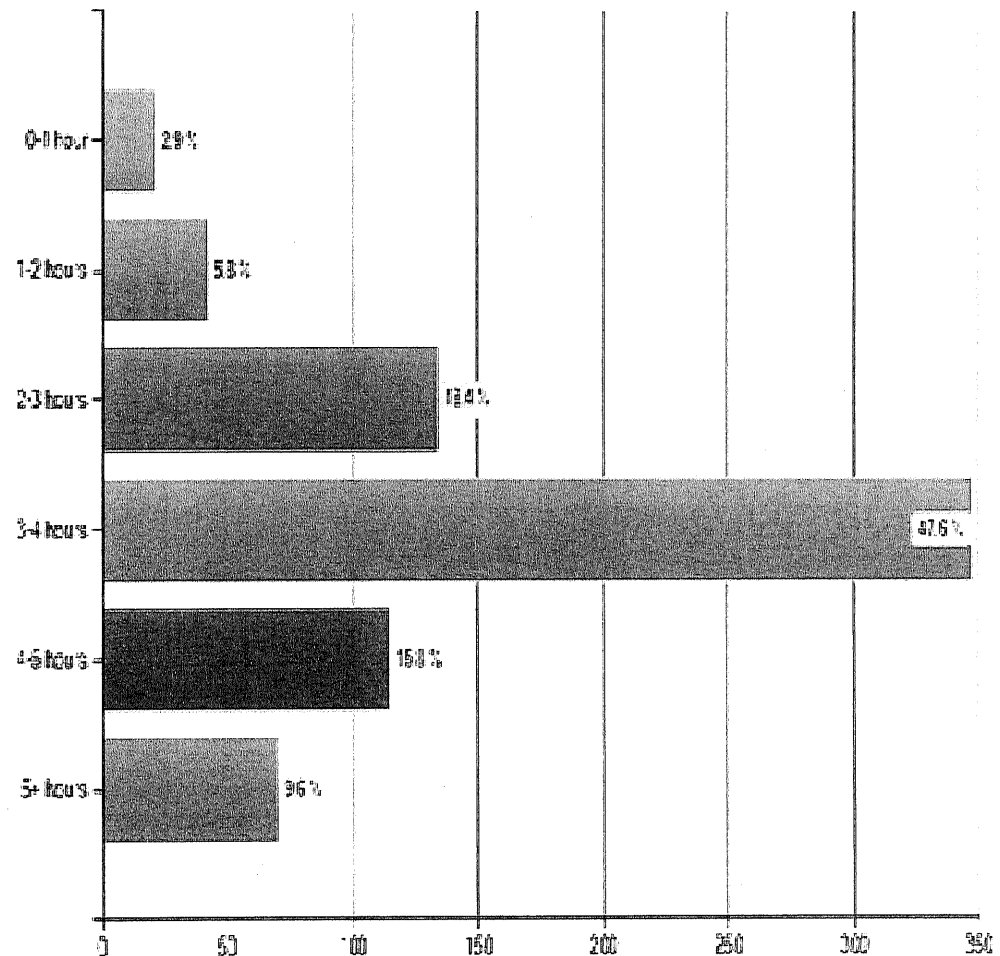


Travel Time to Giants Ridge

64% of survey respondents traveled 3-5 hours to reach the resort. We believe this reflects the influence of the Minneapolis / St. Paul market.

Only 2 respondents indicated that they flew to Minneapolis en route to Giants Ridge. We believe that given the quality of the golf experience at Giants Ridge additional business could be attracted to the resort with a reservations packaging tool that included air and rental cars and pushed lodging to the Global Distribution Systems (GDS).

What was your travel time to Giants Ridge?



Travel Planning Timeline

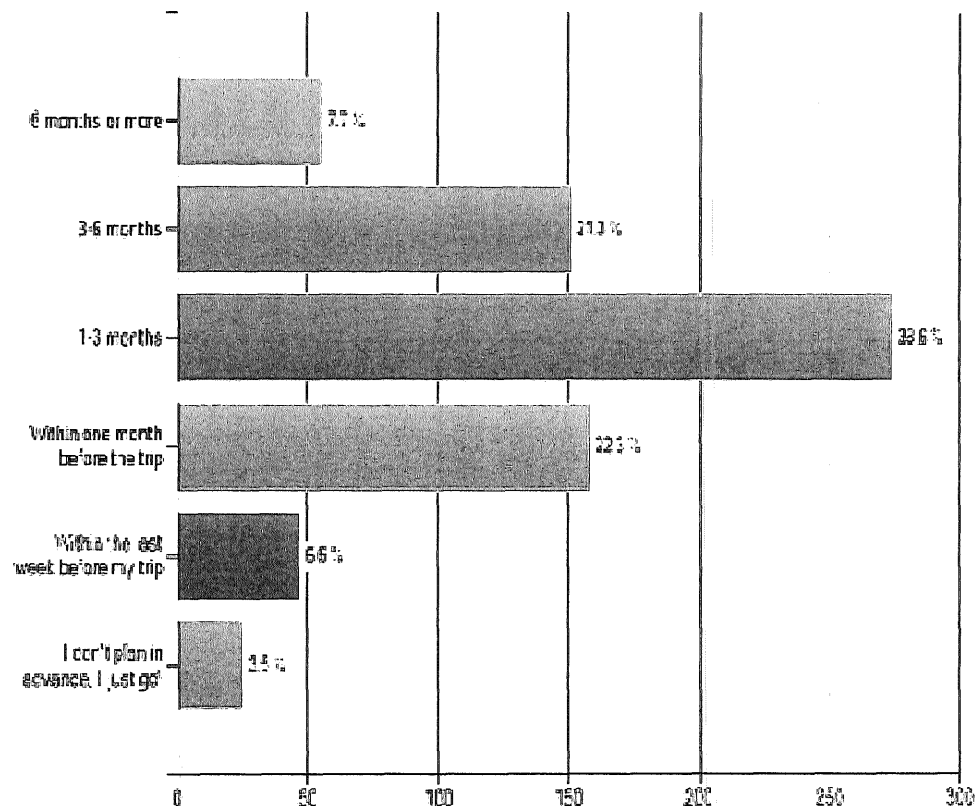
29% of the survey respondents begin their travel planning 3 or more months in advance of their visit to Giants Ridge.

The majority, 61% of visitors, plan their trip within 3 months of their visit to Giants Ridge.

Only 7% make plans during the last week before their visit.

During interviews with the lodges, most “thought” the majority of their visitors booked within the last week before arrival. This would indicate that some potential exists to improve sales with a more proactive approach to booking visitors earlier in their planning cycle.

When planning a trip to Giants Ridge, how far in advance do you begin gathering trip information? (collecting brochures, visiting web sites, checking on hotels and availability, etc.)



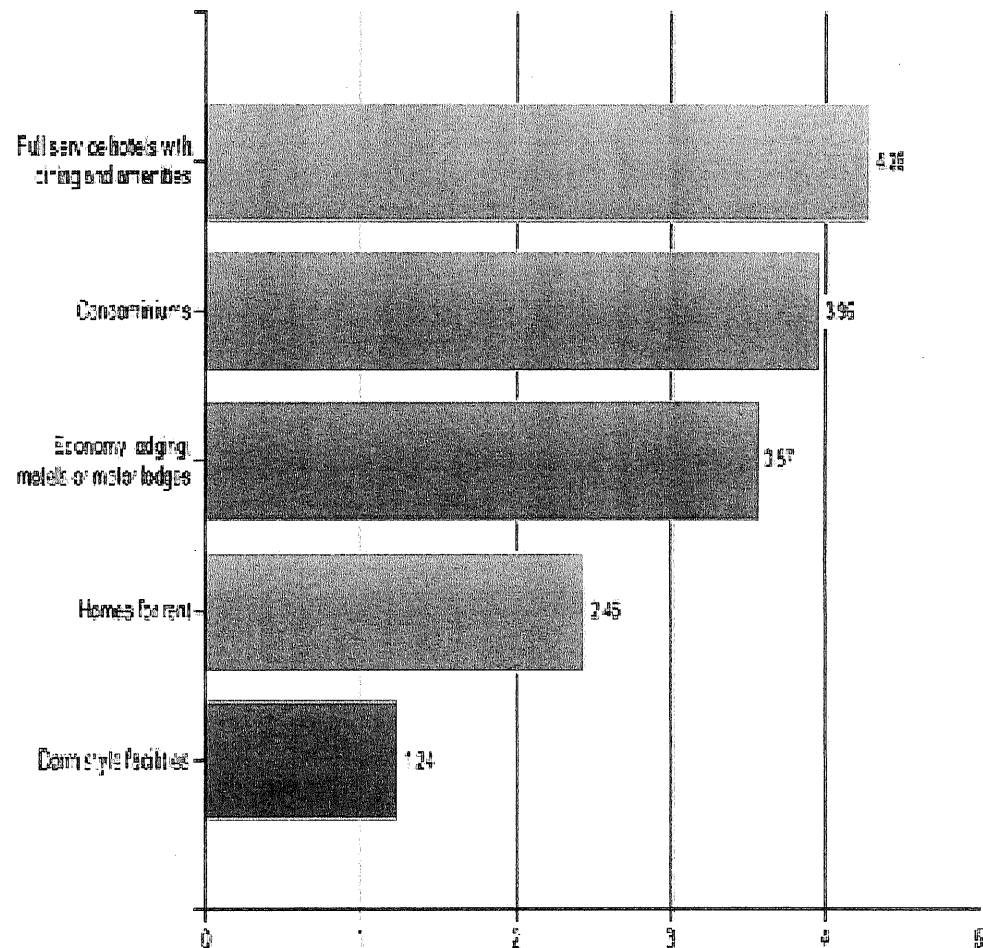
Lodging Preferences

The Lodge at Giants Ridge is the only full-service property at the resort. However, with 41 one-bedroom units and 24 two-bedroom units, it is limited in its capacity to provide a full service experience to a large enough number of visitors to meet a call center's capacity demands during peak times.

Considering the close proximity to Fortune Bay Resort and the type of lodging services provided at Grandview Lodge for golfers, Giants Ridge needs to be focused on providing as full a service level as possible to compete in the summer.

The close scores between condominiums and economy lodging would indicate a willingness of visitors to trade off from one to the other, which is the type of activity a live reservations service can be very helpful with.

When planning a trip to Giants Ridge, which forms of lodging do you prefer? Please rank in order of preference.

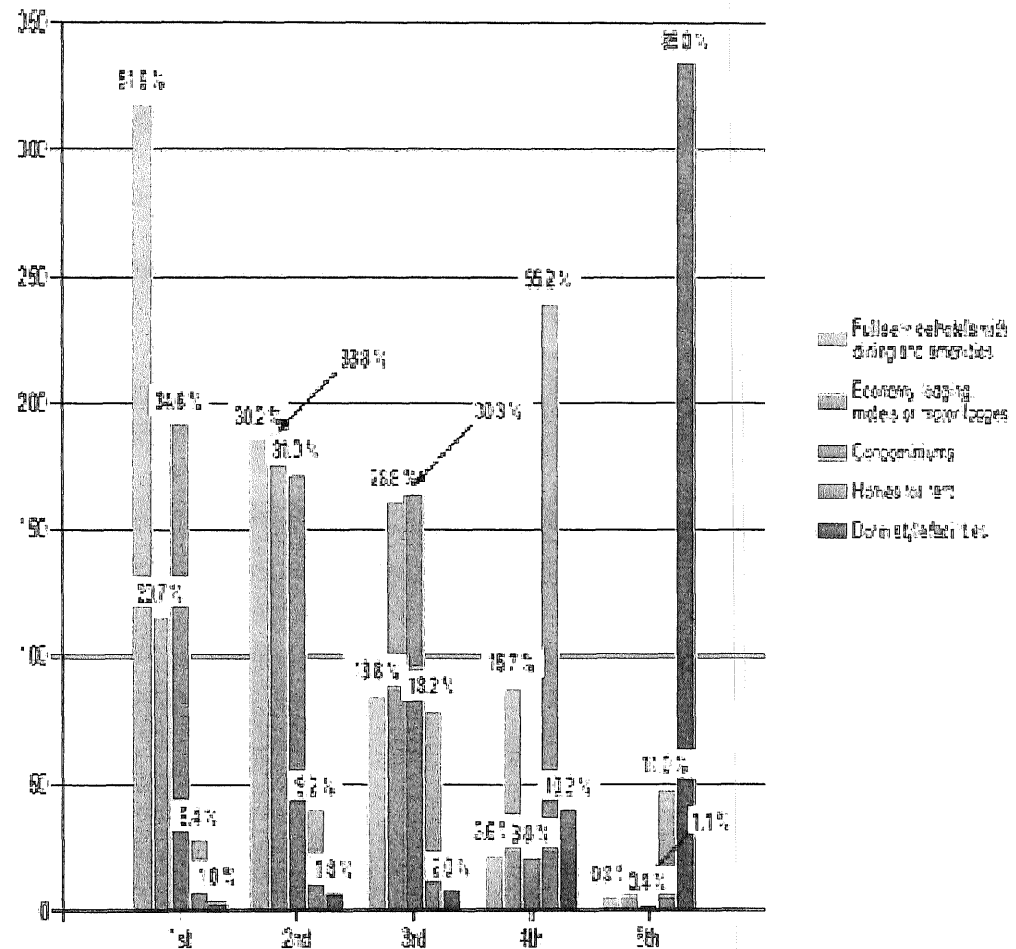


Lodging Preferences

This chart, while a bit busy, more clearly indicates the strength of demand for full-service hotels vs. condominiums and economy lodging, however the latter two categories make up the bulk of the available beds in the Giants Ridge area.

This scenario is both a plus and a minus when considering the addition of a central reservations call service. Well-trained call center staff might be more successful in converting potential visitors to the different types of available space, however it will make it more challenging to operate the call center profitably.

When planning a trip to Giants Ridge, which forms of lodging do you prefer? Please rank in order of preference.

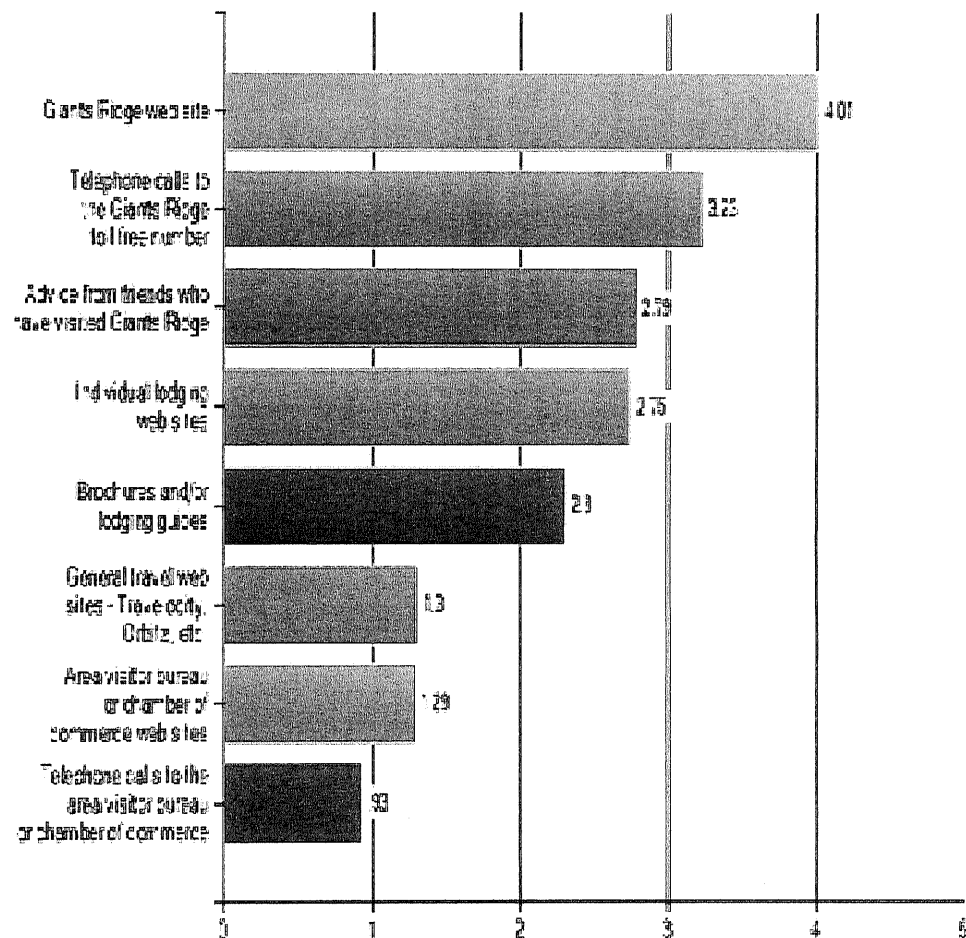


Sources of trip planning information

Giants Ridge's web site is clearly the dominant source of information for potential visitors. However, a large number of respondents are calling Giants Ridge for information.

It is important to note that brochures and lodging guides, classified as "Traditional Print Marketing," is ranked 5th in priority. This should not be misinterpreted in that most brochures are designed as interest generators intended to drive readers to the toll free number or the Internet. They are not normally considered travel planning tools.

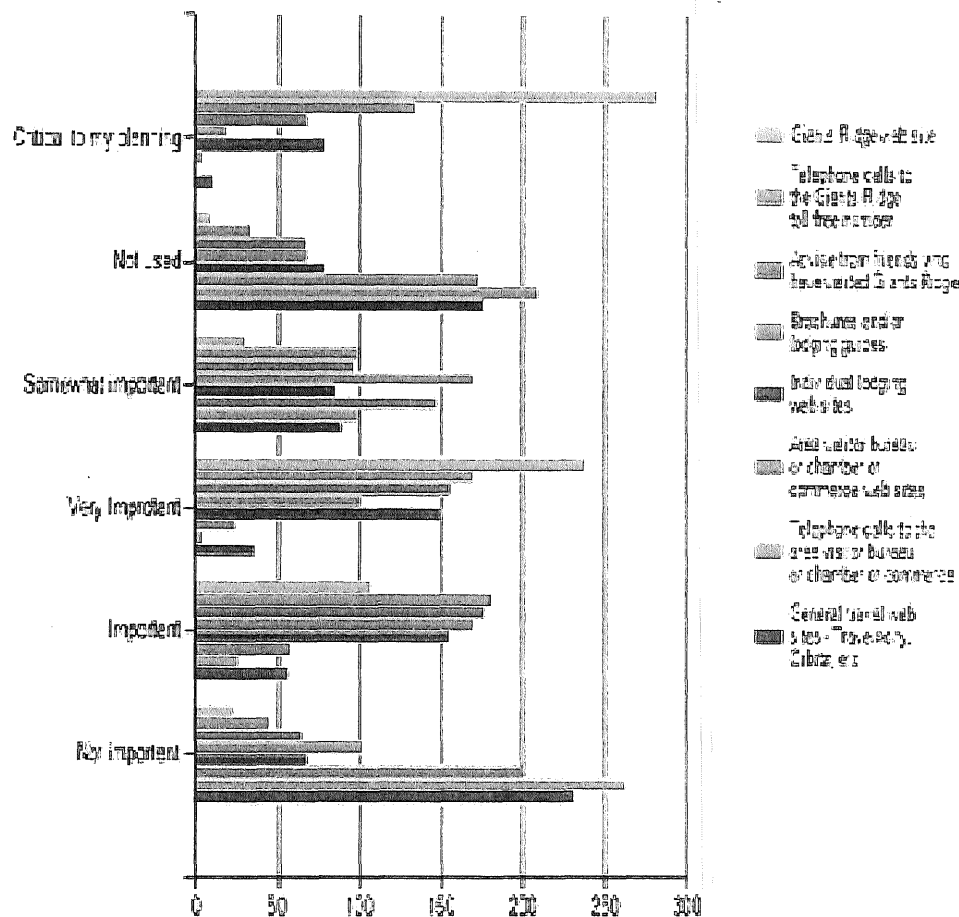
When planning a trip to Giants Ridge, which of the following information sources do you use?
Please rank the priority you placed on these tools in making your travel decisions.



Ratings of information sources in terms of importance to trip planning

The Giants Ridge web site was listed as "Critical" or "Very Important" by 74% of respondents. Based on this data it would appear that Giants Ridge has the opportunity to educate and influence its market via their web site. However, as we will see on page 58, most past guests still prefer to call for reservations.

When planning a trip to Giants Ridge, which of the following information sources do you use? Please rank the priority you placed on these tools in making your travel decisions.

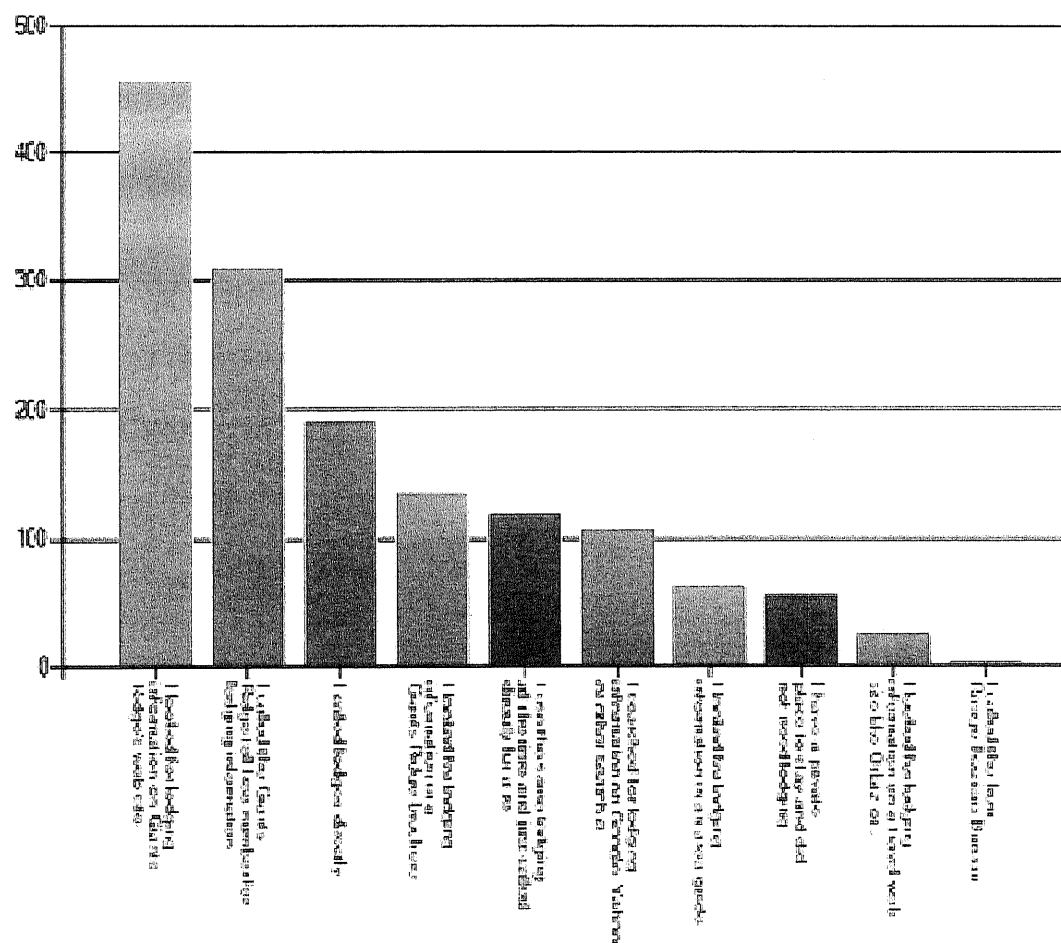


Steps taken before placing a reservations at Giants Ridge

Respondents took on average 2.3 of the steps listed on this chart indicating a high degree of shopping and information gathering prior to booking a trip to Giants Ridge.

The fact that the two most frequent steps taken fall within Giants Ridge's control is a positive indicator of Giants Ridge's ability to influence the buying patterns of its guests.

Before placing a lodging reservation at Giants Ridge which of the following actions did you take (if any). Please check all that apply.



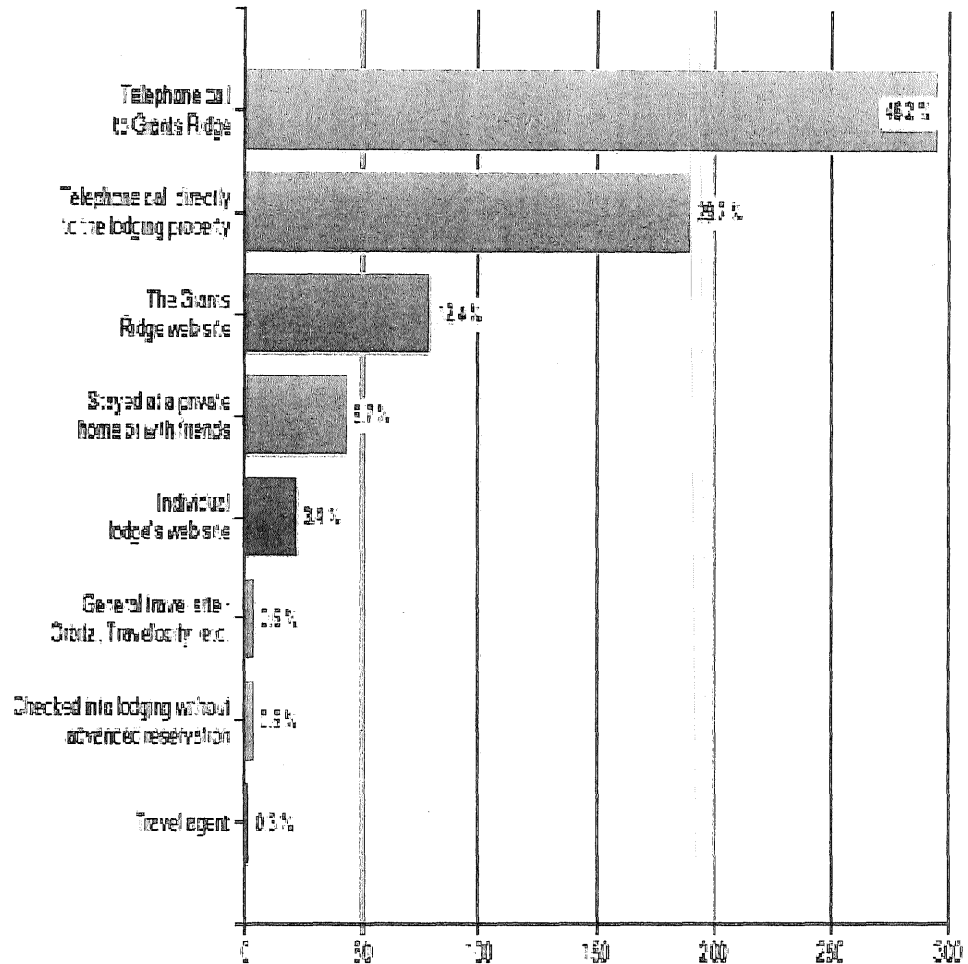
Method of placing actual reservations

76% of respondents indicated they placed their reservation by telephone.

While the majority of respondents listed Giants Ridge's website as a key information source, when it comes to actually placing a reservation the telephone is still the preferred method by a wide margin.

16% of respondents indicated that they placed their reservation via the Internet. This is significantly below the averages seen at many resorts which often range from 30-50% of all bookings.

How did you place your actual lodging reservation for your visit to Giants Ridge?

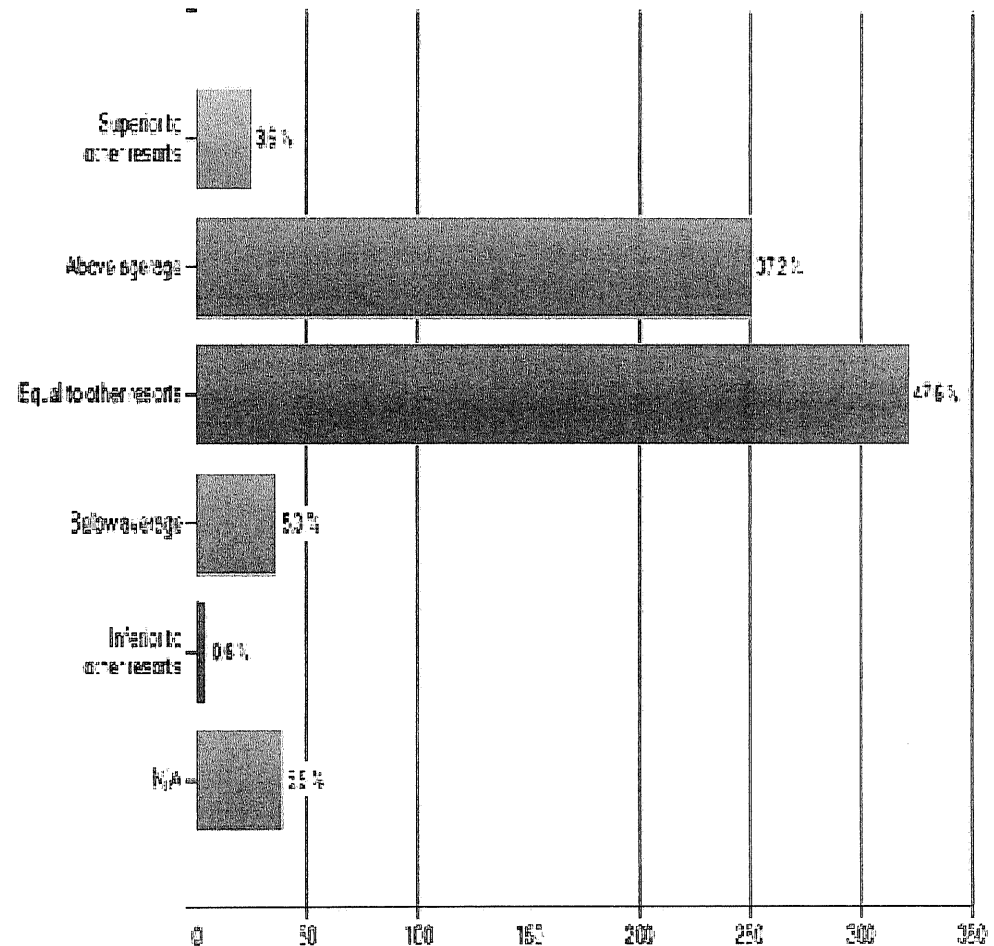


Booking experience at Giants Ridge compared to similar resorts

The largest group of respondents, close to 50%, rated their booking experience at Giants Ridge as "Equal to other Resorts" and 37% rated it "Above average."

The overall score on a scale of 1-5 was 3.4. This rating indicates that past guests consider their reservations experience above average. This score also indicates an opportunity for Giants Ridge to establish a leadership position in this area of service.

How would you compare your overall reservations experience at Giants Ridge to other similar resorts you have visited?



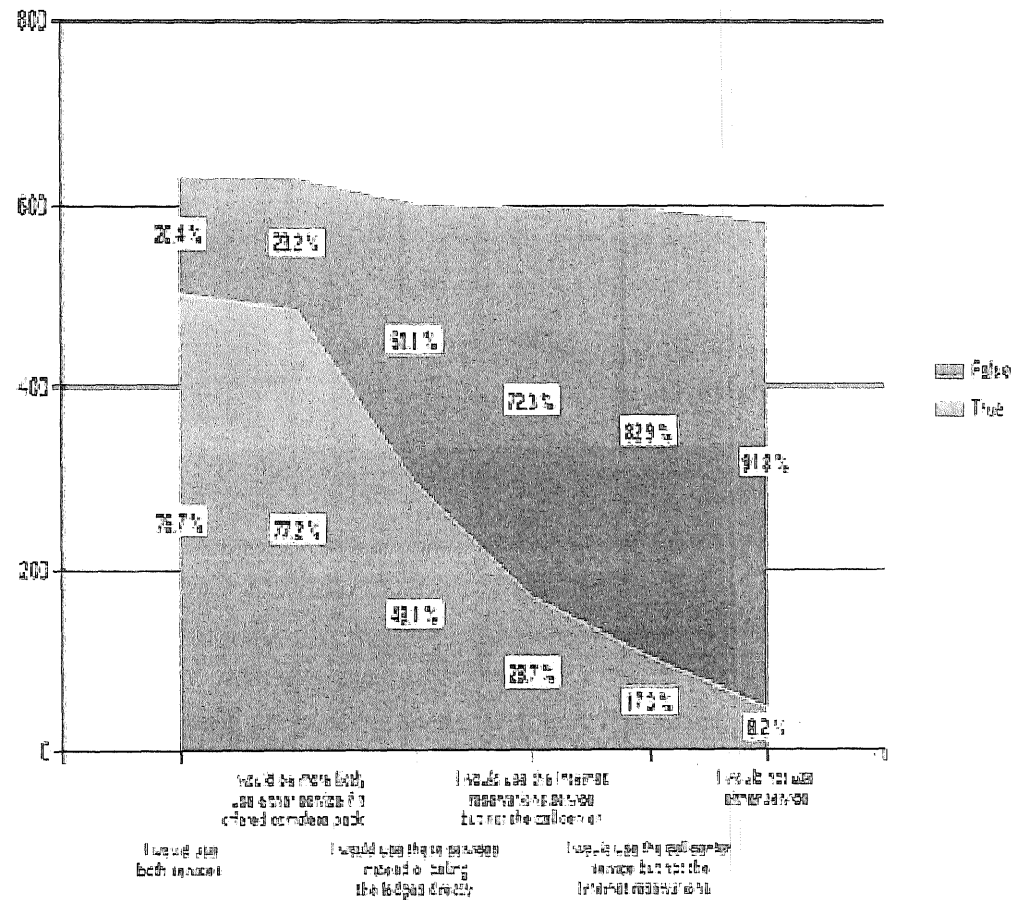
Interest in using an Internet and/or call center reservations service

80% of respondents indicated that they would use both the Internet and call center service if available.

77% indicated that they would be more likely to use the services if they offered complete packages.

8% indicated that they would not use either service.

Which of the following statements do you consider true or false regarding the possibility of adding a web reservations service and/or a reservations call center for Giants Ridge



Rankings of packaging options

77% of respondents indicated that they are more likely to use a Giants Ridge reservation service if it offered complete packages.

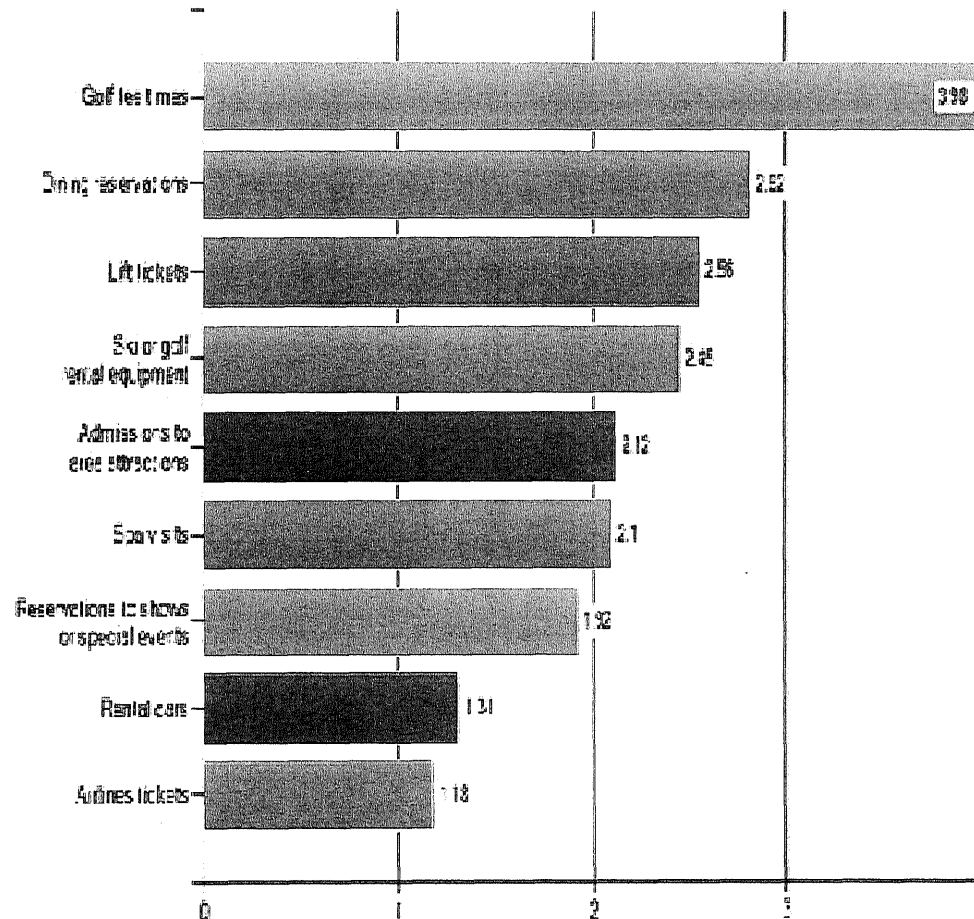
Golf tee times is the most desired package option.

Dinner reservations was a surprise number 2 in order of preference. Giants Ridge offers dining at The Quarry clubhouse and The Lodge offers dining in its restaurants. In discussions with The Lodge, they felt this might be the result of waits for dining during peak weekends.

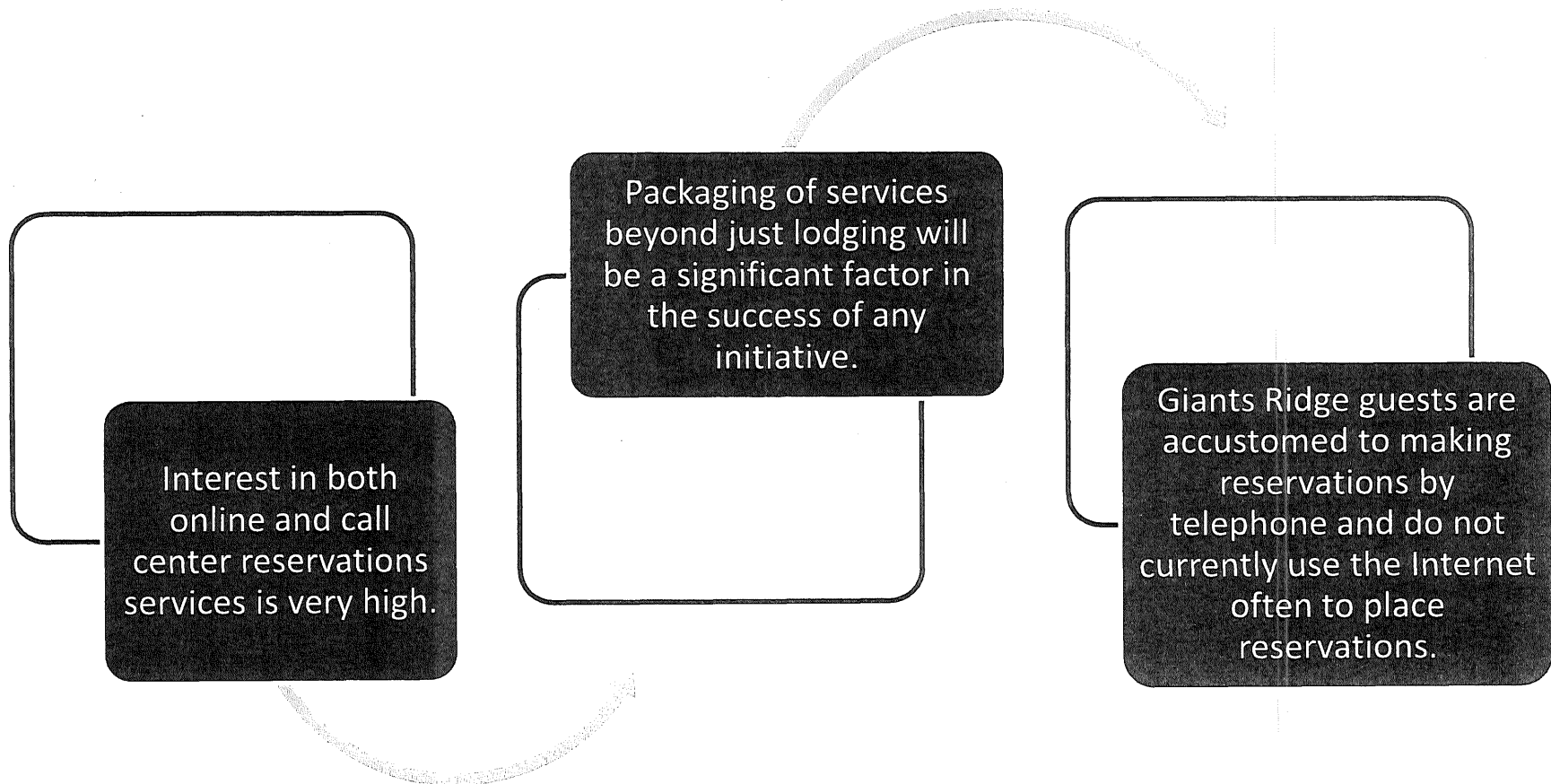
Lift tickets and rental equipment were a close tie for 3rd and 4th.

In the comments section of the survey several people mentioned wanting package "Savings."

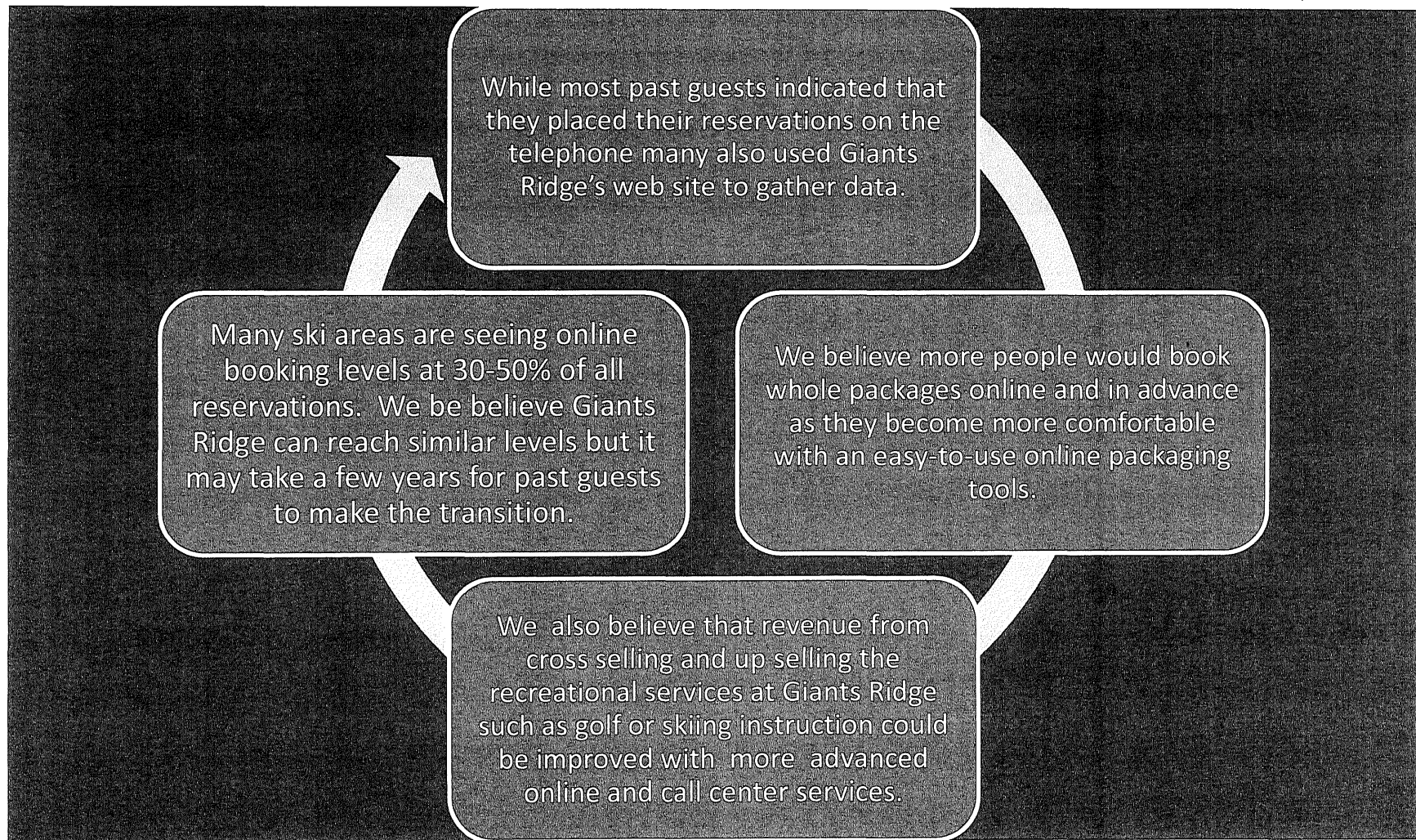
Please rate the importance of the ability to include the following items in your reservation.



Past Guest Email Survey Conclusions



Past Guest Opinions vs. Market Data



Key Findings

Competitive Analysis

Competitive Analysis - Resorts

Competition often sets the standard by which resort services are measured. In evaluating the feasibility and/or need for a central reservations service for Giants Ridge, we studied reservations services at a group of resorts that were deemed to be the primary competitors for Giants Ridge in both summer and winter.

Resorts included in the competitive study group

- *Fortune Bay Resort & Casino and The Wilderness Golf course*
- *Grandview Lodge*
- *Lutsen Mountain*
- *Spirit Mountain*
- *Granite Peak at Rib Mountain State Park*
- *Crystal Mountain*

Fortune Bay Resort Casino

Key Resort Facts

- 175 room full-service hotel with restaurants, a full casino, 8000 SF of meeting space.
- The property sits on Indian lands and operates under tribal government.
- 18 hole golf course designed by Jeffery Bauer, the same designer used by Giants Ridge.
- The golf operations at FBRC are managed by Kemper Sports.
- FBRC is located about 25 minutes north of Giants Ridge and many of their guests play golf at Giants Ridge.
- Giants Ridge and FBRC work together to coordinate tee times for guest playing at both resorts.

Reservation Services

- Online reservations for lodging and tee times but they are not packaged together online.
- Lodging system is Micros Opera and Golf uses 4Reservations.
- Online tee time reservations are only available for parties of 4.
- The lodge operates a toll free call reservations service but books only its own rooms.
- Stay-and-play golf packages are available via the call center.
- The resort sells gift certificates but no memberships online.
- The resort feeds lodging to the global distribution system for bookings from key travel web sites such as Travelocity.

Grandview Lodge on Gull Lake

Key Resort Facts

- 400 rooms and/or condominiums under management
- 4 golf courses on property
- 35,000 SF conference center
- Multiple on-site restaurants, gift shops and a spa
- Located 1 ¾ hours drive from the Minneapolis / St Paul market
- Located on Gull Lake
- Grandview Lodge considers Giants Ridge to be a distant 3rd place competitor in its summer destination market due to location.
- The property is managed by a private LLC.

Reservations Services

- Operates a two-level toll free call center with one section providing reservations services and the other acting as a vacation planning concierge service.
- Provides online lodging reservations but golf tee times must be made by phone or Email.
- Indecorp's V-1 system is used for lodging reservations online via the resort's relationship with the Preferred Hotels group.
- Lodging is fed to the Global Distribution System (GDS) through the V-1 system.

Lutsen Mountain Resort

Key Resort Facts

- Lutsen Mountain is primarily a winter ski resort operation, but they do manage several onsite condominium properties.
- Lutsen does not operate a golf course, but one is located within 2 miles of the resort.
- Lutsen advertises itself as “Mid-America’s highest and largest ski area” with over 1,000 vertical feet of skiing.

Reservations Services

- Lutsen offers a wide range of online products (lift tickets, season passes, gift certificates) as well as a new online lodging and skiing package reservation service for many of the lodges in the area.
- The online booking service uses Digital Logic 2.0 for ski products and lodging & skiing package sales.
- Prior to launching the package sales system, Lutsen’s web site listed lodges in the area with links off their web site and toll free numbers for the lodges.
- Lutsen-managed properties use RezOvation software for property management and call in reservations.

Spirit Mountain

Key Resort Facts

- Spirit Mountain is a municipal based ski area located in Duluth.
- The area manages 14 villas on site and promotes many Duluth lodges (through a coop program) on its web site.
- The ski area has a limited mountain biking operation and camping during the summer, but does not operate any golf courses.

Reservations Services

- Reservations for the 14 villas and camping is managed via Reztracker.com and takes calls for onsite lodging and camping at the property.
- The ski area offers a wide range of products such as season passes for lifts, rentals, lessons, etc. via Fast Products, a shopping cart application.
- Spirit Mountain's web site lists a wide range of local lodges with links to their web sites and telephone numbers.
- Spirit Mountain does not run any central reservations services.

Crystal Mountain

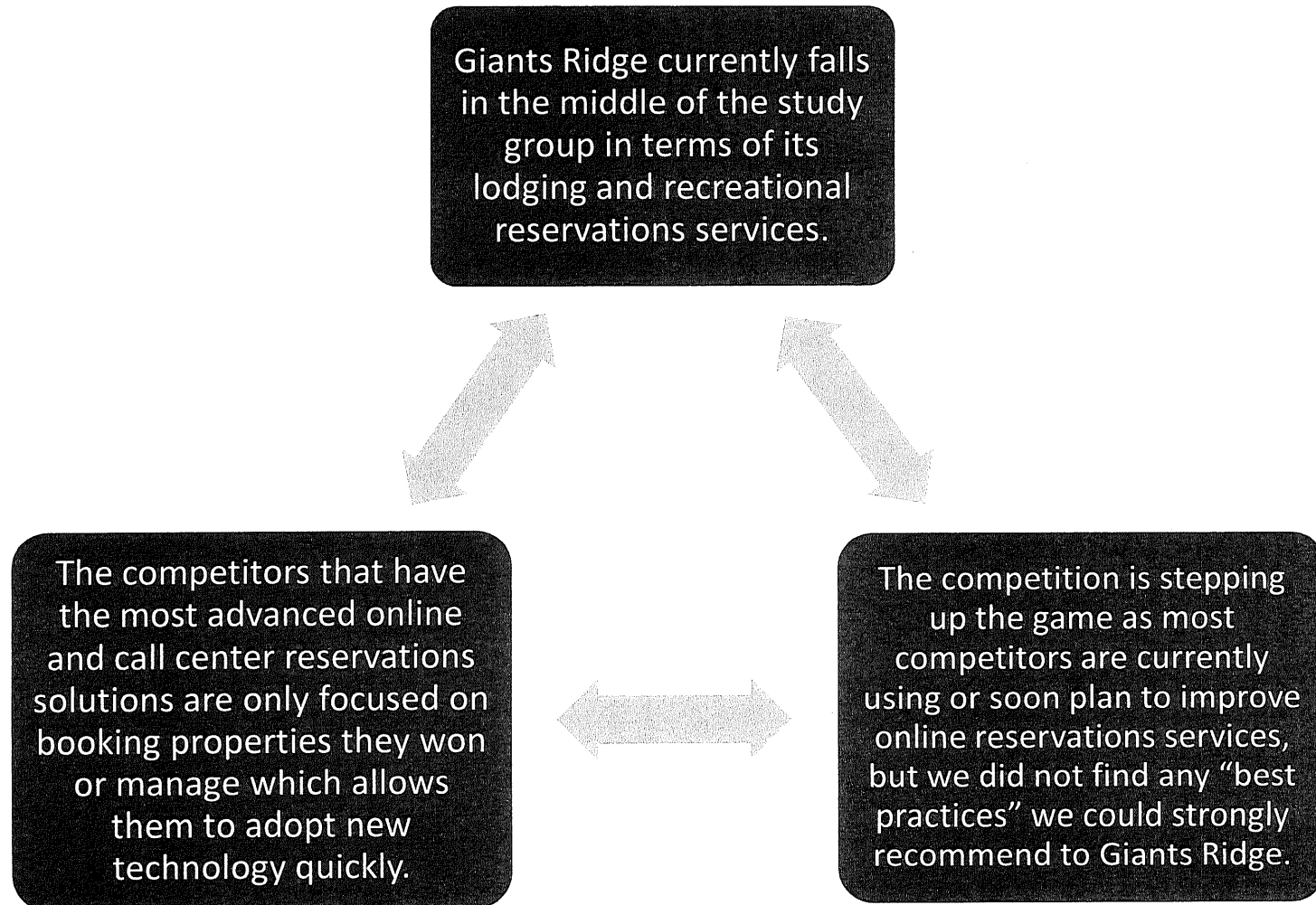
Key Resort Facts

- Crystal Mountain is a well established ski and golf resort with seven lifts on mountain and two golf courses.
- The resort operates under private ownership.
- The resort has onsite lodging for over 1,200 guests.
- The resort operates a full service spa and conference services for up to 400 people.

Reservations services

- The resort offers both online and call center reservations services for its own properties and amenities only.
- The resort uses SMS World/SpringerMiller for lodging reservations and Golfswitch for tee times.
- The resort offers over 30 different lodging and activity packages with golf tee times and spa bookings online.
- While Crystal Mountain has the most advanced online reservations system of the study group, they prefer to talk directly to guests when making reservations for up-sell and cross-sell opportunities.

Conclusions From Competitive Study



Key Industry Data

Standard Ratio Data for Resort Central Reservations Services

Industry Comparison Data

CRADR, the Central Reservations Association of Destination Resorts tracks a wide range of data on resort central reservations bookings from across the country.

In order to develop a model for a central reservations service for Giants Ridge, it is helpful to understand how others services perform.

The following data was produced for JW Clifford Marketing by CRADR to assist in our development of a potential model for Giants Ridge. The data was draw primarily from ski resorts. Golf resorts tend to operate with resort specific lodging as opposed to regional lodging so comparable data is not available for central reservations services for the golf resort market.



CRADR Reservation Activity Data Prepared for Giants Ridge, Aug. 2009

Average call duration: Historic trends by anonymous resorts

Share of reservations booked online: Historic trends by month & by anonymous resort

“Net” Conversion Rate (i.e. voice-based reservations / total calls):
Historic trends by month & by anonymous resort

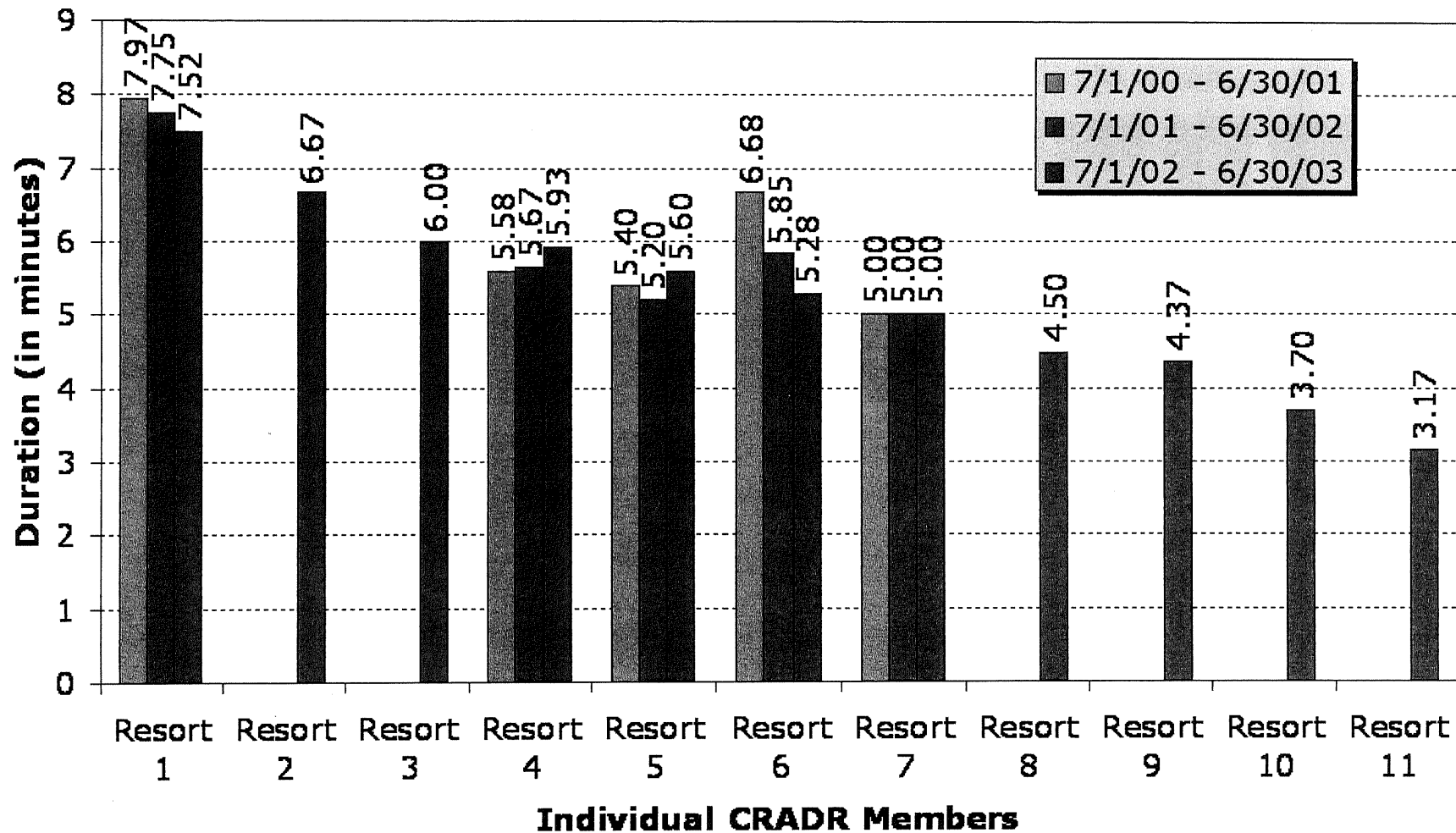


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Marketing 2009

CRADR Reservation Activity Data

Average Call Duration

Individual Resorts, 2000/01 – 2002/03

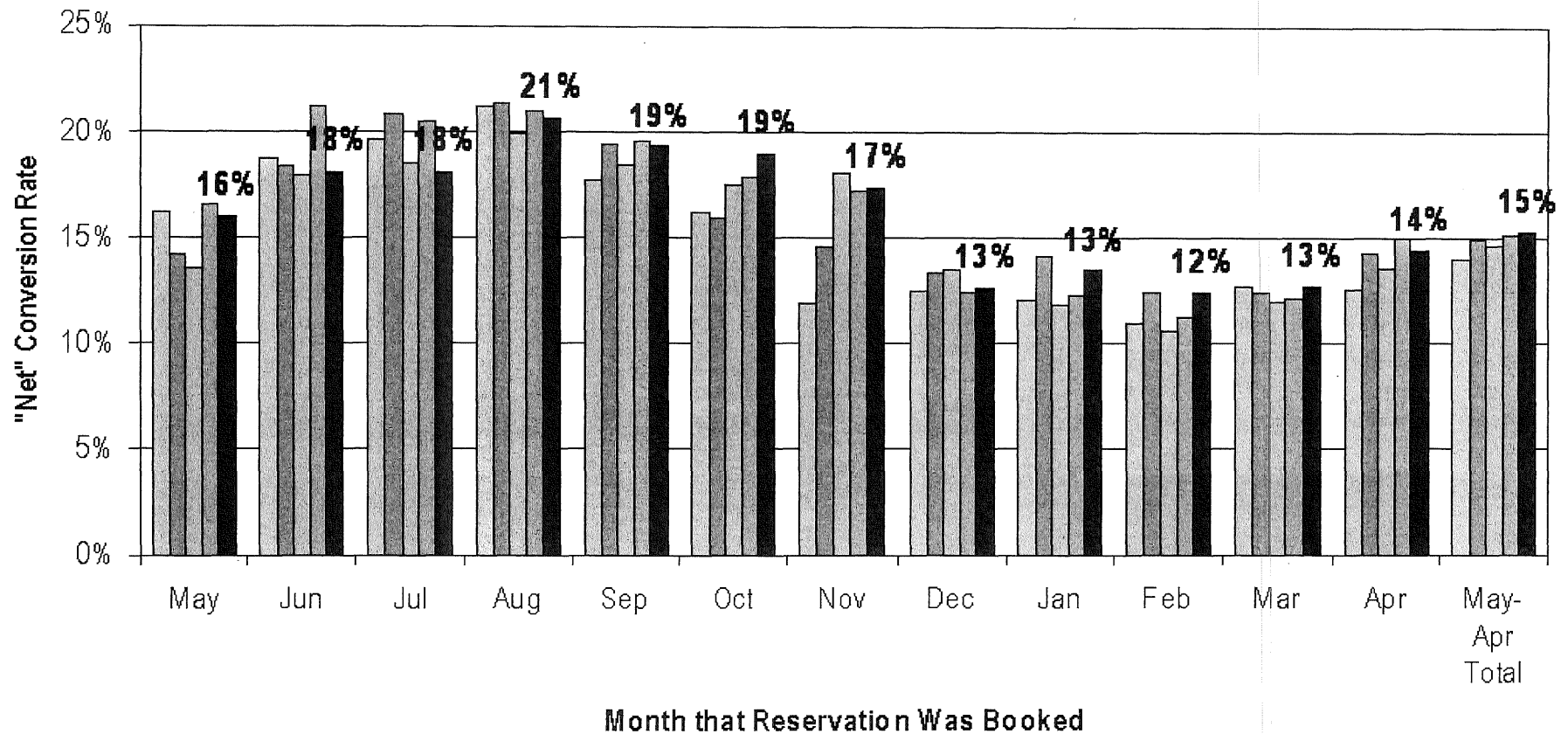


CRADR Reservation Activity Data

"Net" Conversion Rate (14 resorts):

Relatively Flat

Net conversion rate=voice reservations/calls.

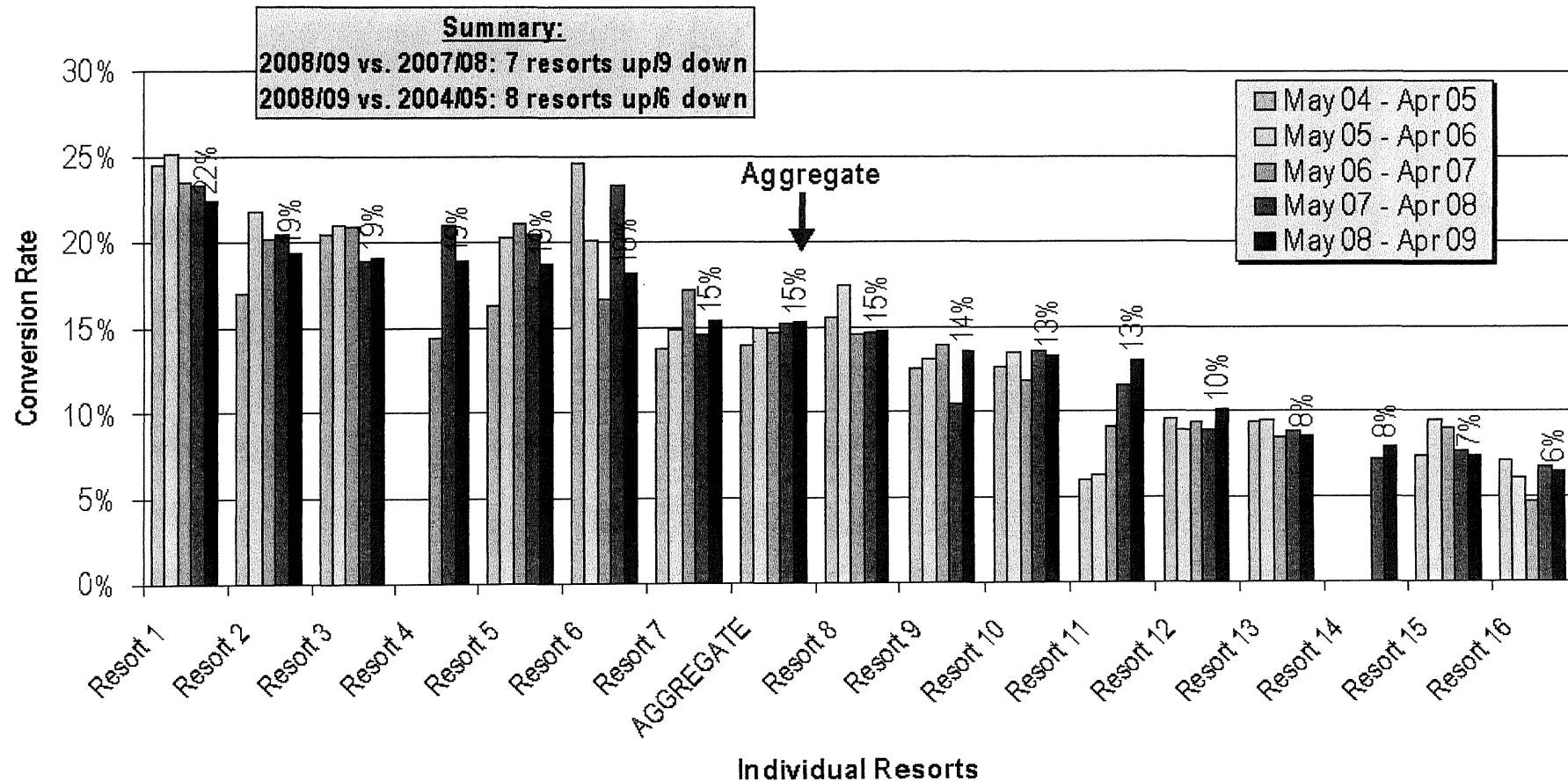


May 04 - Apr 05
 May 05 - Apr 06
 May 06 - Apr 07
 May 07 - Apr 08
 May 08 - Apr 09

CRADR Reservation Activity Data

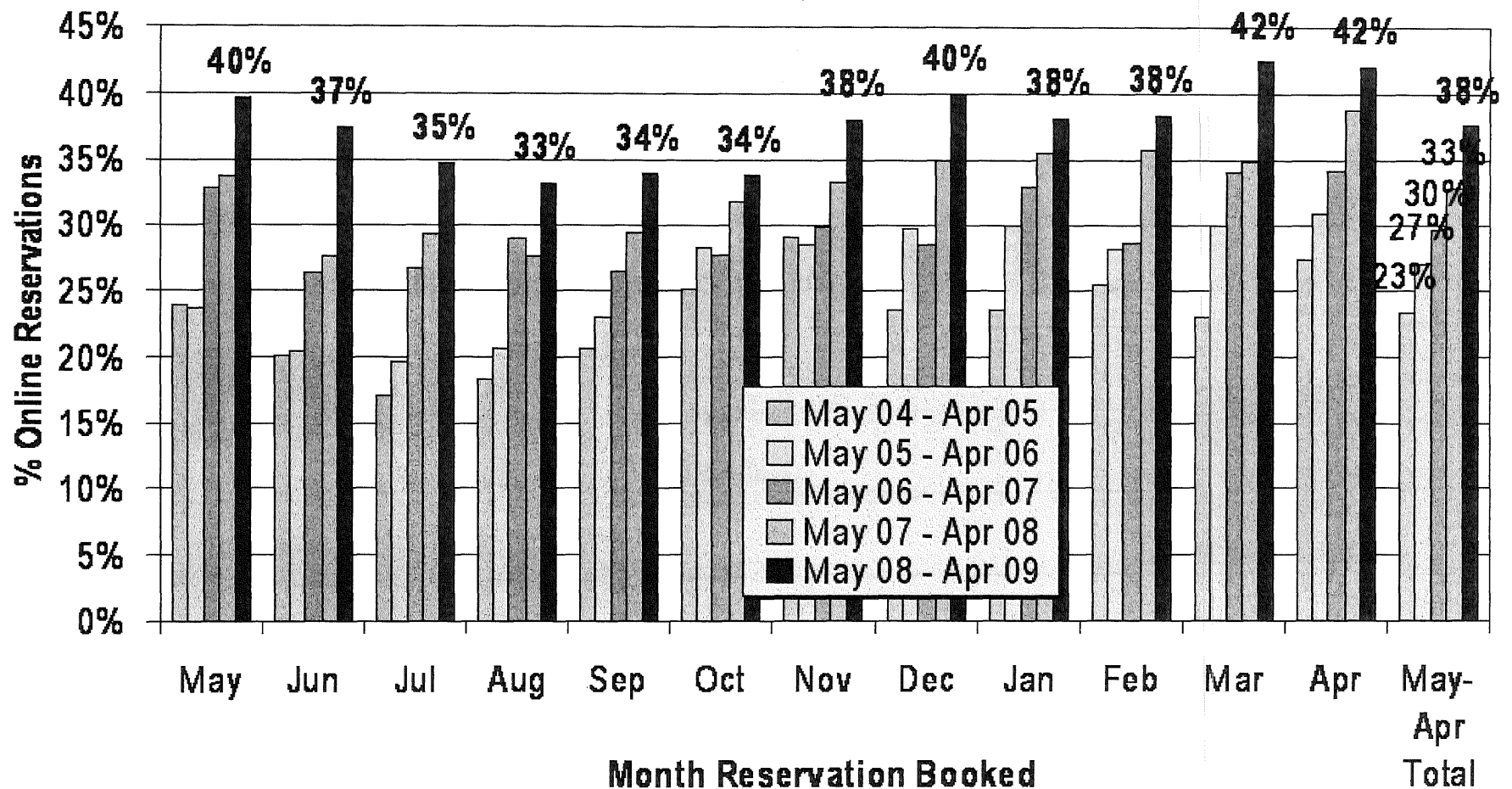
Individual Resort Comparisons

"Net" Conversion Rate on calls



CRADR Reservation Activity Data

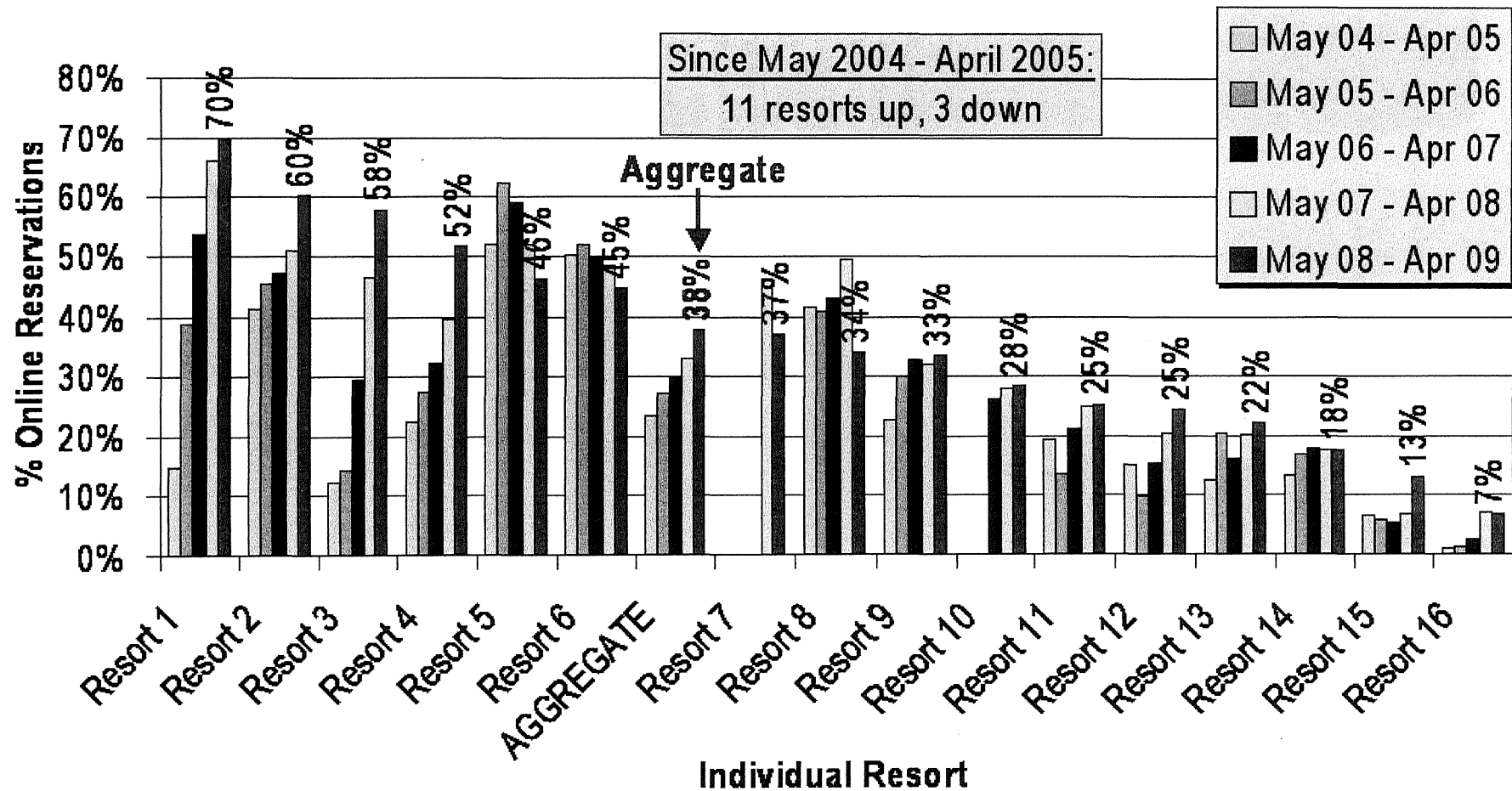
% of Reservations Booked Online/ telephone reservations (14 Resorts)



CRADR Reservation Activity Data

Individual Resort Comparisons

% Online Reservations



Key Findings

Central Reservations Systems

Comments on System Requirements

IT and marketing consultants are notorious for strongly advising their clients to conduct complex, expensive in-depth and detailed systems requirements analysis work before engaging in any new system vendor discussions. This is good advice when the options are numerous, processes are not already well established and/or the system configuration is complex.

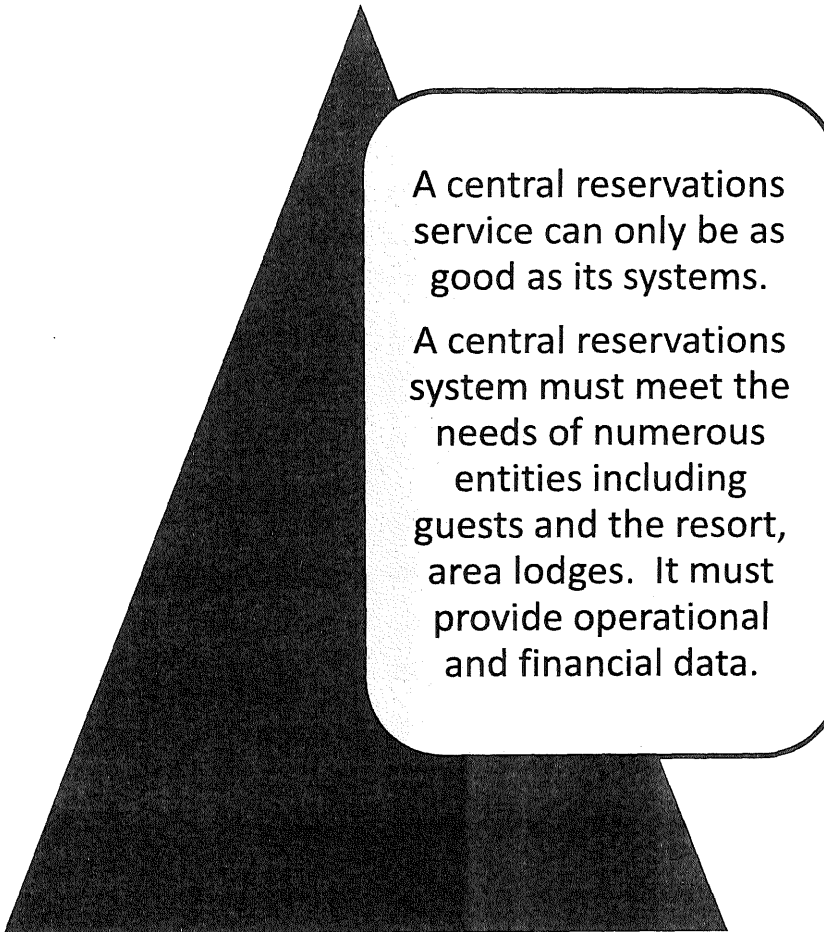


This is not the case in this situation. The market for community-based central reservations systems is very limited and the number of suppliers who produce systems for this market is equally limited. In essence resorts can only select from a limited number of options and must take the systems with limited customization.



In our analysis we considered numerous systems which were quickly disqualified due to their inability to generate flexible customer-driven packaging solutions or handle multiple independent properties along with all the other demands of a regional (multi-purpose) destination resort central reservations system.

Central Reservations System Requirements



A central reservations service can only be as good as its systems.

A central reservations system must meet the needs of numerous entities including guests and the resort, area lodges. It must provide operational and financial data.

Top line Recommendations

- The system must have a successful track record as a regional central reservations support system in a situation comparable to Giants Ridge.
- The system should support both online and call center operations.
- The system should be able to grow with the resort and provide more advanced capabilities such as Global Distribution Services (Travelocity, Orbitz etc.) for future expansion.
- The system must manage all transactions with a reliable and auditable accounting solution and be able to support all legal requirements.

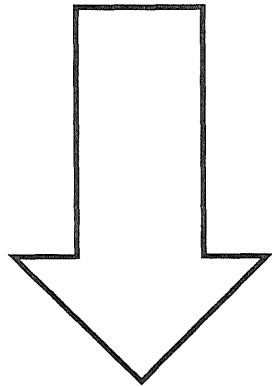
Central Reservations System Requirements for Giants Ridge

The central reservations system needs to service a number of masters including guests, Giants Ridge, area lodges and other potential packaged travel services.

Baseline System Requirements

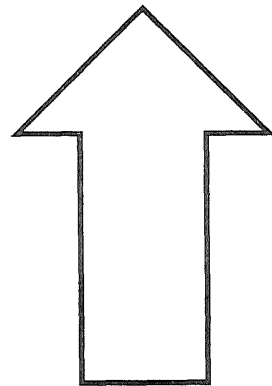
- Handle multiple properties with live inventory and complex property-based pricing policies
- Support a wide range of booking procedures, policies and inventory types
- Feed reservations to lodges in a manner that avoids overbooking or lost reservations
- Provide flexible packaging tools to include golf tee times, mountain services, events and/or activities with lodging and transportation
- Collect payments for deposits and final payment and have a built-in dispersal systems for paying suppliers
- Support online booking capacities that are easy to manage and user friendly

System Affordability



The primary reason for establishing a central reservations service is to increase revenue. It is not useful if it adds more costs than real income.

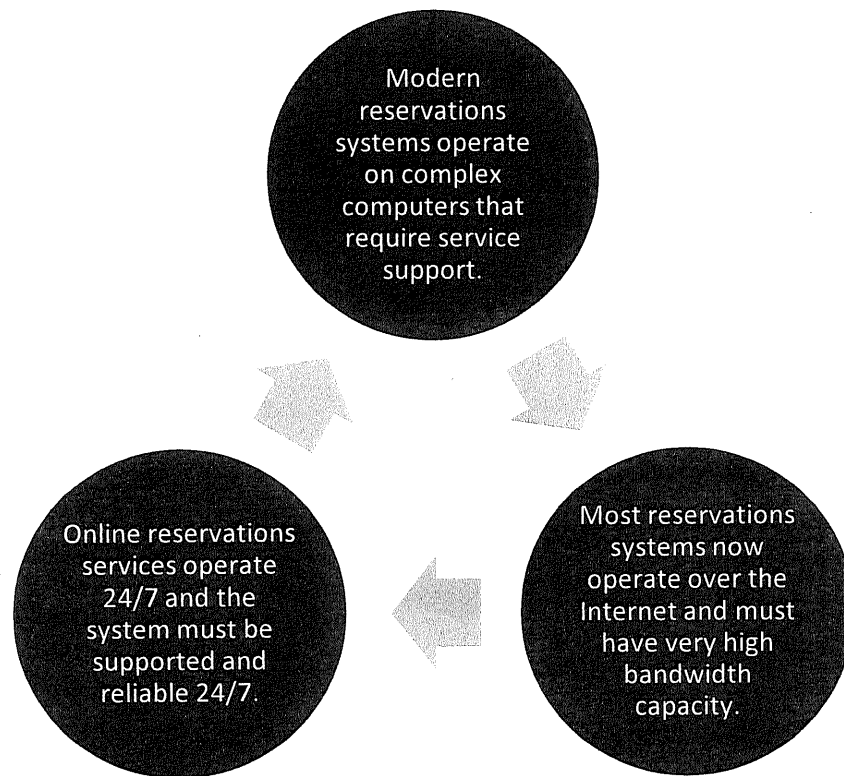
Affordability is driven by system license costs, equipment, commission fees and internal staff support .



Operational Cost Requirements

- The system should have low upfront costs as it will take time to ramp up the service.
- The system must be manageable by someone with a reasonable IT skill set, but it should not require in-house programming or customization staff.
- System costs on a per-transaction basis should decline over time and/or as volume increases.
- The system costs should be low enough to allow the central reservations service to add a reasonable commission to cover operating costs without overly burdening suppliers.
- Initial implementation of the system and training should be included in the long term price of the service.

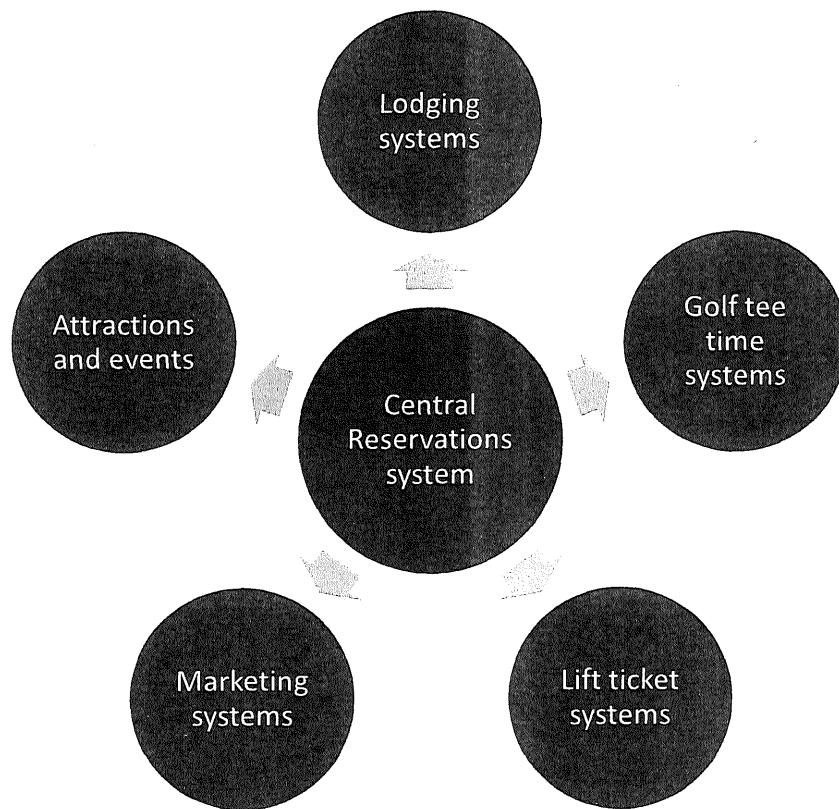
Security, Support and Reliability Requirements



Confidence Requirements

- The service must operate with state-of-the-art data center protection, firewall security and meet the highest levels of PCI compliance.
- Computer capacity (servers) must support high speed interactions and process complex queries and reports without any delays.
- All data must be stored with multiple backup services both onsite and offsite.
- Down time and restarts must be achievable in minutes not hours or days.
- Data storage must meet high security standards and be fully PCI compliant.
- The operating systems used for development must be current and fully supported by the original software developer.
- The company providing the system must be well established, and have redundant technical staff to avoid any reduction in support or interruptions in service.

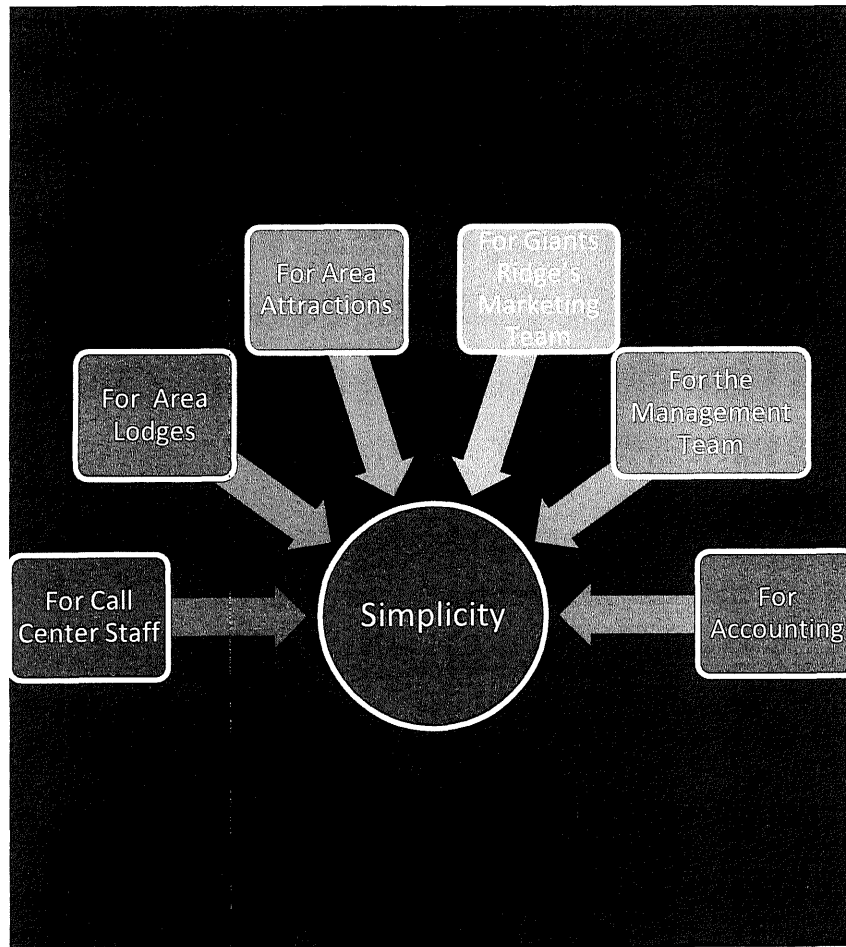
System Interface Requirements



Interface Capabilities

- The system must support industry standard interface methods.
- The system provider must have the ability to build custom interfaces to local systems as needed.
- Interfaces with multiple systems must appear seamless to the customer.
- Interface intervals must be frequent and highly reliable.
- Interfaces must be secure and meet high level security requirements and meet PCI compliances.

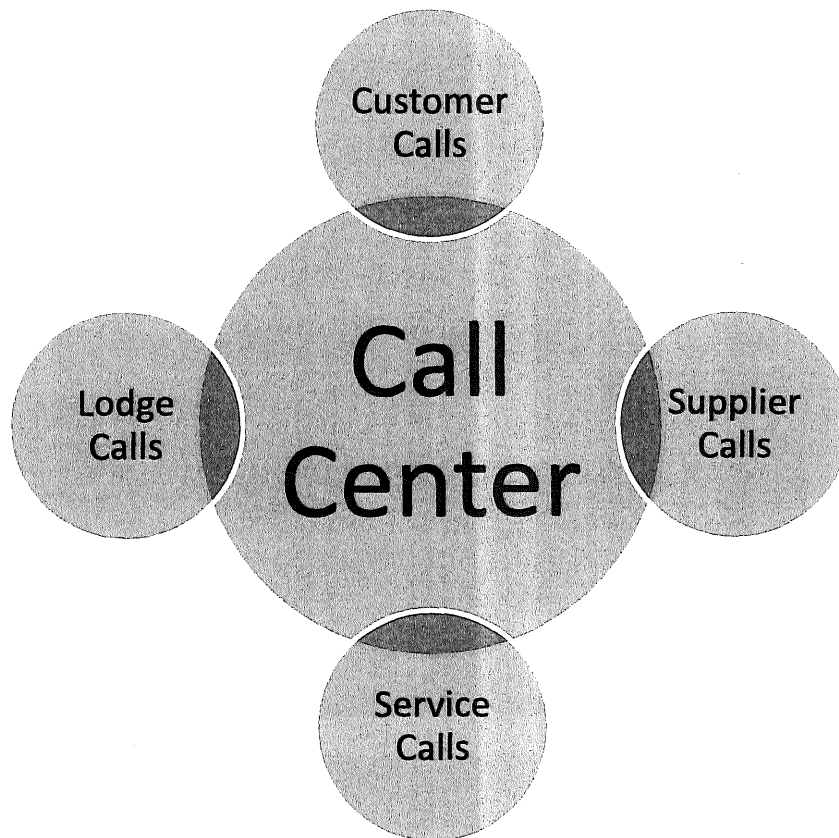
User Interface Requirements



End User Interface Requirements

- User interfaces must be intuitive.
- Training time requirements should be short.
- Tools provided in the user interfaces must be flexible and robust.
- Access to interface tools must be controllable and highly secure.
- The interfaces must be fully accessible from the Internet.

Telecom System Requirements



Telecom System Requirements

- Multiple inbound toll free and local access numbers
- Robust call traffic management tools
- Robust call traffic reporting
- Robust agent activity reporting
- Robust call routing
- Scalable to meet future growth
- Remote accessibility for offsite call center agents and managers
- Reliable quick time support and parts replacement
- Interface to Voice over IP telecom networks
- High quality sound transmission



Telecom Equipment

In order to evaluate the feasibility of operating a call center-based reservation system, the cost of a setting up a suitable phone system needs to be included.

Based on the current call volume to Giants Ridge and the telecom equipment requirements listed above we evaluated numerous systems and settled on two for further consideration

Allworx 24X

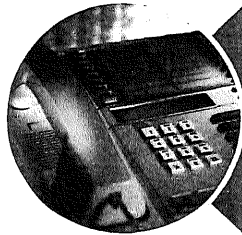
Mitel 5000

Based on our evaluation we recommend the Allworx24

Provides more features that are relative to a call center operation

Supports more inbound call tracking, queuing management and call monitoring

Has better features for remote set-ups with agents being able to work from home

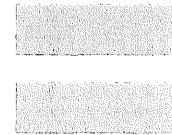


Allworx 24X

Package price with
Allworx 24X, 3
multi-key phones,
2 admin phones
and call center
software package



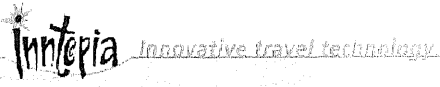
Installation
and set up



\$8,750

Reservations System Recommendations

Call Center/Online Solutions



- Designed specifically for regional resort centralized package reservations service
- Meets all requirements listed above
- Currently used at over 25 major destination resort regions
- Established in 1997
- Supports multiple channel private label websites



SMART ONLINE TRAVEL RESERVATION SOLUTIONS

- Initially designed as a tour operator system and enhanced to meet regional central reservations system
- Meets all system requirements listed above
- Established in 1994
- Advanced package building tools with multiple existing interfaces
- Exceptional backend accounting and reporting

System Costs

Inntopia

Inntopia is an Internet-based system that operates on servers owned by Inntopia so there are no upfront equipment or networking setup capital costs.

- \$40,000 for the initial 5-year license to use the system
- 2% commission on all transactions
- A more detailed outline of costs and terms is included in the attachments.

ResLogic

ResLogic is also an Internet-based system that operates on Reslogic's servers and network so again there is no upfront capital.

- No license fee for the use of its system
- Annual fee based on all transactions booked on the system each year
- First year minimum fee: \$12,000 for the first \$1M in sales, \$16,300 for sales of \$1M - \$2M
- The annual fee is prorated in \$250,000 increments of sales after the first \$2M

Inntopia

Pros

- Better suited as a regional marketing situation
- Large central reservations user group for support

Cons

- More Expensive than ResLogic
- Fewer GDS options

ResLogic

Pros

- Lower Cost upfront and over time
- More Start up support included
- Strong backend accounting

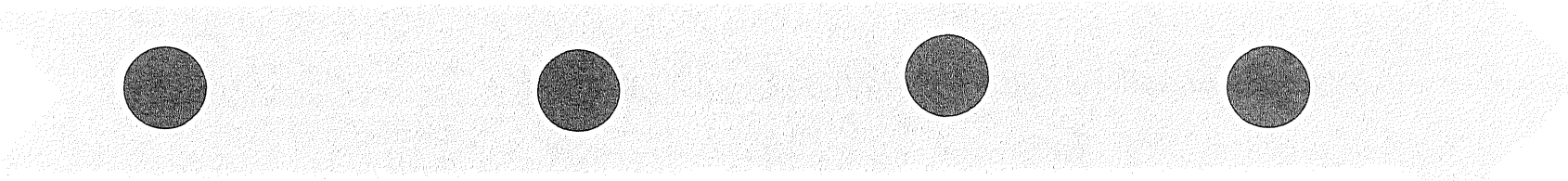
Cons

- More structured system tools limit quick package customization
- New version has just completed all testing and old version runs on an outdated database system

Online-Only System Comments

In our initial proposal, we offered to model two online-only reservations solutions and two systems for both online and call center operations.

We are recommending the Digital Dialogue Version 2.0 system as the online-only solution.



Our investigation of online-only solutions met with limited success. We have only one recommendation that could provide a beneficial online-only solution for Giants Ridge.

The two systems we are recommending with dual capacities (call center and online) can both be operated in an “online only” mode.

Digital Dialogue - V2.0 Online-Only Option

Digital Dialogue is a customizable web-only lodging and activity package sales tool that is being used at Lutsen Mountain and Granite Peak.

The tool has limited flexibility but works well for simple package sales of lodging and lift tickets and could easily be adapted for golf.

The application is sold as a one-time purchase item with no commission fees and support is charged by the hour. The cost is based on an assessment by Digital Dialogue, but is estimated between \$20-30,000 depending on the cost of the golf interface for tee times.

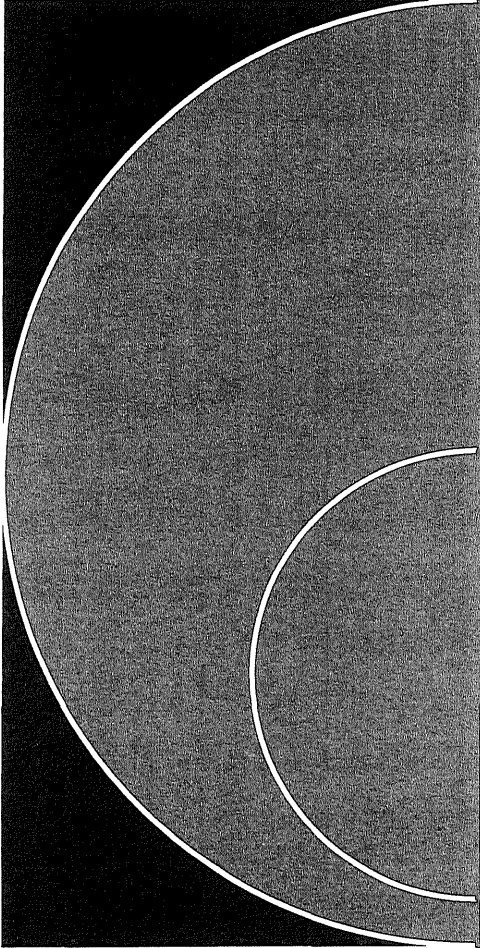
The system is very user friendly and has worked well to generate package sales revenue and early cash flow for other resorts.

The system is easy to manage and requires a reasonable amount of administrative and IT support.

We consider Digital Dialogue to be a possible interim solution to take the next step in enhanced reservations services, but we do not see it as a long term solution for Giants Ridge.

We believe the Digital Dialogue package booking tool will continue to be enhanced with more resort packaging and interface tools, but we have no way to predict how long that might take or how much influence Giants Ridge might be able to have over its evolution.

Reservations System Recommendation



While we were impressed with the capabilities of the ResLogic system and the savings are significant we believe the Inntopia system is better designed to function as a regional reservations system simply because it provides both management and the customer with greater flexibility, more useful tools and very intuitive operations.

We do however believe either system would provide a major jump forward in both online and call center sales. This is a decision that Giants Ridge should explore in much greater detail once it has decided to move forward with the concept. Both companies are very willing to provide detailed proposals and presentations.

Key Findings

Call Center Financial Operating Model

Call Center Staffing

Call Center Manager

Skill Requirements

- Ability to manage reservations software
- Ability to manage call center telecom equipment
- Experience in reservations call center operations
- Ability to work with suppliers, hotel management and sponsoring organizations
- Strong communications, motivation and sales skills

Estimated Salary

- \$70,000 Salary
- 10% Bonus

Call Center Agents

Skill Requirements

- PC level computer operating skills
- Strong oral and written communications skills
- Familiarity with hotel reservations operations
- Excellent telecommunications sales skills
- Detail oriented

Estimated Pay

- \$12 per hour plus
- Plus commissions (15% of pay range)

Call Center Assumptions

We have estimated that 60% of all calls received on Giants Ridge's toll free line have been reservations related.

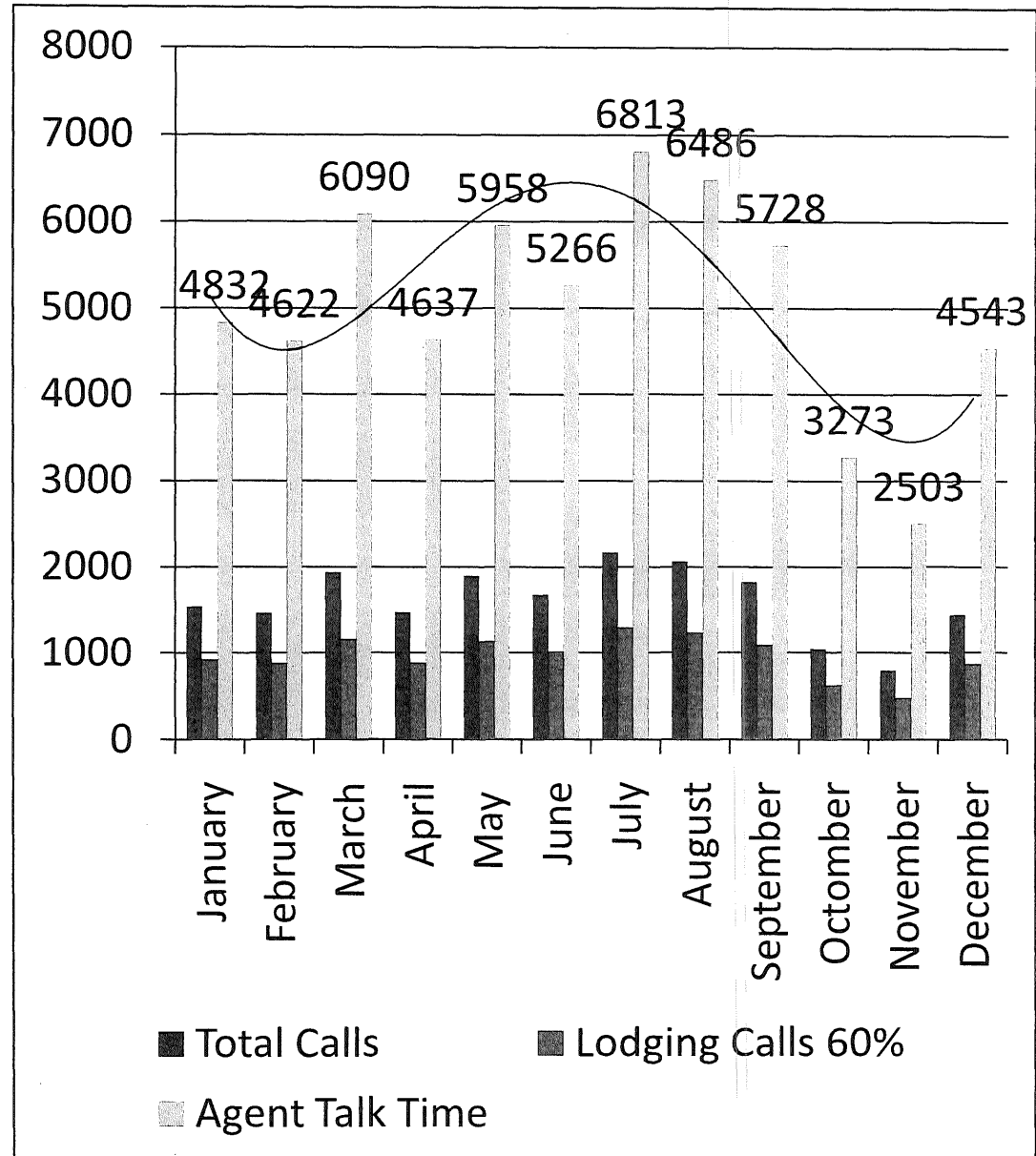
The average talk time for live agent calls will be 5.24 minutes based on CRADR data.

Average talk time multiplied by the number of reservation calls shows that agents need to handle between 2,500 and 6,800 minutes of talk time per month. One agent should be able to handle the call volume below 4,000 minutes and two agents would be needed to handle call volumes over that level.

Two agents would also be required in order to operate the service from 8AM till 7PM. We also believe a second agent will be needed to help with seasonal traditions of system content.

In order to build a conservative financial model we have included two agents for all 12 months.

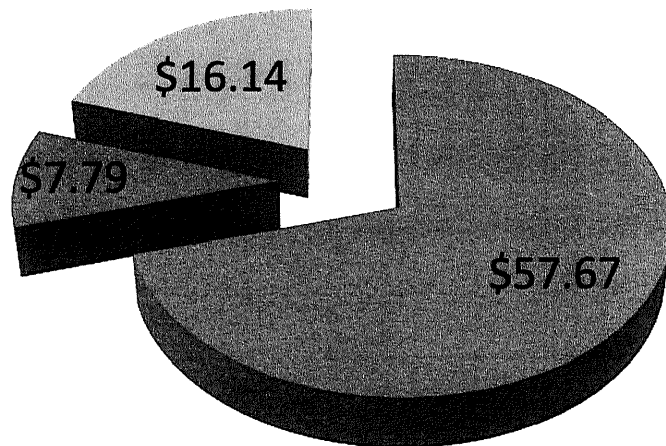
Total talk time for the year using this model would be 60,752 minutes.



Giants Ridge Average Daily Revenue

Golf Operations

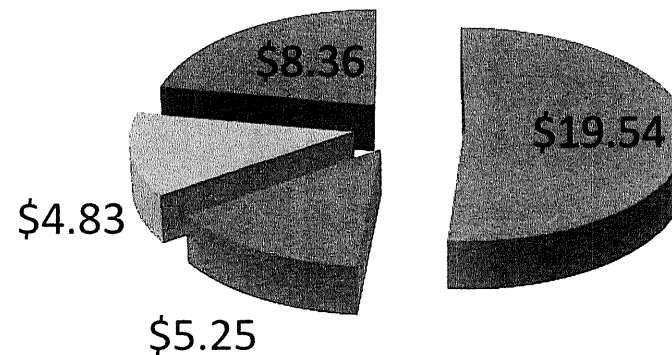
Golf Revenue 2008 Per Golfer
\$81.60



■ Golf ■ Retail ■ F&B

Mountain Operations

Ski Revenue 2008/09 Per Skier
\$37.98
(Non - Season Pass Holders)



■ Lift Tickets ■ Rentals ■ Retail ■ F & B

Revenue Per Reservation Assumptions

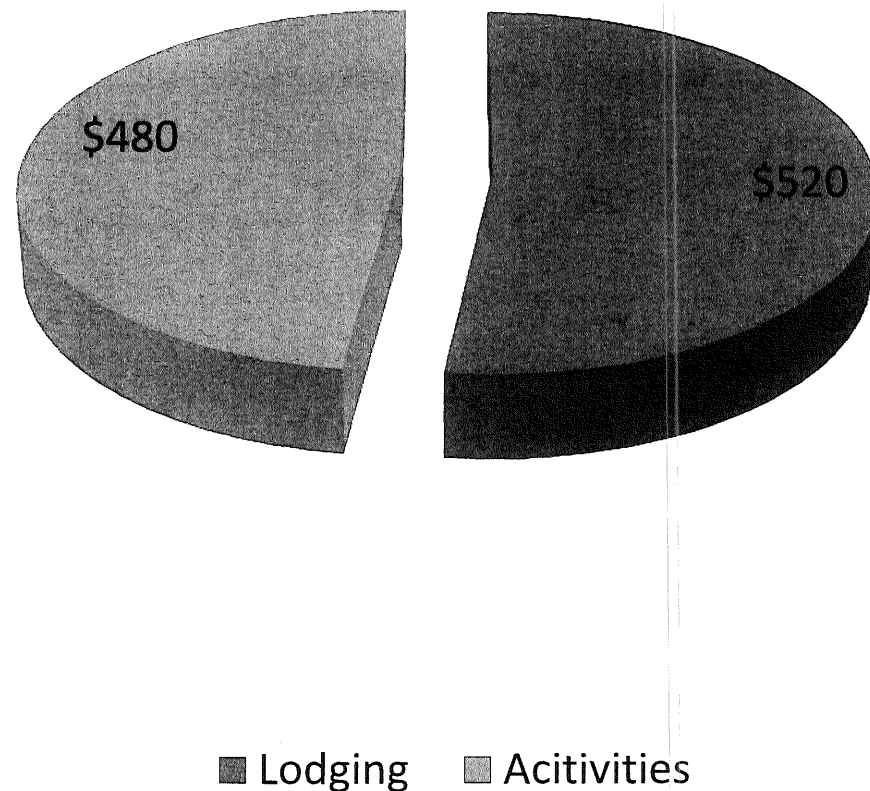
Lodging Revenue Per Reservation \$520

- We estimated that each booking would include an average of 4 guests staying 2 nights, at an average per-person lodging charge of \$130 (for the 2 nights based on rate review and estimated percentages in condos and lodges from the Leisure Trends Surveys).

Activity Revenue Per Reservation \$480

- We estimated 60% of visitor traffic is winter and 40% is summer and that the average combined revenue for the two was approximately \$60 per person per day with each of the 4 guests participating for 2 days.

Average Revenue Per Reservation \$1,000



Call Center “+” online Bookings


The volume of call center reservations is calculated using a conversion ratio of the estimated number of reservations related calls (15%).



Online bookings are calculated based on a ratio of online bookings to call center bookings (35%).



We estimate the current reservation call volume to the Giants Ridge toll free number to be 11,600 (60%). A 15% conversion rate should generate 1,731 call center reservations.



If online reservations equal 33% of call center reservations we anticipate 580 online reservations and a total of 2,300+ reservations for a call center/online reservations service

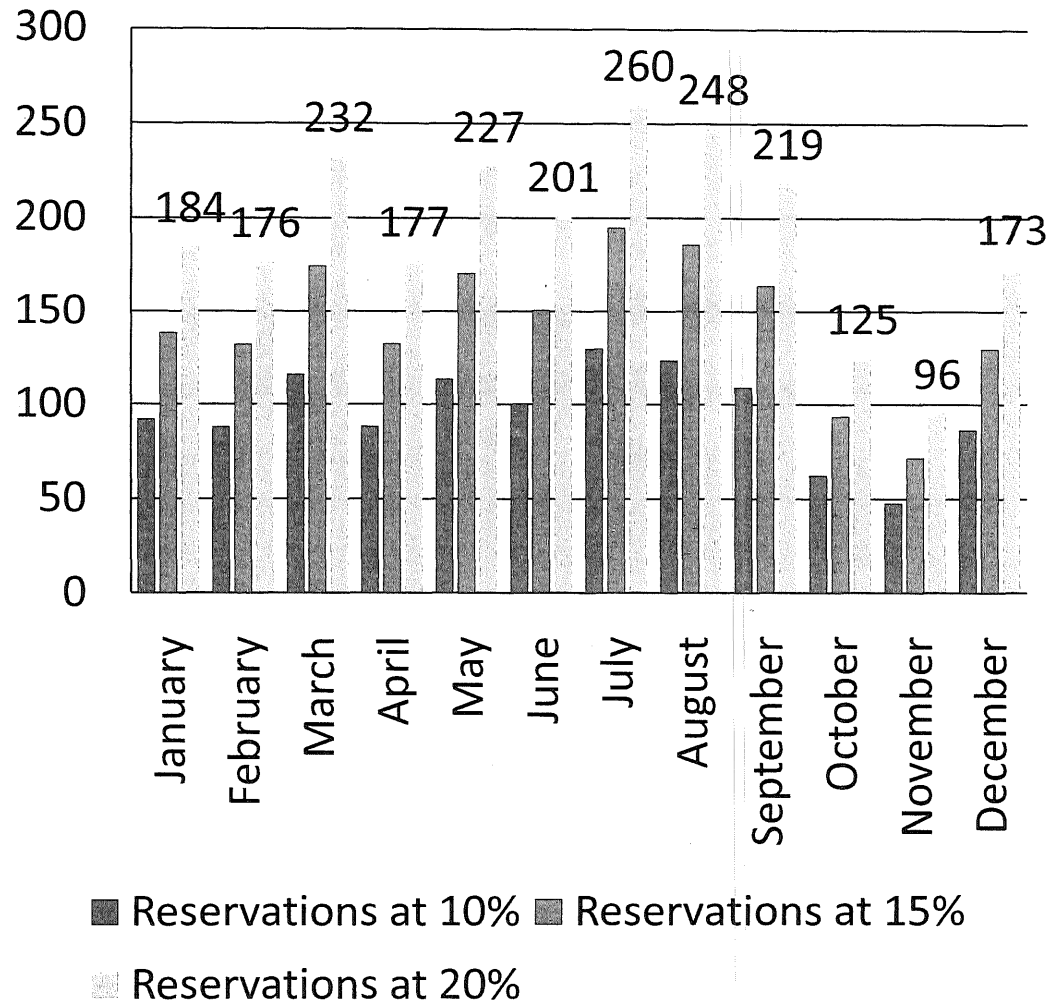
Projected revenue from reservations

At \$1,000 per reservation and 2,300 reservations projected, the service would generate \$2,300,000 in total sales. This level of sales would generate approximately \$1,200,000 in lodging revenue and \$1,100,000 in resort revenue.

Given an average return visitor ratio of approximately 70% it might take more than one year to reach this level of sales, but given the interest in these services in the customer survey it volume could easily exceed projections.

If lodges were charged 10% commission (at or below industry standards) on their portion of the revenue this would contribute \$120,000 towards the operation of the services.

Reservations estimate at current call and Internet traffic levels



Operating Costs

Amortized cost of licenses and equipment includes the Inntopia licenses (5 years = \$8,000 per year), the telecom equipment, PCs, office machinery and furniture of \$18,000 (depreciated over 3 years)

Manager Salary: \$70,000 plus 10% bonus and insurance at \$1,000 per month

Reservations agents: 2 @ \$29,000 per year including commissions

Telecom service should be voice over IP on one T1 that would also provide internet service

Office rent estimated at \$1,000 per month

Utilities estimated at \$450 per month

Miscellaneous includes travel, training, office supplies etc. of \$5,000

Expense Areas	Annual Cost
Annual amortized cost of licenses and equipment	\$14,000
Telecom & Network Service	\$12,000
Manager	\$89,000
Reservations Agents	\$58,000
Rent	\$12,000
Utilities	\$5,400
Miscellaneous	\$5,000
Operating Expenses	\$195,400

Reservation system commission fees on \$2,300,000

ResLogic

- Commission
\$16,975
- Total cost of
operation
with ResLogic
\$212,375

Inntopia

- Commission
\$46,000
- Total Cost of
operation
with Inntopia
\$241,400

Additional comments on the cost of management

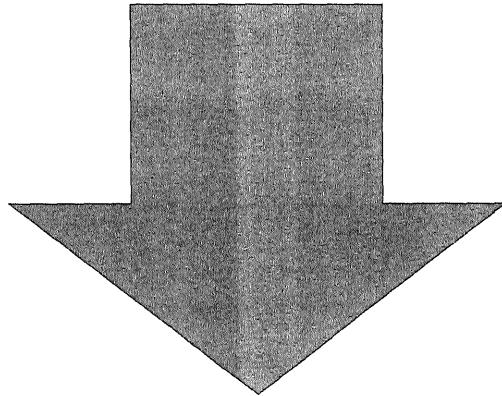
The largest single cost item in our model is the manager. We strongly believe the person filling this position will determine the project's success or failure.

The position must be filled by a talented manager with considerable experience and leadership skills.

As the service grows the additional staffing required will come at a lower cost and the management cost will become a smaller percentage of the total.

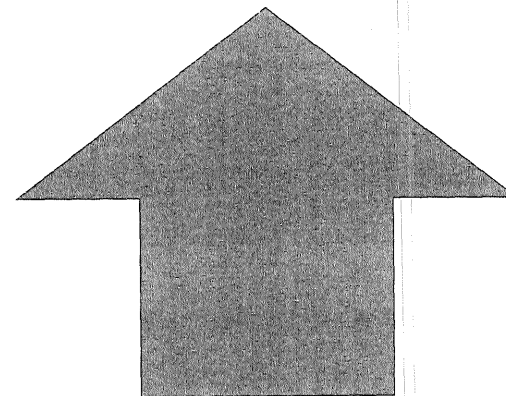
This position level is a start-up cost that should not be compromised.

Profits or Losses?



We believe that a new central reservations service for Giants Ridge will cost close to \$250,000 in the first year and we are concerned that the lodging community will not initially support this project with commissions or inventory. We do believe that once the service is established and business is being delivered the lodges will embrace the service, but this may take some time. Operating the service at a "Trial" commission level in year 1 might be the best initial approach.

Giants Ridge is for the most part a fixed-cost business and the key to profits is incremental sales. Given the phone volumes and interest in improved package reservations services, we do believe that new incremental sales to the resort operations could easily equal or exceed the initial costs. We also believe that in the next 2-3 years the resort will need to add these services to remain competitive.



Digital Dialogue Online-Only Reservations

Digital Dialogue may be an interim solution as an online only package sales system. Other resorts are using the system currently and have seen improvements in package sales.

It will require custom development work to build a live tee time packaging tool, something the market is clearly looking for. Our experience tells us that this could cost over \$20,000 to build bringing the total initial cost close to \$40-50,000.

An online only solution would still require at least one full time administrator to operate with mid-level system administration, reservations and accounting skills which we believe would require a salary in the range of \$60,000+.

The total initial cost to acquire and operate an online only solution for the first year would be in the range of \$85,000 including a manager, the amortization of the system over a 3-year period and other start-up and operating costs.

The potential revenue from this system could be in the \$250-500,000 range base but the lack of a call center could reduce online only sales as they tend to support each other. While this may be an acceptable short term solution, we believe it will limit the quality of services provided to Giants Ridge's customers and it will not work as a long term reservations solution.

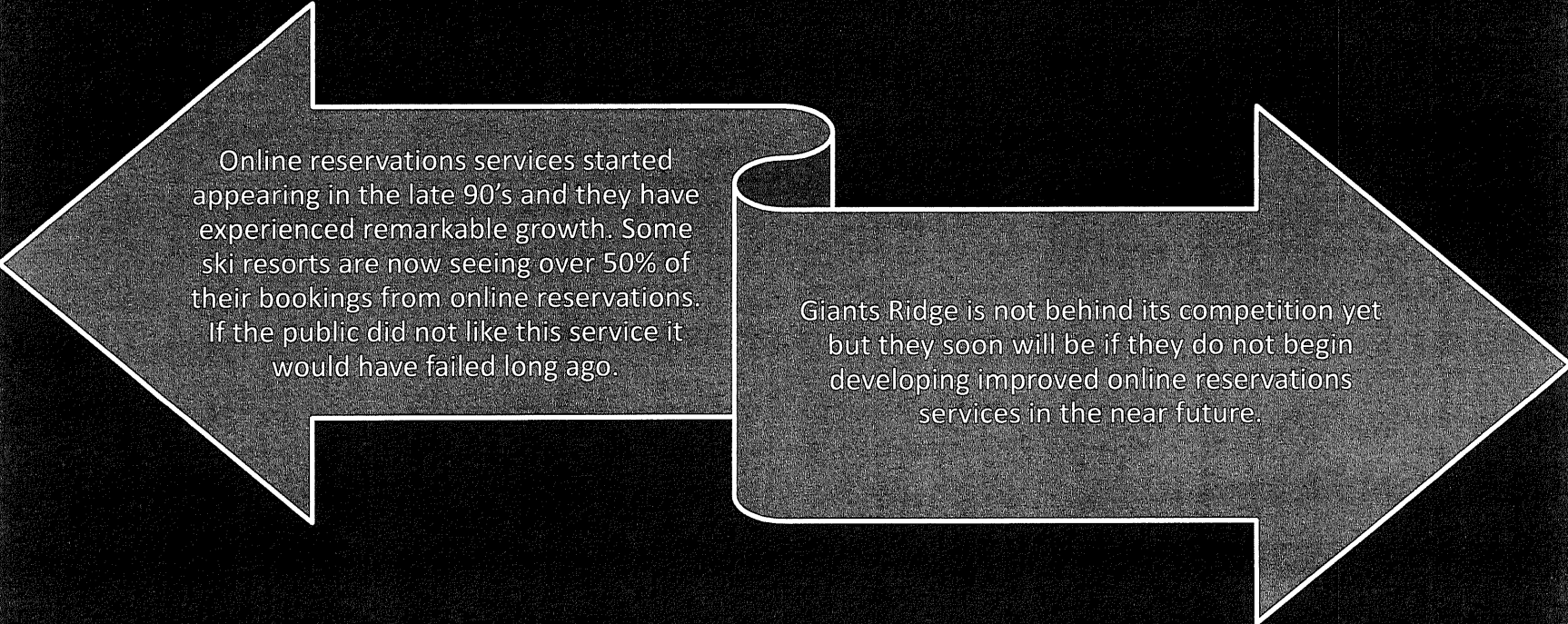
A Two-Step Solution

Both ResLogic and Inntopia can be configured to operate initially as an online only service during the first year and then be used for both online and call center operations in the second.

This solution could be in place for this coming season with a limited number of lodges participating on a start-up basis. Since live tee time reservations would not be needed until spring this would also provide time to build integration into the golf system.

This solution would provide the resort with an implementation path that would provide an immediate improvement in services and a chance to build support in the community over time. The call center modules could be turned on at any time as soon as the company is ready to begin forwarding reservations calls to trained agents. While this solution would produce the same estimated revenue as the Digital Dialogue model the initial costs would be slightly higher due to the booking commissions.

Additional Comments on Online Reservations



Online reservations services started appearing in the late 90's and they have experienced remarkable growth. Some ski resorts are now seeing over 50% of their bookings from online reservations. If the public did not like this service it would have failed long ago.

Giants Ridge is not behind its competition yet but they soon will be if they do not begin developing improved online reservations services in the near future.

Additional Considerations on Growth Potential

We have received antidotal comments about other locations stating that adding this type of service increased package sales as much as 200% and that online bookings increased as much as 90%.



We are very reluctant to include this type of data in our models however, we are confident that the addition of this type of service has the potential to significantly improve total revenue to Giants Ridge and the area lodges.



Our primary concern for meeting the estimates included in this model is the availability of lodging and the co-operation of the lodges. To achieve the 2,300 reservations the service would require 4,800 room nights of lodging.

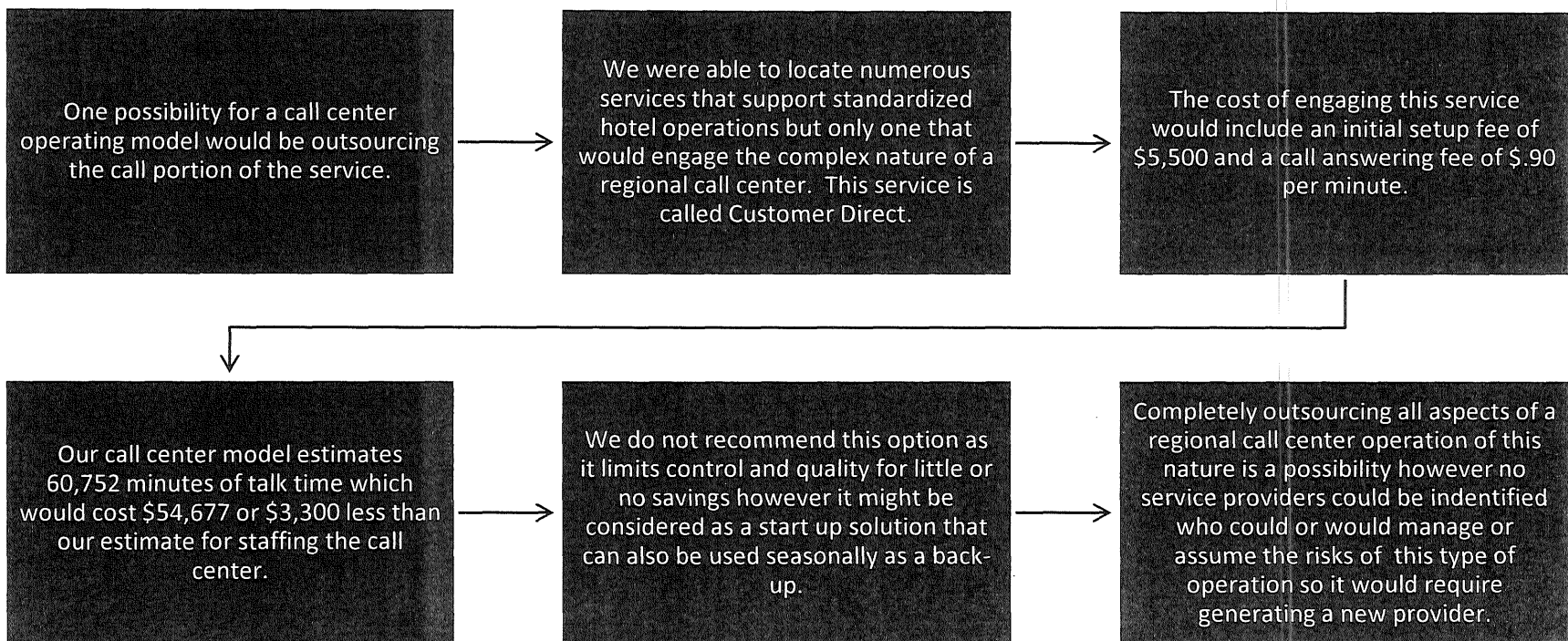
Who Should Run This Service?

The recommended systems are capable of handling far more than just Giants Ridge. The Inntopia system for example is currently used as the central reservation tool for all of British Columbia.

Based on comments from lodges and first hand visits to the area, it is clear that the region as a whole is working hard to emerge as a nationally recognized tourist destination area.

We believe this service, if adopted, could be managed through a partnership between Giants Ridge and the Iron Range Tourism Board. The relationship would enable both organizations to develop independent branded websites and handle calls discreetly featuring only the lodging (including camping), activities and attractions offered by each group but operated out of one database. This would result in one service generating year-round revenue and economies of scale for both organizations. While the IRTB receives few calls now about lodging their web site receives about 50% of the traffic that Giants Ridge does. This traffic could contribute significantly to the viability of the service by increasing scale and the related efficiencies.

Outsourcing Call Center Operations



A regional central reservations success story

The Black Hills region of South Dakota had a regional reservations office and a complex online reservations system that attempted to drive reservations for the region. Reservations were declining for both services due to the complex nature of the system. Based on recommendations from Lawrence and Schiller Design and Programming the organization redesigned its web site and converted to Inntopia for both its call center and online reservations. The project has resulted in an increase of 220% in package sales. The service handles lodging, transportation, golf, activities, events and offers a wide range of packages. The system also supports a number of "Branded" web sites. Based on their success the service will be expanded to cover the full state of South Dakota with support from the state tourism board in 2010. We believe this is a model that should be considered for the Iron Range that would also work for Giants Ridge.

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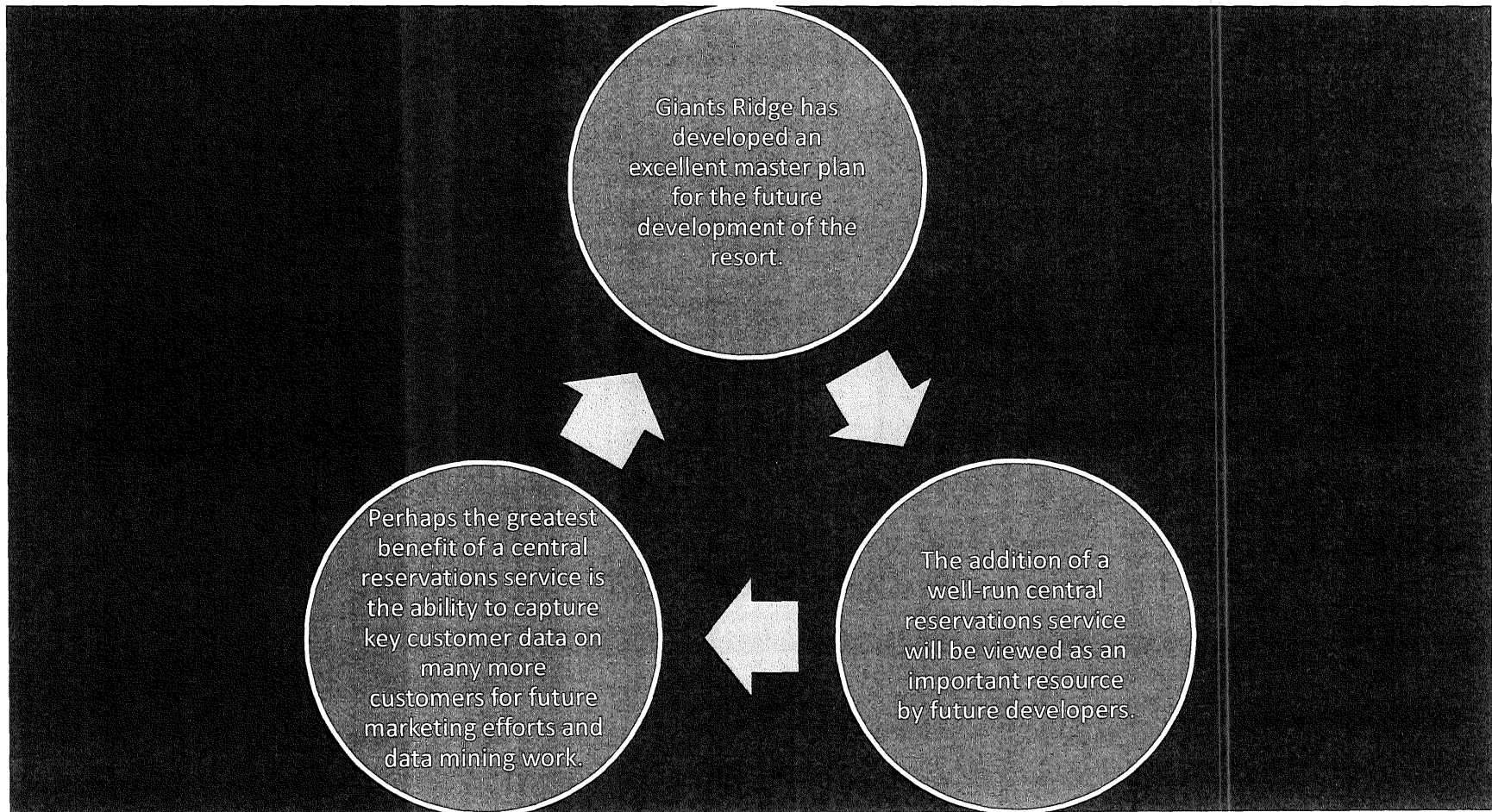
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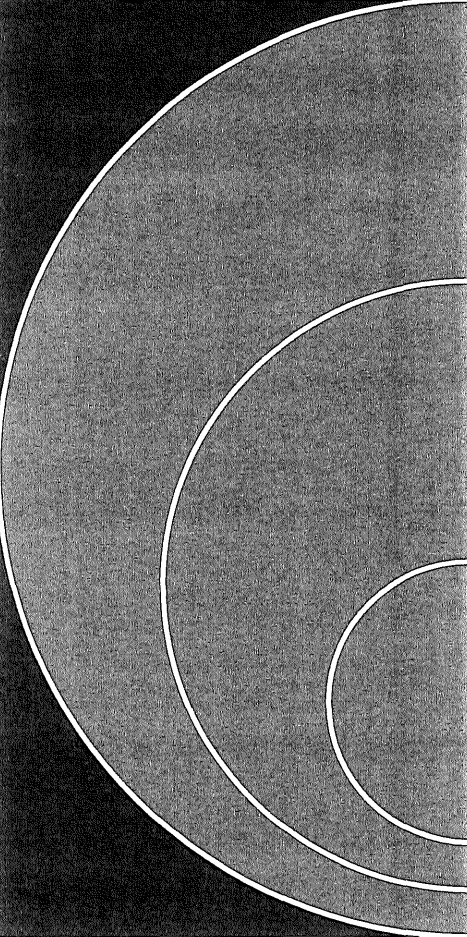
Long Term Considerations



Key Findings

Point of Sale Systems

Point of Sale Systems (POS)

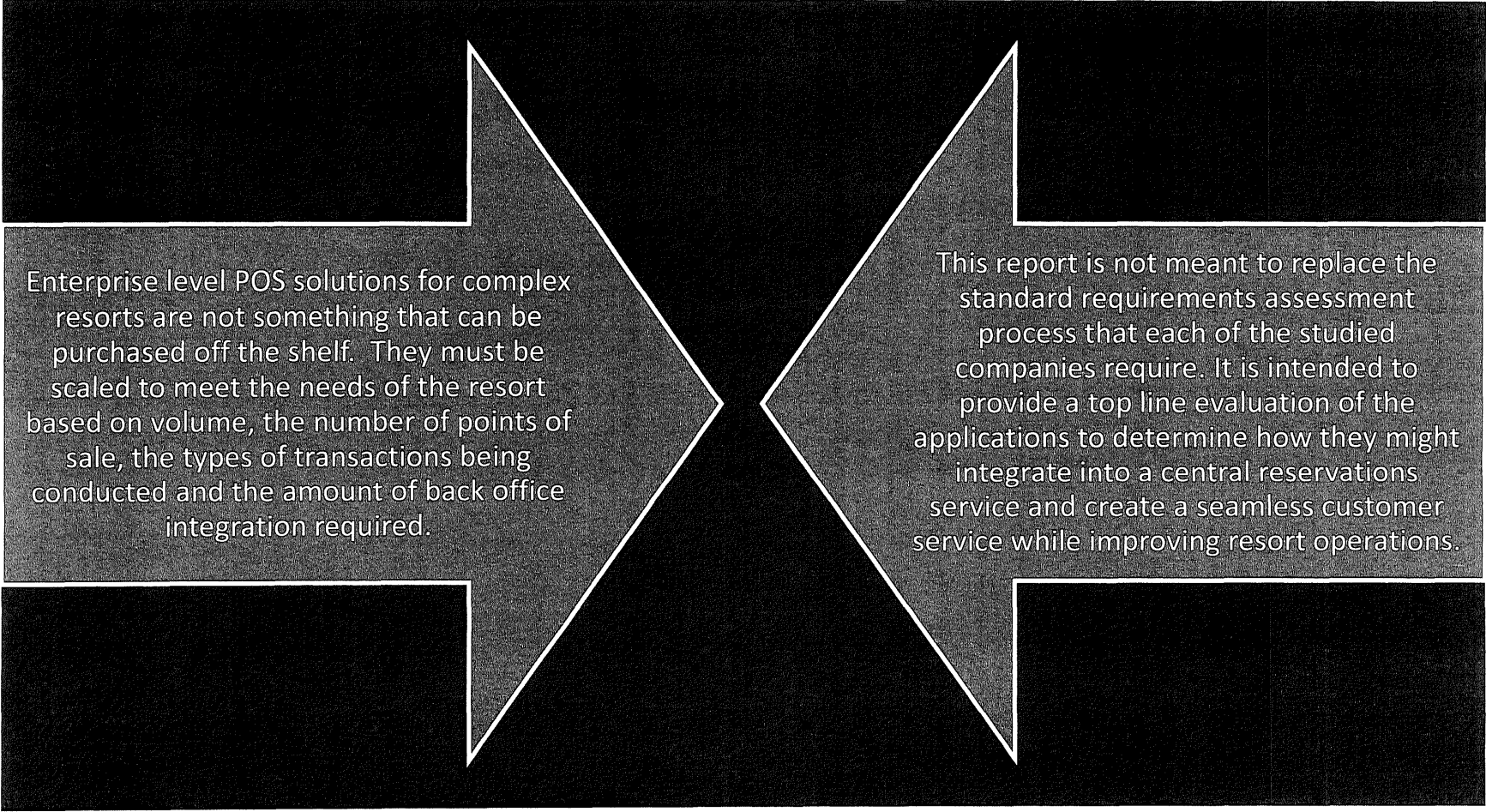


As a part of this engagement we were asked to provide recommendations and analysis regarding adding a point-of-sales system for Giants Ridge that could work in conjunction with a call center, online reservations, provide an enhanced guest experience and a return on the investment needed for the system.

Once again, there are a large number of POS systems but only two that are designed to cover the full range of services provided by a golf and ski resort. There are many services provided at Giants Ridge and it was determined that our recommendation would be for an enterprise solution that would cover all of the non-lodging services at the resort.

The two services considered were Sirius Ware (Sirius) and Resort Technology Partners (RTP). Both system providers have developed a suite of applications to meet the needs of even the largest resorts in the country and also scale their offerings to meet the needs of resorts the size of Giants Ridge.

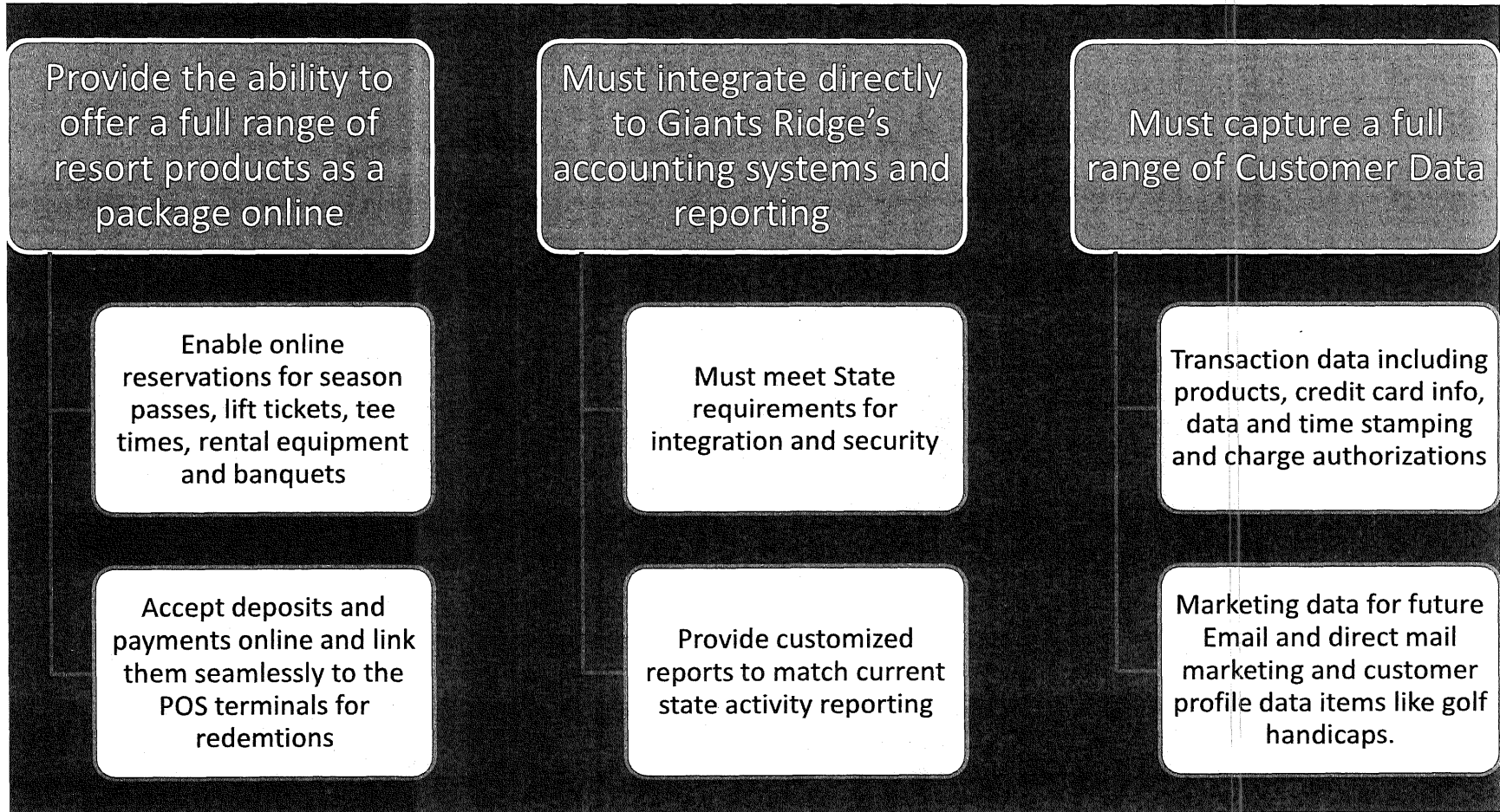
Requirements and Pricing



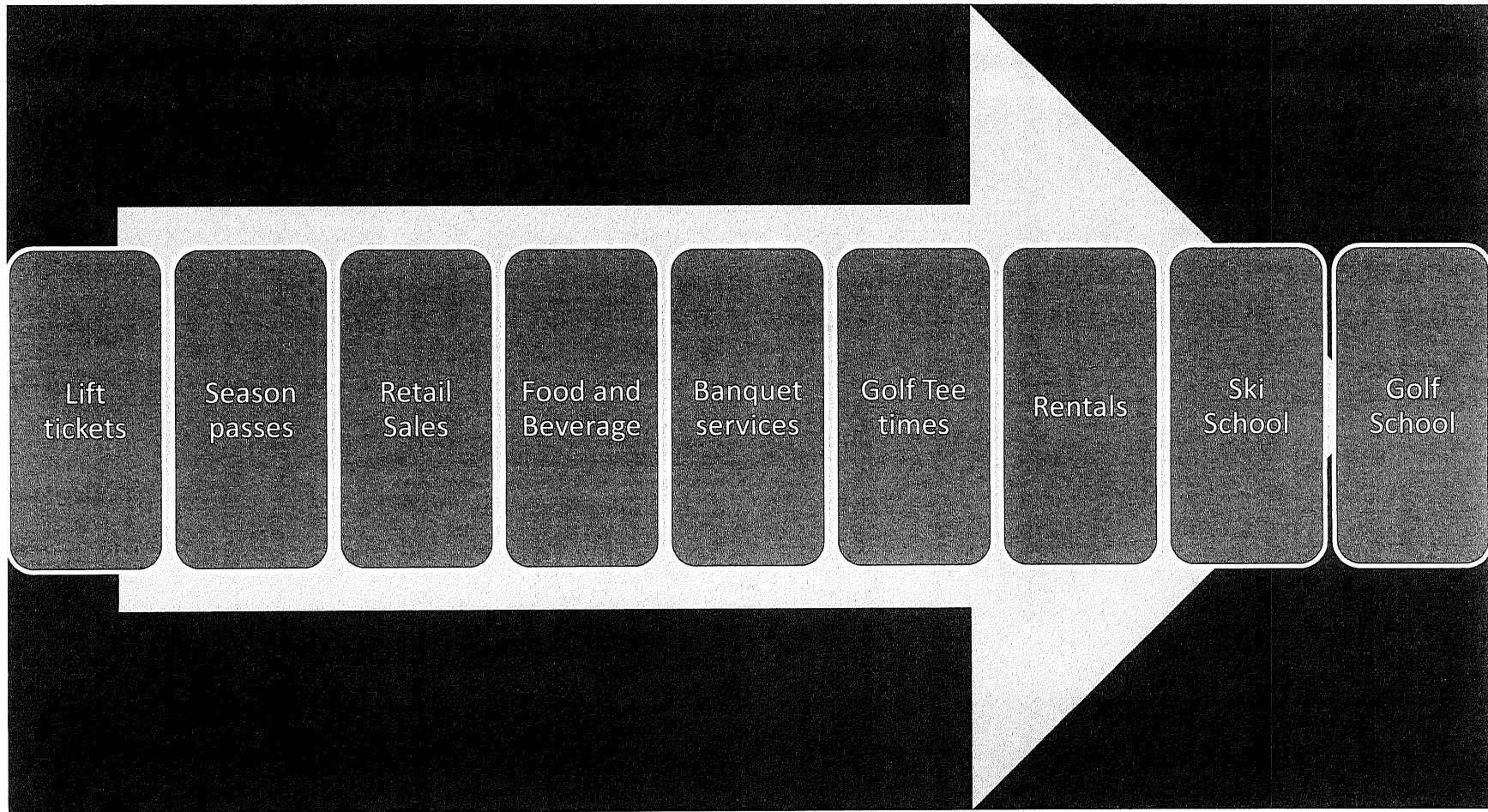
Enterprise level POS solutions for complex resorts are not something that can be purchased off the shelf. They must be scaled to meet the needs of the resort based on volume, the number of points of sale, the types of transactions being conducted and the amount of back office integration required.

This report is not meant to replace the standard requirements assessment process that each of the studied companies require. It is intended to provide a top line evaluation of the applications to determine how they might integrate into a central reservations service and create a seamless customer service while improving resort operations.

Internal requirements for a new POS system



Operational areas to be supported by a POS system



Transaction Service Requirements

Integrate credit card transactions into the POS system to reduce errors, expedite close outs and consolidate end of day accounting and reporting


Provide cross charge privileges between POS outlets such as dining and retail or golf and dining

Expedite transactions to reduce lines and improve the overall guest experience


Capture transaction data to provide marketing insights and improved return guest experiences

Security Requirements

Must have built-in security solutions to provide the business and customers with full confidence that their data will not be accessed or breached in any way both at the resort or online.



Must provide software that meets the highest levels of PCI compliance.
(Payment Card Industry Security Requirements)



Must provide a full range of audit and tracking tools to meet government and business requirements.

Pre-paid Purchases, Gift Cards and Debit Cards

Perhaps the greatest impact on resort income from advanced enterprise POS systems come from their capacity to support pre-payment for a wide range of product

- Season pass sales
- Ticket sales
- Gift Cards
- Multi-use cards for golf and/or skiing
- Resort charge cards that can be recharged online

Advanced payment cards provide resorts with the following benefits

- Improved cash flow from advanced purchases
- Income from breakage and expirations
- Reductions in the no-show levels on marginal weather days
- Improve revenue during off peak times

In order for prepayment tools to improve income marketing must aggressively promote them and develop innovative products

- Multi-time visit discounts
- Early season discounts
- Large volume incentives
- Multi product packages such as golf and dining

Hardware and Networks Requirements

A new POS system will most likely require replacement of old terminals ticket printers and additional computer equipment.

For this assessment we anticipate the need to acquire the following equipment. However a detailed requirement study will be necessary to provide a more exact estimate of system licenses, hardware and networking equipment

High capacity main server with at least one redundant backup unit

High capacity data storage device with one onsite and one offsite data back up service

20 point-of-sale, ticketing and season pass terminals specified to meet current needs

Networking routers and equipment at 6 locations

Estimated System Costs

Resort Technology Partners

Estimated
Cost

• \$165,000 - \$175,000

Cost
includes

- Licenses
- Terminals
- Ticket and season pass printers
- Servers
- 3 year warranties on equipment
- First year support and updates

Siriusware

Estimated
Cost


• \$165,000 - \$175,000

Cost
includes

- Licenses
- Terminals
- Ticket and season pass printers
- Servers
- 3 year warranties on equipment
- First year support and updates

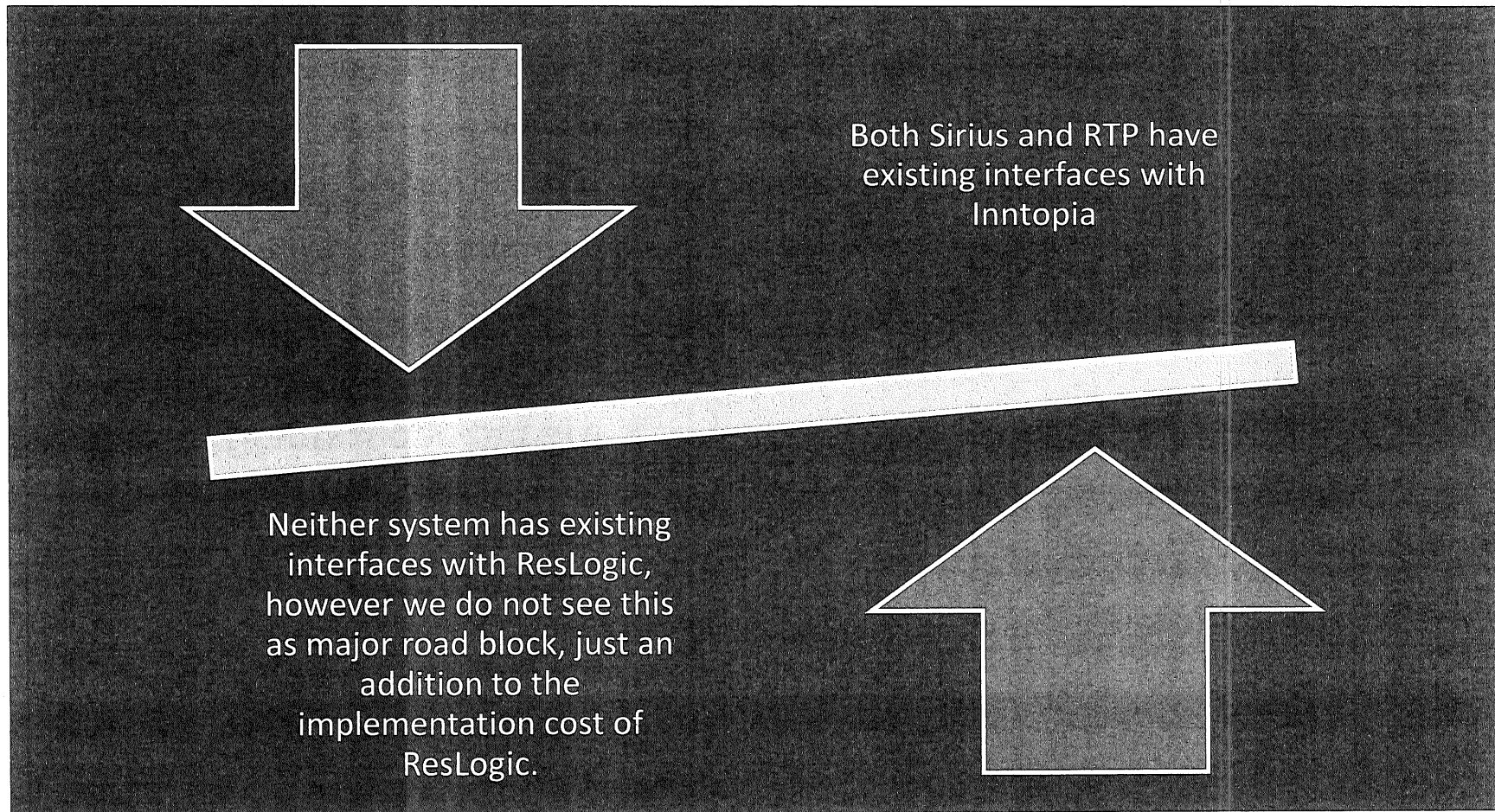
Note on POS System Pricing

Both service providers were willing to provide very rough estimates of the cost of a system for Giants Ridge but are just that, rough estimates.



Both Companies require a detailed sight assessment and requirements evaluation before providing fixed quotes which is beyond the scope of this study.

Central Reservations System Integration



Return on Investment from RFID Systems

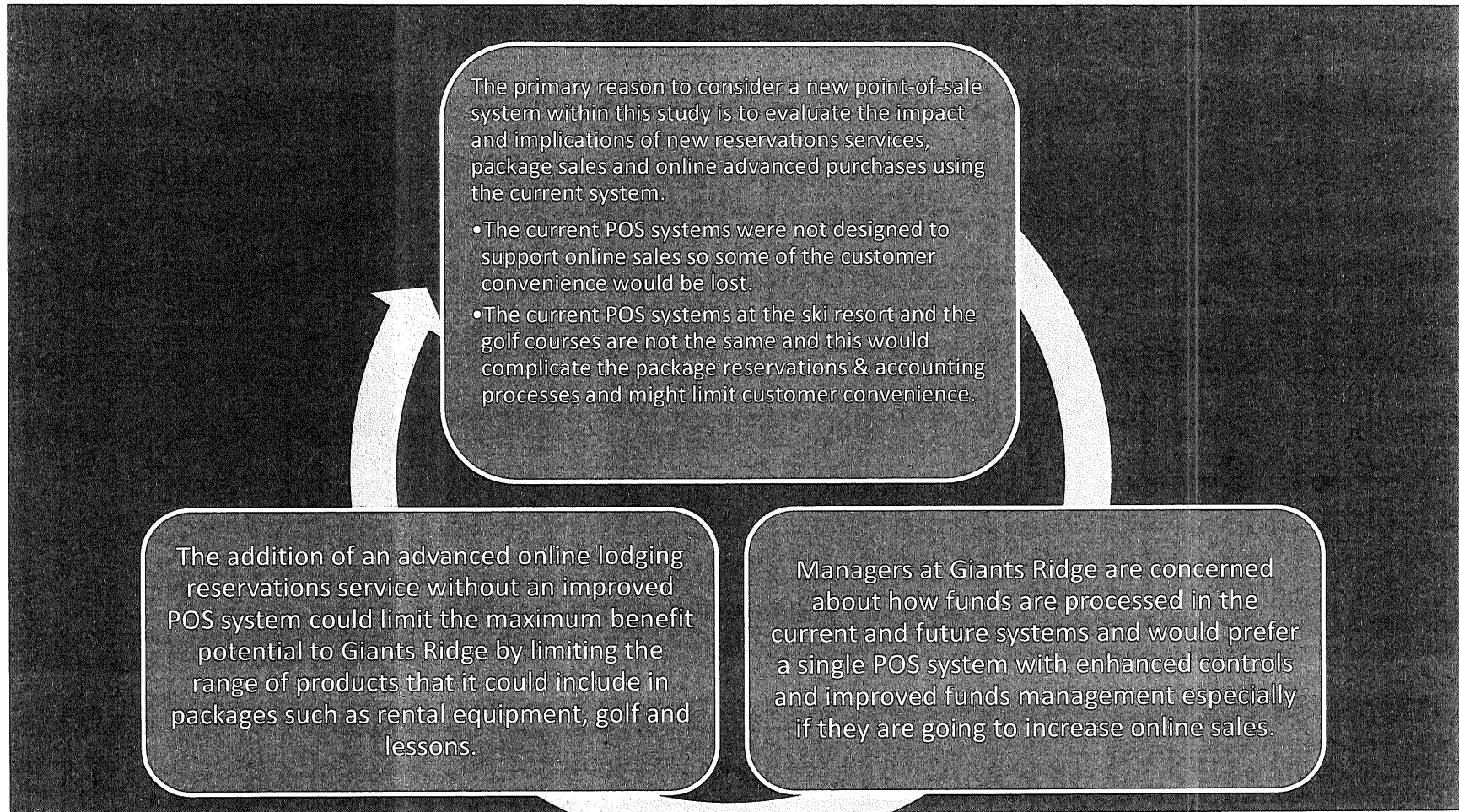
Returns on enterprise systems can come from numerous sources but the primary gains come from

- Increased online sales
- Increased customer data capture and resulting improvements in marketing effectiveness
- Improved sales from reduced wait times at busy sales points
- Improved back office efficiency

The two systems we are recommending also support RFID (radio frequency Identification) for lift access control which normally generates savings on staff at the lifts and fraud reduction.

We do not believe Giants Ridge has reached the size that would support the current cost of RFID, however as this technology becomes less expensive Giants Ridge would be in a position to take advantage of it.

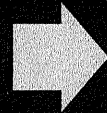
Point-of-Sale Systems, Central Reservations & Online Sales



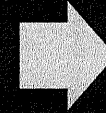
POS Return on Investment

A new POS system amortized over 3 years would have an annual cost of approximately \$60,000. To cover the cost, the full system would need to generate:

- 1500 more skier visits, an increase of 4%+- or...
- 1,000 more golf visits, an increase of 4%+- or...
- 300+- more season pass sales
- Or some combination of the three



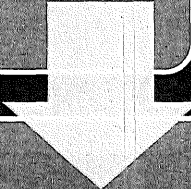
If 1/3 of the reservations booked via the central reservations/online package sales initiative were new incremental business, this goal would easily be achieved.



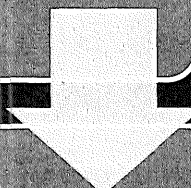
As of September 10, Giants Ridge is not selling season passes online, but all of its competitors are. Based on this consideration, it is highly likely that Giants Ridge will lose more than this investment in annual sales, if not now, in the future.

Conclusions on the POS system

While both systems have some unique strengths and weaknesses they are very similar and we were unable to determine a preference at this point in the process.



We believe both companies are very willing to negotiate at this time and that having the two providers bid against each other would yield some price reductions.

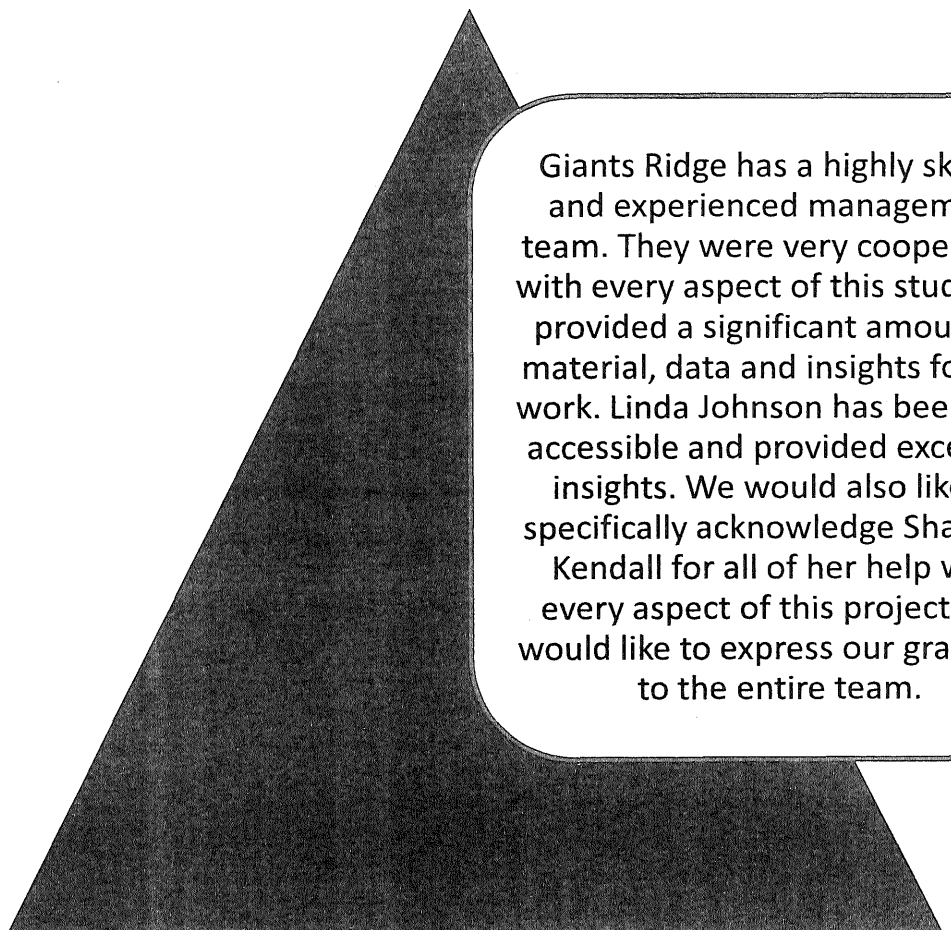


The final requirements assessments performed by the providers in the bidding process should produce a clear and easy choice for Giants Ridge between the two providers.

Final Comments

Given the fact that Giants Ridge does now own or operate any lodging, even though over 60% of its visitors require lodging, puts it in a unique and challenging situation. Giants Ridge is providing its visitors with access to lodging services via its toll-free number and the web site but the process is not user friendly and we believe results in lost opportunities given the results in our customer survey . Unfortunately, the expectation of the market is changing and what once was acceptable will not be so in the future. If not now, Giants Ridge will soon need to adopt the type changes we are recommending or we believe it will begin to lose market share at an accelerating rate. The costs and risks are not insignificant but they are reasonable for an operation the size of Giants Ridge. We also believe our recommendations will give Giants Ridge an opportunity to be the leader in the market if this new service is implemented soon. The strong past guest interest in improved reservations services also lead us to believe the proposed services will pay handsome returns and accelerate growth even in a weak economy if the tools are fully exercised and well managed.

Acknowledgements



Giants Ridge has a highly skilled and experienced management team. They were very cooperative with every aspect of this study and provided a significant amount of material, data and insights for this work. Linda Johnson has been very accessible and provided excellent insights. We would also like to specifically acknowledge Shannon Kendall for all of her help with every aspect of this project. We would like to express our gratitude to the entire team.