MiniHostels International Co.
The Business Plan
Mission & Vision

The name of the company, “Mini” Hostels was created based on the age-old concept that good things come in small packages. All hostels within the MiniHostels network are high quality facilities within safe locations. They are not big storage-room boarding houses, but rather quaint, custom-designed accommodations that offer a wide range of traveler services to a growing demographic.

Our mission is to provide hostels and travelers worldwide with outstanding service by facilitating the link between the provider and user. Our services will benefit our network of hostels/budget hotels by providing a branding and publicity platform, on-line reservation services and back-end I.T. systems that will enhance the overall performance of their operations.

Company Summary

MiniHostels was founded in May 2007. It is an offshore company in Panama with its principal office and owners located in Tel Aviv, Israel. In Israel our company is named Reservations International Holdings ltd.

Up until today, MiniHostels.com has been operating in South America and recently started its expansion into Central America, Europe and Asia. MiniHostels.com aspires to become a worldwide network of hostels and expand rapidly and efficiently into as many geographical areas as possible.


Ownership

The Current stock holding is the following:

CEO Liran Jakob – 58%
CMO Mor Halali – 30%
CFO Ofer Huberman – 8%
IT consultant: Lionite ltd 4%
MiniHostels has developed exceptional brand recognition by continuously increasing the number of hostels in our network, providing travelers with industry information and acting as a database of hostels for travelers.

MiniHostels’ proprietary technology (reservation system, booking widgets, back-end operations and web site developer) enables us to provide cutting edge marketing and expansion plans for our hostels while serving both MiniHostels affiliates and the entire budget-travel network, including 1 – 2 -3 star hotels, B&Bs, and Guest Houses.

Risk/Opportunity

The opportunities before us are significant; we have the opportunity to dominate a part of the low-cost accommodation web-reservation marketplace, and eventually become a major player in the industry. This is if we can maintain the rate and stability of our expansion together with the changes of technology and market place.

Achievements:

Product: 3300+ accommodations in our data base

- Owners of 400+ hotel/hostel web sites and 1000+ mini sites (sub domains)
- 31,000+ beds sold since August 2009
- Currently averaging 800+ monthly reservations for accommodations mainly in Latin America.
- 100+ affiliated web sites that gives online reservation service through our proprietary technology.
- Current organic traffic 55,000+ unique visitors per month.

MiniHostels’ main source of revenue is from our proprietary reservation system and our third party proprietary widgets. Affiliated hostels within the MiniHostels network supply availability for www.minihostels.com and all third party widget affiliates (third party websites that utilize one of our custom built booking widgets).
In addition, our White Label widget option allows for third party sites to include accommodations that may or may not be affiliated with MiniHostels. Without losing focus on MH affiliated hostels and the MH niche business model, MiniHostels will generate an exponential amount of revenue from third party reservations and partner sites owned by or partnered with MiniHostels Int. Corp.

**Capital Requirements**

We seek 300,000 USD of additional funds which will enable us to expand faster and more efficiently into new locations. Investment will be in the form of milestones:

- **2011** - 50,000 USD
- **2012** - 150,000 USD
- **2013** - 100,000 USD

In addition, the upcoming investment will allow MiniHostels to start a more aggressive web-advertising campaign, which will directly influence the number of reservations made therefore earnings. This exciting opportunity will allow MiniHostels to increase its span of worldly control over the market. 10,000 USD will be either traded for each 1% of the company’s common shares or 20,000 USD for 1% of preferred shares - these are shares with special holding assuring the holder to be the first one to be paid to including the return on the initial investment.

**V. Growth and Expansion Strategies**

The next phase of future growth and expansion for MiniHostels focuses on four major areas:

- Expansion of MH network and into third party sites.
- Increase web site and reservation usage.
- Widget Expansion Program
- Mini Site program.
- Geographic (Europe/Asia-Pacific) expansion.
Services

MiniHostels provides a variety of services to hostels, travelers and related businesses:

Hostel Owners

- Publicity – Hostels are advertised on www.minihostels.com and/or the miniMH sites (this will be explained later on).
- Online Booking Engine–Web-development - MiniHostels offers a new service, which includes constructing websites for hostels.
- 3rd party hosting/ domain purchase – These services will be free of charge for the hostel. All websites will be SEO (Search Engine Optimization) friendly and linked directly to minihostels.com. This new strategy will eventually lead to greater SEO and assure “hostel loyalty” to our network.

Travelers

- Free Reservations Quality hostels – Easy-to-use hostel search engine where they know they can find quality accommodation and compare prices.
- Online Booking –MH integrates its new reservation system allowing travelers to book immediately and not have to wait for the hostel’s response.
- Information – MiniHostels provides travelers with reports about cities and relevant information. For example: the “Quick Facts” section in each city page gives important touristic information such as attractions, electricity, population, and more.
- Quality – MiniHostels upcoming review system promises the traveler a safe and a reviewed place recommended by MiniHostels and their peers. MiniHostels carefully select its affiliates assuring that the networks quality stands above and beyond the competition.
- Community - Our members can find partners and get tips about the places of interest through our Open Traveler's Forum, currently in construction.

Businesses

- MiniHostels offers hostel-related businesses opportunities for online and offline publicity.
Fulfillment

The MiniHostels team today is comprised out of two sections: Operational and web development.

1. Operational – This form of marketing has served the company between 2007-2009 → calling, mailing, visiting hostels, distributing cards and graphic material, writing articles, translating, writing blogs and content are all part of the operational part. These tasks were performed by the team working in the MH office providing services to businesses all over South America.

2. 2009-2011 Online company.

Technology and Web Development

It is crucial for our success that minihostels.com and its affiliated sites will be as user friendly as possible. It is crucial that the proper amount of time, thought and money be allocated to maintaining the latest technological developments. This will insure minihostels.com users both comfort and speed during their surf.

Market Overview

The Hostel-Market has over 30,000 properties in 160 countries worldwide in 5700 cities and towns. Many of these hostels do not have their own website or online reservation system. The low-cost accommodation web reservation industry is comprised of over 100,000 beds booked everyday summing up to approximately 36,000,000 bookings per year.

Budget traveling consists of different types of accommodations, which include: Hostels, B&Bs, Budget hotels and Guesthouses. Youth and Student Budget Travel (YSBT) today represent about 25% of all travelers.

Market Opportunities

- Statistics show that travelers are becoming increasignly more comfortable with internet bookings - Use of the internet for online bookings as opposed to simply 'looking' (gathering information prior to booking a trip) – increased by 15% in 2007, following rises of 16%,
35% and 39% rise in the three previous years.

- Growing competition between hostels fuels hostel owners to find a way to assure occupancy.
- More people come to travel sites from search engines than in other industries, so search engine marketing is more important for the travel category.
- Growth in international tourism, and overnights.
- Predictable change in travel paths and trends.
- No hostel-networks exist currently that provide frequent personalized attention to its affiliates.
- Given the current financial crisis flight prices have been dropping due to the fall of oil prices.
- More families use hostels.
- 70% of all hostels are planning to increase capacity.
- Travelers become search more for reviews and price comparisons.
- More travelers might result to low-budget accommodations.

Source: STAY WYSE 2008
• Upcoming trends of sharing, gathering, and socializing using: blogs, forums & social networks. These are all highly efficient new marketing tools.

Market Threats

• Growing competition between hostel networks and booking agents.
• The financial instability might cause a temporary general reduction in tourism due lower disposable incomes.
• About the Competition

The two biggest players in the market are World Reservation International - WRI (www.hostelworld.com, www.hostels.com...) and Hostelbookers.com and Booking.com A 4th major competitors HI/IYHF (as a member-hostel network). is another booking site, which gets a great deal of traffic and reservations. Some other, not as major as the previous booking sites are: Gomio.com, and hostelseurope.com

IYHF (International Youth Hostelling Federation)

A major part of the IYHF is the EUFED (European Union Federation of Youth Hostel Associations). This federation only, has 23 million overnights in hostels in the EU (according to the Toledo Declaration), 2.8 million members.

Ownership Structure
There are two types of HI relationships with countries.

Full Member Countries
Print out their own membership cards (just like a the federal bank is given the power by the Government to print money). The HI federation does not control these countries and their hostels; however, these hostels must fulfill the basic YHA requisites. These member hostels pay a certain affiliation fee to stay in the HI network. In addition, some countries have their own individual HI organizations and can print national cards.

Partial member countries
Hostels buy the HI cards from the association and then sell them. The cards

www.minihostels.com
bought are counted as an affiliation fee.

Strengths

- HI hostels have a strong brand name.
- High traffic.
- Experience – 80+ year-old organizations.
- HI Hostels tend to have higher occupancy rates than other hostels.

Weaknesses

- Conflicts and lack of cooperation exist between many HI hostels because of the decentralization of its management.
- Competition exists between different countries and different HI organizations.
- Lack of quality control due to decentralized management.
- HI hostels are not contacted on a regular basis to insure card sales.
- HI does not market their membership card aggressively.

WRI (Web Reservation International)

WRI is a web reservation service provider. It offers accommodations the opportunity to book online. WRI affiliate partners include Ryanair.com, AirAsia.com, Kayak.com, Letsgo.com and Lonelyplanet.com.

WRI licenses their technology to over 9000 hostels, budget hotels and to over 1000 affiliate travel websites including Ryanair.com, Student Universe, Rail Europe, Kasbah, AirAsia.com and Letsgo.com.

Ownership Structure – WRI is privately held and headquartered in Dublin, Ireland, with offices in Sydney, Australia, San Mateo, California and Shanghai, China.

WRI charges 10% of any reservation made.

In addition, WRI charges a 2 U$ reservation fee from each booking.

Strengths

- Biggest player in the market with 50,000 accommodations online.
- Big team of workers that research and find new hostels and business that may need a reservation service.
- Dominates search engines by purchasing strategic domains and uses Google Adwords.
- Provides information and travel guides for many destinations.

Weaknesses

- Double Bookings- causes frustration for hostel owners and travelers.
- Biased review system – easy to manipulate.

Hostelbookers.com

Different from hostelworld.com, hostelbookers.com does not charge a reservation fee but does charge 10% from each booking. It has about 10,000 hostels in 2,500 locations. Hostelbookers shares the strengths and weaknesses of HostelWorld and practices an aggressive SEM (search engine marketing) strategy.

Entrance and reservation numbers in 2008

<table>
<thead>
<tr>
<th>Site</th>
<th>Entrances Per Month</th>
<th>Reservations Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>hostelworld.com:</td>
<td>1,158,100</td>
<td>250,000</td>
</tr>
<tr>
<td>hihostels.com</td>
<td>298,800</td>
<td>64,500</td>
</tr>
<tr>
<td>hostelbookers.com</td>
<td>697,300</td>
<td>150,500</td>
</tr>
</tbody>
</table>

(25th Aug- 25th Sep)
Customer review hostels and classify them by types: party hostel, quite, for couples...

Hostels depend on customer feedback to stay in our network. Our 3 sided review system (percentages, hostel type, and written reviews) assure the traveler the best fit.
• Personal attention to hostel owners. *see marketing strategies.

• MH users have the freedom to contact hostels directly. – Both the hostels webpage and telephone are mentioned on minihostels.com.

• Fresh looking web site – web 2.0 design is more user-friendly than ever.

• Unique branding – stickers, fliers, T-shirts, MH signs...
• Real translations throughout the site – MiniHostels aims to translate all content to as many different languages as possible.

• MH offers promotions to hostel employees to encourage sales. * See promo page: http://www.minihostels.com/home/promo-vendedores.html

• MH offers a credit system – we ensure that hostels will receive payment in case the traveler does not show up.

• MH provides hostels with promotional materials.

• MH offers web solutions, website creation, and web administration to its hostels.

• MH card is valid for 2 years.

• MH card is less expensive than HI card.

• As we grow, the MH card is being accepted in more and more businesses.

• MH has the power to slowly compete with WRI Google campaigns. Hostel lists in MH 2.0 are sorted based on travelers’ rating and reviews.

• MH has centralized control as opposed to IYHF, which is divided into many organizations.

• Aggressive, innovative marketing on

• Mini MH web sites – Currently own 460 domains. These are domains owned by MiniHostels and linked to MiniHostels.com in order to increase traffic and optimize SEO. These domains mostly have a searchable name like “salta-hostels.com” meaning that once someone looks for “hostels in Salta” our probability to come out in the first page in search engines is raising. The hosts listed on these sites are not necessarily MH members and pay a separate yearly fee to be on these sites. Most of the MiniMH sites are mentioned on the list to the right.
• Web-development - MiniHostels offers a new service, which includes constructing websites for hostels.

Sources

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