

SUMMARY OF THE PROJECT IN DESIGN * (*)

AYENDA: Digitalizing independent hotels and democratizing quality hospitality in the context of the pandemic recovery

PITCH ELIGIBILITY DATE		COUNTRY(IES)
06/02/2021		Colombia; México; Peru
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
Ayenda SAS		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
C (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 10,000,000	US 2,000,000	US 8,000,000
DESCRIPTION		

The problem: Over 70% of hotels in Latin America and the Caribbean are independently owned, mostly being “mom and pop” SMEs[1]. This segment represents a total addressable market close to USD 20B. According to Ayenda, the breakdown in the region is the following:

As the hospitality industry continues to consolidate (i.e., Marriott/Starwood, Accor/Fairmont, InterContinental/Kimpton), the large hospitality conglomerates are developing strong operational and distribution synergies that further strengthen their competitive advantages relative to independent operators. This puts increased pressure on the **highly fragmented lodging sector in LAC**, as **independent hotels face challenges** to generate top-line revenues (i.e., generate occupancy), as well as operational efficiencies (i.e., better margins as a result of a lack of brand-mandated operational standards). Home-sharing alternatives such as Airbnb have also added competitive pressure.

This **competitive gap** has been **especially prevalent during the Covid-19 pandemic**, as many **hotels struggled to remain open** amid government-mandated lockdowns and massive reductions in travel demand. Smith Travel Research[3] estimates that Revenue per Available Room for the Caribbean, Central and South America declined 51%, 53% and 64% year-over-year as of December 2020.

In a fragmented hotel industry, **customers are left with a lack of reliable/trusted information** to make selections and with widely inconsistent experiences. These market inefficiencies are even more present in the **economy/budget segment**

The low-income traveler suffers the consequences of independent hotels not being able to afford consistent upkeep and renovations or enough personnel.

Technology, a big enabler of efficiency and value creation, is deficient and insufficient mostly in the above-mentioned segment. Unfortunately, technology is typically seen as an expensive cost, rather than an investment. These challenges are resulting in hotels reassessing their future and contemplating affiliating their hotels with regional and international brands to get better exposure to distribution channels and access to technology and other operating standards.

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**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

However, **small “mom and pop” independent hotels do not represent an attractive value proposition for established operators**, as their size and positioning result in reduced top line revenues, thereby representing reduced fees for the brands. Independent hotels also struggle to affiliate with brands due to the **high conversion costs, additional training to meet brand standards, and the high costs of affiliation**.

The solution: Ayenda (the “Company”), a Colombian start-up, builds upon this proven business model and targets economy hotels (i.e., two/three stars) that serve mainly travelers on a reduced budget (self-employed, salesmen, technicians, etc.). These budget travelers seek accommodations with average rates of approximately USD 18 in Colombia, USD 25 in Mexico and USD 30 in Peru. At present, these independent hotels rely mostly on walk-in and word-of-mouth demand, as they have no in-place staff to support marketing efforts. In addition, their online presence is limited to the efforts of online travel agents (OTAs) such as Expedia, Booking, etc., which also comes with high commission rates of over 20% of revenues.

Ayenda provides access to its online distributions system, optimization of operations, and support from a professional back-office to help hotels to institutionalize the business. The solution from the Ayenda ecosystem is based on two elements that combine expert personnel and technology.

Ayenda provides distribution and revenue management support, in addition to day-to-day operational support through its property management software. Ayenda assists hotels with the following:

- Distribution technology: Ayenda connects with major OTAs and provides content optimization on meta-searches and review platforms to attract reservations to the hotels. Once a hotel is on Ayenda’s platform, the latter takes control of the hotel’s OTAs accounts.
- Direct sales channel: Guests can book reservations through the Ayenda app and the 24 hours, 7 days a week bilingual call center. Ayenda also features account managers focused on signing high-volume corporate accounts. As of today, over 4,000 companies have signed up as corporate accounts (i.e., SME with technicians that repair industrial fridges in grocery stores). In parallel, Ayenda is working proactively in converting its walk-in clientele into an exclusive Ayenda platform user or “Ayender” by offering incentives such as discounts and special offers to new members.
- Dynamic pricing: Ayenda supports its hotels with revenue management to adjust room rates to optimize the balance between price and demand for each hotel, thereby maximizing revenues.
- Real-time in-depth analytics and data support for each hotel.

These actions ultimately impact the cash flow generation and management of the hotel, thereby improving the finances of lodging SMEs.

On the operational side, Ayenda works with owners to perform a soft re-brand of the hotel and to standardize the rooms and public spaces to meet Ayenda’s standards. The Company has two teams (Hotel Success Team and Quality Team) in every city where the platform is available, who are dedicated to training and supporting the hotel’s employees. Operating manuals and procedures are implemented with the support of Ayenda.

Another key benefit of the Ayenda platform is that every hotel in the network has to use an electronic billing system, which helps not only Ayenda and the hotels, but also the region in general, as it is an important step towards institutionalizing the lodging business model.

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In terms of traction, Ayenda has signed a total of 220 hotels as of March 2021, adding to more than 6,000 rooms in 18 cities in Colombia and Peru. Ayenda is the largest hotel chain in Colombia by number of properties and rooms. The Company will be launching its operations in the Mexican market soon.

The beneficiaries: There are three main groups of beneficiaries: independent hotel owners, lower income travelers/guests, and hotel employees. According to Ayenda, it has been able to generate **an increase of up to 50% in revenue per available room and 60% in occupancy** within the first 6 months after a hotel joins the network. These aspects of the Company would also be more deeply analyzed as part of the Due Diligence.

With Ayenda's broad supply of independent hotels (and cultivation of customer loyalty through app), **low-income travelers** will be able to benefit from better accommodations and more consistent, quality services. Ayenda provides a one-stop shop (app) with a portfolio of **affordable hotels**, loyalty rewards and tailored suggestions based on real-time analytics and reporting. The slow adoption of technologies by these hotels directly affects their financial performance, and consequently the **quality of the services** provided to the guests. **Empowering the digitalization** of these **hospitality SMEs**, will thus **unlock better services to the blue-collar guests**. To implement the changes needed to optimize the operation of these hotels, Ayenda works very closely with the **hotel's employees**. According to the Company, **more than 90%** of these employees are **women**. Ayenda has developed **trainings** for hotel's employees (reception personnel, cleaning and maintenance personnel, etc.) in different operational areas.

The partner: The start-up was **founded in 2017**. To date, **Ayenda has raised over US\$10 million** from blue chip investors.

The IDB Lab's contribution: The present round the financing will be structured as a SAFE. The investment made by IDB Lab would ascend to USD2M Equity.

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