

stay22
the case



Background

When planning for a trip to an event in United States, Andrew Lockhead and Hamed Al-Khabaz found that finding accommodations close to the venue is much more difficult than one would anticipate. Trying to compare multiple hotels with different prices based different platforms can become frustrating very quickly. This struggle sparked an idea, and after months of hard work the two entrepreneurs founded Stay22 in 2016. This Montreal-based startup offers event-goers a solid platform that will ease the process of booking accommodation around the world.

Stay22's growth truly began in April of 2017 when they entered Founder Fuel, a Montreal-based start-up accelerator. During these three months they moved into their first office space, expanded their employee base and benefitted from the input of various mentors. At the end of the program, Stay22 participated in Canada's largest Demo Day, which helped them to gain key investors who would help the company's expansion.

After their time with Founder Fuel, Stay22 moved to the Tourism Startup Incubator, MTLab. Here, the team acquired new talents such as developers eager to improve the core product as well as expand on more user-friendly peripherals, and salespeople to reach out to the big names of the industry. Within a few months, Stay22 partnered with AirBnb in 2017, along with onboarding more festivals, events-aggregators, ticketing platforms, and smaller individual events.



In essence, Stay22 is a B2B2C company generating customized embeddable interactive maps displaying every type of accommodation—from student lodges to luxury hotels and Airbnbs near specific locations (like concert venues). Clients including event organizers and ticketing companies fill out a form on Stay22's website with the event's details. The company then provides them with their embeddable map which the client can immediately insert into their website, application, or email. After a customer (or end-user) purchases a ticket to the client's event, they will receive a suggestion to book accommodations close to their event using Stay22's map. The process of generating the lines of code for the customized map takes two to three minutes.

The Maps

Stay22's differentiating product is their customized maps. These maps display all different types of accommodation close to a specific venue at the lowest prices available. This allows the consumer to compare options directly, without having to check multiple platforms for the best price for each accommodation option. Constantly gaining partnerships with hoteliers and accommodation listing platforms, combined with their existing partnerships, allows Stay22 to provide the lowest price possible for each option through aggregation. The maps are also fully customizable, meaning that partners can choose to add points-of-interest such as restaurants and bars, as this may affect where their guests choose to stay. Stay22 also offers several other features to facilitate an optimized booking experience; for example, other than the price of lodging, users can find the type of accommodation, how far it is from the event in both distance and walking time, geographical landmarks, and tourist-recommended destinations. Users can also filter listings based on room type, price, stars, and guest reviews and they may also specify their stay duration and number of guests.

The biggest advantage that Stay22 has is its ability to display both Airbnb and hotel listings on the same map. This feature is due to the exclusivity contract cementing the partnership between the two companies. Stay22 is the only company in the world which can display Airbnb listings on the same map as other types of listings on event pages. As a direct result of this exclusivity, Stay22 has gained hundreds of new partners, and as an indirect result, countless more bookings. In fact, by the end of 2018, approximately 30-35% of all bookings made through Stay22 maps were Airbnb listings. Going forward, Stay22 would like to capitalize on their monopoly in the event industry--an advantage attributed to their exclusivity contract.

Partnership Agreements

To date, Stay22 has partnered with accommodation aggregators Airbnb, TravelPort, HotelPlanner, and Hotels Combined. For every accommodation transaction, Stay22 receives a very small commission from the accommodation partner. This commission is then split between the startup and the business partner. What the business partner receives is called the kickback. Since they guarantee the lowest prices of lodging, Stay22 receives part of what the customer pays, and prices for the customer are not raised. In the future, Stay22 aims to increase their commission percentage.

Stay22 currently serves clients from around the world, in a variety of industries. While they initially began by targeting individual events, they have switched their focus towards mainly working with large-scale ticketing services. This ensures a larger quantity of consistent bookings. Ticketek, a high volume ticketing company in Australia, is one of Stay22's largest customers, accounting for approximately 20–35% of their monthly bookings. They are also looking to pursue a partnership with big ticketing companies like Ticketmaster and Stubhub to better penetrate the North American market. While Stay22 realizes the great value that comes from such high-profile clients in the ticketing world, they foresee that they will reach most of these clients in the near future. In order to ensure continued growth, they are looking to expand their range to different types of clients. They have investigated getting into business with flight aggregators and are currently exploring a partnership with Kiwi.com. They have also explored other travel options such as train or bus companies.



Stay22's partnership agreement is unique in that there is absolutely no cost for their partners, providing their end users the convenience of booking either hotels or Airbnbs through a single platform. Anyone who is hosting an event can use the system to create a custom map through the Stay22 system. This will entitle them to a financial kickback from any bookings made from their webpage, and they can immediately receive financial compensation.

One struggle Stay22 faces is how to attract new partners. While the sales team is dedicated to reaching out to new partners, the company is interested in exploring an inbound strategy as well. To pursue this, they started to use Google Ads; however, this approach has proved to be expensive. Strategically placing ads to lead to pricier events has led to an increase in revenues with a less than proportional increase in bookings. The company is looking to explore how else they can attract new partners without actively seeking them out.



Competition and Market View

Stay22 is also interesting in the fact that their competitors are their accommodation partners. While companies like Curadora or and HotelMap offer similar products, Stay22 is currently the only one to offer this level of customized service and the only one to include Airbnb listings. This means that they are really only competing with the hotel providers and Airbnbs with which they have commission agreements. Stay22's main struggle is remaining competitive enough to ensure that their accommodation partners, especially Airbnb, will continue to work with them in their commission agreements. Currently Stay22 achieves a 6.8% conversion rate on each booking, higher than the industry average of 2.4%

Another potential source of competition could spring from partnership agreements between Ticketmaster and other hotel aggregators. These include one with Priceline.com which was established in 2009. This partnership makes Priceline.com the Official Travel Sponsor of Ticketmaster. As a result, customers who purchase tickets off of Ticketmaster will receive emails from Priceline.com or one of their brands in order to offer them personalized deals on travel. Ticketmaster also currently has a brand agreement with Hotels.com which is a part of the Expedia Group. These types of partnerships act as a threat to Stay22 since the startup simply does not have the capital to win upfront bids. If the company could find a competitive edge to help them win such contracts, it would be a great benefit, especially considering that partnering with Ticketmaster is a key expansion goal for Stay22.

Organizational Issues

Having few employees is common amongst many startups and a key feature of startup culture. Stay22 currently has 12 employees, split across sales, development, and administration. Although a small team can result in greater collaboration and improved communication, some challenges may arise when startups experience growth over time (in terms of both number of employees and the company vision). As Stay22 expands their operations to more clients, they face an increasing need for more employees, especially those with more experience.

To attract top talent, Stay22 has engaged with headhunters and sponsored local university case competitions; however, they were met with varying success. With headhunters, they found it difficult to attract candidates of no previous relation to the company with a non-competitive salary. The company found some success with sponsoring case competitions, hiring two new employees last year from a Montreal university. Where they found the most success in expanding their team was through their network. Many of the firm's current employees had some relation with the firm before they started. Hiring through their network brought many benefits: they could transition easier into the team, show more perseverance against the struggles of an expanding startup, and be more invested in the company's success. While this practice may seem advantageous, Stay22 realizes that their level of growth cannot be sustainable with a work-force comprised almost solely of their connections. The firm is interested in pursuing a variety of talent recruitment strategies, with the main focus of finding new employees with positive attitudes and resilient mindsets.

With an expanding company, dissonance can also arise from the sales' team direction, the clients' requests, and the development team's capacity to build on time. This challenge may be attributed to the shift from serving individual specific events to handling large international ticketing platforms. For example, although the sales team is effective at acquiring new customers, they are forced to learn a range of specific knowledge for a diverse client base as their target markets branches out into new sectors. Since the team are obligated to devote more resources to sign potential clients, the sales cycle lengthens and slows the quantity of sales, although each new client brought in increases in expected revenue.

As with any startup, what Stay22 needs is a diverse team that is dedicated, motivated, and qualified, willing not only to embrace but also to initiate change. As resources are distributed across more functions, Stay22 is experiencing a strain on their human capital. Despite this issue, the Montreal-based pioneer in the event services industry is continuing its track record of success and growth.

Growth and International Expansion

Stay22's main consumer demographics are those aged 18 to 35, what many would refer to as millennials. However, the company did not deliberately target this market as part of their strategy as they are primarily a B2B2C company. As for their target business clients, most are situated in the United States. As demonstrated in Figure 1, 43.54% (10830) of customers who book a listing using the Stay22 map are from the United States, followed by 19.07% (4746) from Australia and 7.66% (1905) from Canada. What prompted them to enter the American market was its attractive business environment and strong currency. Part of the company's strategy is to follow strong and well-performing currencies around the world, thereby increasing their revenues. Considering the trends of the foreign exchange market has generally led them to success, expanding their services to businesses located in Australia, Europe and UK.



In the past, executives from Stay22 have travelled to conferences and pitch competitions as far as Madrid, Spain to increase the startup's exposure. In doing so, they hope to raise awareness of the company and potentially meet new talent and clients. After a web summit in Lisbon, Simon learned that working with trade commissioner could be helpful. Stay22 is currently working with one in the United Kingdom and another one in Spain and Portugal.

A huge success for the company would be to enter into partnership with companies that already have venues. This segment presents an expansive opportunity, similar to the way ticketing platforms provide continuous revenues. The expected profits derived from these projects are much more financially attractive than those of individual event clients. Stay22's goal is not necessarily to move away from serving individual events and solely working with ticketing platforms and venues; they aim to find new auspicious and profitable segments to incorporate into their set of diverse business partners.

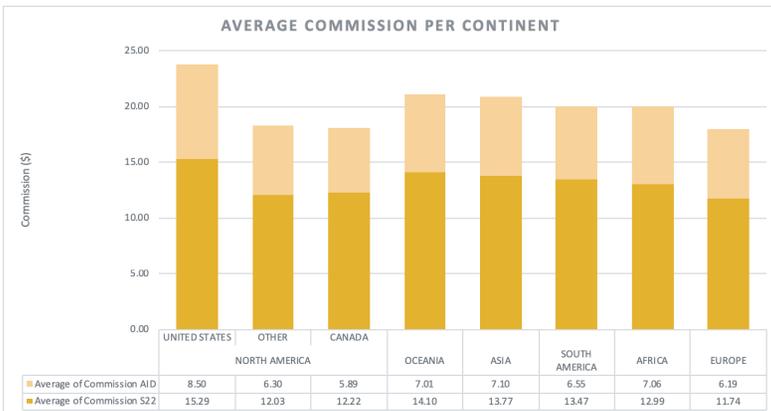
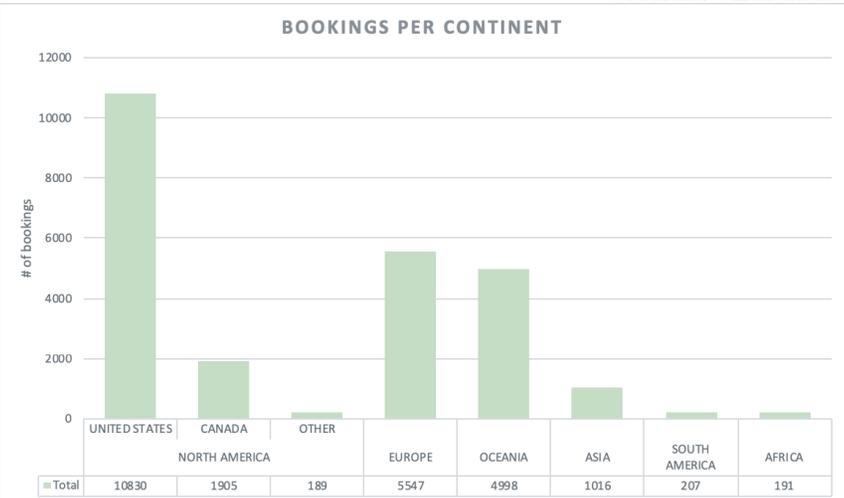
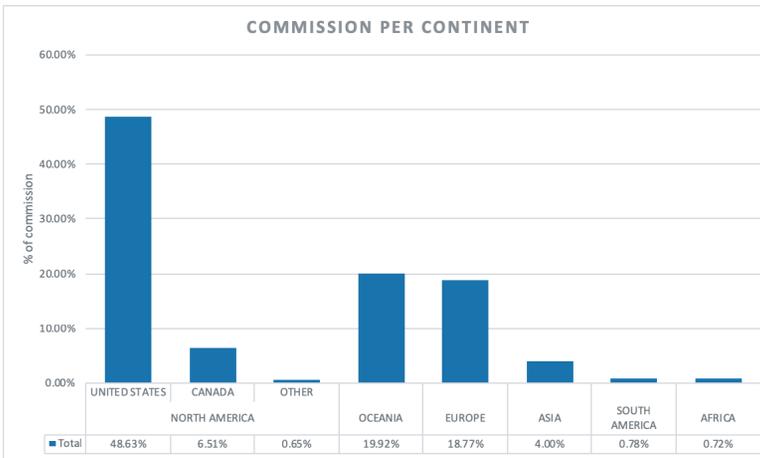
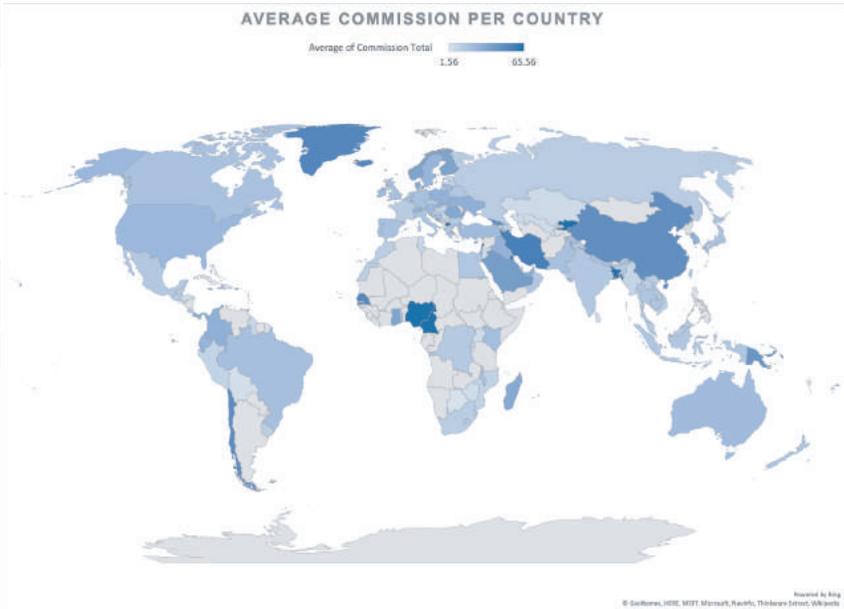
Stay22 is also interested in building their social media presence to improve their brand notoriety. They attend many conferences and participate in competitions, but much of their success has gone unshared on their existing social media platforms. This inactivity can be attributed to the fact that they focus mainly on working with other businesses, and social media engagement is not the most intuitive marketing strategy.

Conclusion

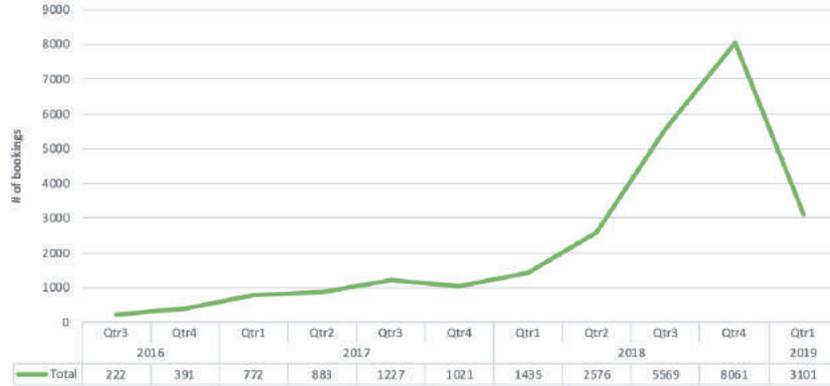
Stay22 is a dynamic company with an innovative product and business model. Like most startups, their main struggles can be attributed to their accelerated growth. As the company continues to expand and reach new levels of revenue, they will also face obstacles with keeping up. The main question on their minds is: where do they go from here? Moving forward, Stay22 must consider how their organizational structure, marketing strategy and target industry for partnerships can be adapted to fit their new needs. How can they recruit new talent to keep up with customer demands? What is the best way to market their product in order to gain new partners and accommodation partners? How can they better leverage their services to gain more revenue? Once they reach most major ticketing companies, which industry should they attack next? What are the next steps they should take to ensure they continue their growth in the years to come?

Appendix

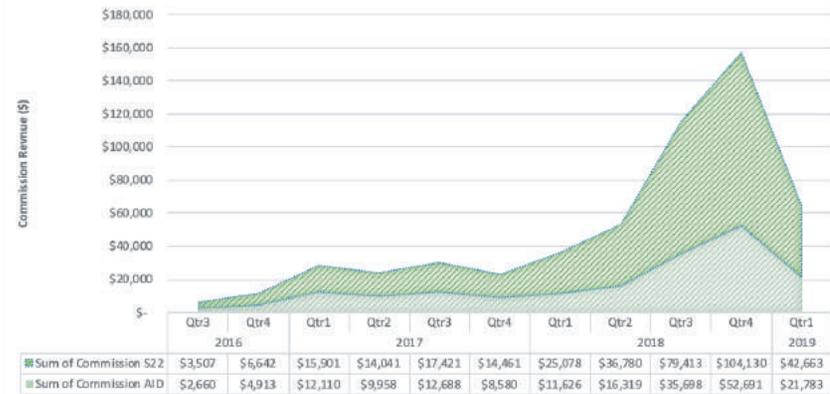
Provider	Count	Percentage
hotelscombined	16537	65.48%
airbnb	8383	33.19%
hotelplanner	336	1.33%
Grand Total	25256	100.00%



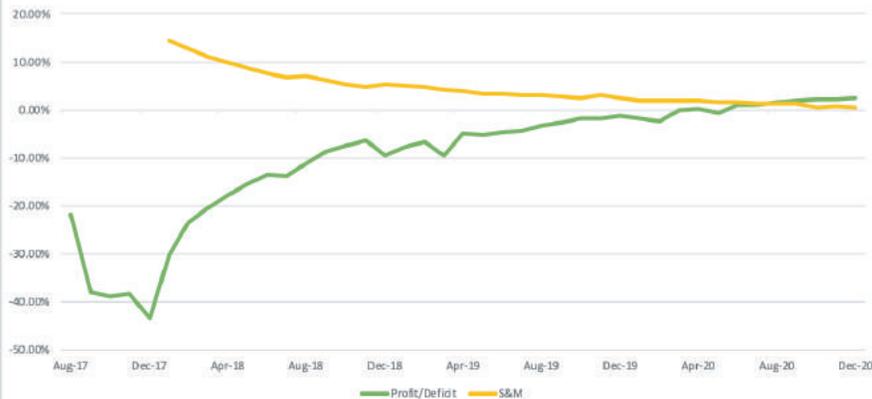
QUARTERLY NUMBER OF BOOKINGS



QUARTERLY COMMISSION REVENUE



PROFIT MARGINS AND S&M OF EXPENSES



Expense allocation	Q1	Q2	Q3	Q4
Sales and marketing	47.44%	49.20%	48.14%	46.24%
Tech and operations	43.99%	44.21%	39.22%	35.24%
Office expenses	8.57%	6.59%	12.64%	18.51%

*data from 01-01-2018 to 12-31-2018 inclusive

GROSS MARGINS



Definitions

Accommodations Partners

Hotels, hotel aggregators, and Airbnbs; businesses who supply accommodation listings or aggregate listings.

B2B

Business to business

B2C

Business to consumers

Client

Business partners whose customers are Stay22's end-users and who include the Stay22 map on their platform.

Commission

A percentage of the total booking cost paid by the end-user. The accommodation partner pays this percentage to Stay22.

End-user

The person booking the accommodation using Stay22's map.

Kickback

The portion of their commission that Stay22 pays to their partners for featuring the maps on their websites.

Partners

see: Client

S&M

Sales and Marketing

