

# Hotel Marketing Strategy

## ■ Problem

- Hotel Co. owns two resorts in Southern Florida (Miami & Fort Lauderdale) with 1200 total rooms.
- A study has shown that customers are prone to avoid vacation destinations if they perceive the possibility of consistent rain during their vacation

## ■ Strategy

- Increase advanced booking rates for south Florida destinations versus other vacation destinations
- Offer customers a refund for days when it rains for three days consecutively

# Precipitation Event Hedge

- Weather Index: Precipitation
- Location: 50% Miami & 50% For Lauderdale
- Term: Nov '02 – Mar '03
- Strike: 1/10" of rain for 3 consecutive days
- Limit: 10 occurrences
- Tick: \$1,200,000
- Premium: \$2 million (or \$4.50/rm)

# Precipitation Payout Chart

