

**A WORK PROJECT, PRESENTED AS PART OF THE REQUIREMENTS FOR THE AWARD OF A MASTER'S DEGREE IN
MANAGEMENT FROM NOVA SCHOOL OF BUSINESS AND ECONOMICS FROM UNIVERSIDADE NOVA DE
LISBOA.**

NEWHOTEL SOFTWARE'S INTERNATIONALIZATION STRATEGY TO ARGENTINA

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**A PROJECT CARRIED OUT ON THE FIELD LAB OF SMALL AND MEDIUM ENTERPRISES COMPETITIVENESS:
INTERNATIONALIZATION STRATEGY, UNDER THE SUPERVISION OF:
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6 OF JANUARY OF 2012

Index

Executive Summary	1
Methodology	2
Description of the Firm.....	2
Overview of the Firm	2
Perspective on Business Mission and Strategic Objectives	3
Products & Services	3
Target Market	5
Revenue Model	6
Distribution Channels	7
Cost Structure.....	7
Organizational Structure.....	8
The Hotel Management Solutions Industry.....	8
Porter's 5 Forces Analysis.....	8
Industry Mapping	9
Competitive Assessment.....	11
Competitive Advantage	12
The Argentinean Market	14
Country Overview	14
The Travel & Tourism Industry	16
The Hotel Industry	17
Strategy for NHS	18
Marketing Mix – The 4 P's	18
Internationalization Process.....	19
Mode of Entry	19
Implementation Plan – The 4 M's	20
Risk Analysis & Contingencies	24
Conclusions & Recommendations	25
Bibliography	26
Endnotes	26
Reports & Books.....	27
Reference Sites	28
Exhibits	30
Glossary.....	57

Executive Summary

Newhotel Software is an IT company that develops software solutions mainly for the hotel industry. It was founded in Portugal and is now present in 26 different countries with 6 offices. Its software is developed from the ground up, providing key operational efficiencies that allows the firm to fully integrate, adapt and customize its products to its clients' needs. It also provides technical support with services such as maintenance and a help desk structure to ensure the satisfaction of its customers which correspond to 4 and 5 star hotels capable of yielding complex business practices. The company also has a wide portfolio of software capable of serving other players in the hospitality industry.

Currently, the firm is planning to further develop their internationalization strategy by targeting additional countries. In this regard, Argentina proved to be a market with a significant size and an outstanding future growth prospect. At the same time, the government is also investing heavily the international trade promoting the abolition of structural barriers and is investing in the software industry providing fiscal and legal benefits to companies all the while conferring national treatment to foreign investors.

From the analysis of the market and the company itself, it was proposed that the course of action to be taken in this market was to begin with a low level commitment strategy and increasingly build to a higher level of commitment translating into the recruitment of a sales team by 2013 and the establishment of an office by 2014.

Throughout the project, several recommendations were made to a few of the most underdeveloped operations of the company, more specifically, its marketing activities as it was established through an industry analysis that brand awareness was one of the key success factors and the least sought out by the firm. This project aims to help and provide a clear picture of what to expect if the firm chooses to enter in Argentina.

Keywords: *Internationalization, Argentina, Market Growth, Brand Awareness*

Methodology

Newhotel Software business description information was gathered through several business meetings with the firm. Out of all the aspects of its operations, information on the cost structure and value chain is extremely limited due to the company's unavailability of data. The industry analysis was primarily based on the business meetings with the company due to the secretive and fragmented nature of the software industry. The market assessment phase was done primarily through internet research with sources such as the Argentinean statistics office and Ministry of Tourism, the World Travel and Tourism Council and the World Tourism Organization. Available information of hotel rooms was limited as well as other hospitality players such as restaurants. Macroeconomic data was obtained mainly through the World Bank.

Description of the Firm

Overview of the Firm

Newhotel Software (NHS) was created in 1984 and is a “*Property Management System*” (PMS) developer and licensor for the Hotel industry. It was founded by Engº João Matoso due to the identification of a badly managed resort in Quinta do Lago, he quickly set out to develop software capable of adjusting to its clients needs. Since then, they now have a wide array of products ranging from the front office management system to numerous marketing tools capable of delivering not only a product, but a competitive advantage to their customers.

Ever since the beginning, the company has been experiencing constant growth achieving 3.9 million EUR in net sales in 2010 from a value of 2.2 million EUR in 2003, an annual growth rate of about 8,5%. The firm has established subsidiary companies in Madrid, Vilnius, Bogotá, Lima, Miami and Panama and is present in a total of 26 countries through their distribution network. In Portugal, they now have four offices (Lisboa, Algarve, Braga, Madeira) and hold a market share of 34,11%¹. Worldwide, they now account for 1800 clients and 182.000 hotel rooms. Geographically, 58% of their

clients are from Europe, 32% from America and 10% from Africa. However, due to the size and growth potential of their clients, 60% of NHS's revenues come from outside of Europe - **See Exhibit 1,2 and 3 for general information of NHS.**

NHS offers a wide array of hotel management solutions systems as well as IT services and maintenance support to satisfy their clients' needs. Their target market is mainly four and five star independent hotels with complex operational requirements to capitalize on high number of products and the ability to provide a fully integrated solution.

Perspective on Business Mission and Strategic Objectives

NHS has business **values** which are experience, innovation, dedication and reliability. It employs, in our point of view, a **mission** of "to provide a global and fully integrated software solution to the hospitality industry with the most up to date and easy to handle applications focusing mainly of the hotels' most demanding needs".

Our **business vision** proposition for NHS is: "To become a worldwide player in the information technology industry for the hospitality segment with the visionary goal of being present in the five continents of the world by 2020". In light of NHS current position and their products we propose the following **strategic objectives**:

- To continue growing at least 8,5% per year until 2020 (roughly 8.800.000€) ;
- To enter in a new geographical market per year until 2020;
- Establish commercial activities with at least 2 hotel chains until 2020;

Products & Services

NHS offers a wide array of products targeted specifically at the hotel industry although capable of serving diverse businesses – **See Exhibit 4 for a list of Newhotel's product categories and Exhibit 5 for a list of products.** Software licenses make for 17% of net sales, IT Services

correspond to roughly 15% and maintenance contracts accounted for 50% of net sales - **See Exhibit 6 for the net sales composition by product category.**

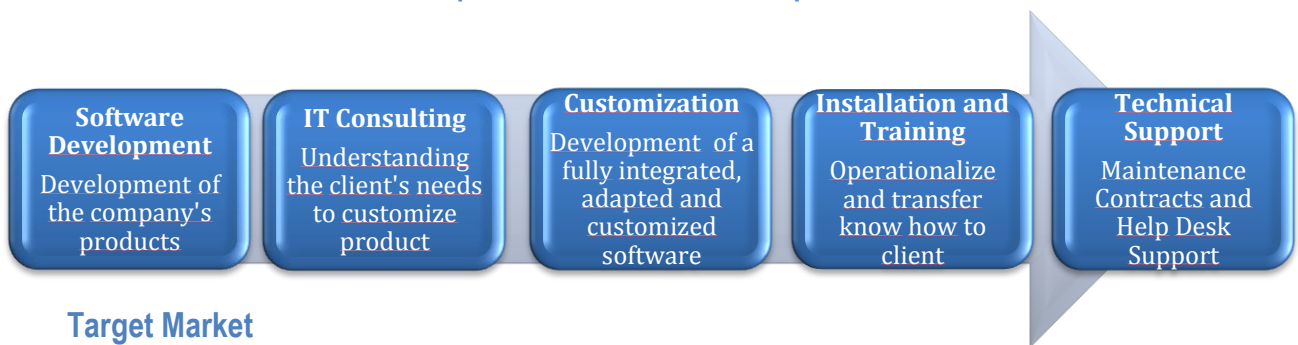
NHS licenses its products under the prefix “New”. For instance, their software’s names are: Newhotel PMS Front-Office, NewGolf, NewSpa, NewStock, NewClub, etc. This source branding strategy eases the association between the products and the company. When considering the software the firm develops, we can establish three different sub categories: Hotel, Multi-Hotel & Group Solutions, Food & Beverage and Business & Leisure Solutions. NHS has 60 software products out of which 44 are for the first sub category. These software solution systems range from Central Reservations system to their flagship product, the PMS Front-Office, representing, from a historical perspective, 31,26% out of the revenues of their software licenses – **See Exhibit 7 for historical weights of each product in total software licensing sales.** Other than the software, NHS also produces interfaces (or modules) which are specific software that makes a link between the software licensed to its clients. An example is a hotel with a PMS Front Office for management of the front desk and also a “Point-of-Sale” (POS) for restaurants. NHS possesses an interface which connects the two systems into a single integrated product. This highlights one of the most important concepts of the company’s activity: “cross-selling”. Usually, a new client can start out by asking for simple management software, such as the reservations system. Consequentially, as its business grows larger, the demand for other products will increase and NHS can capitalize on this growth phase by selling different products and having the ability to integrate any management software. This concept also makes NHS reduce its client acquisition costs as it represents additional revenue from an existing client.

The Food & Beverage sub category offers a POS information system for restaurants and bars which encompasses the NewPOS, NHS’s top product on this category representing 11,70% of total software licensing sales. Business & Leisure Solutions are also an important sub category with

products such as event and conventions management software, golf course management software and thermal spa unit management.

On another note, services performed by NHS include IT Consulting, training of clients' employees, software installation and design of computer solutions. However, the most important service is the maintenance. They include the help desk services, on-site support and updates of the software. Unlike NHS's software, these contracts are charged at an annual fee which explains the huge role it has in terms of revenues for the company. However, we need to take into account that the software category is the one that drives profit on the other two as IT services and maintenance contracts revenues depend on the software licenses. All of these products and services can also be organized through the following value creation process.

Graph 1 – NHS' value creation process



Target Market

Because of NHS's wide array of products, their clients are present in different industries. However, the company has a clear target which is the hotel industry as they can have higher returns and offer a distinct competitive advantage based on the ability to integrate software to simplify complex business practices. Therefore, the target market is independent hotels, with at least 4 stars and more than a hundred hotel rooms and a complex activity. This translates into higher requirements in terms of integrated software which is precisely the value proposition of NHS and also on the number of management systems needed which is also satisfied by NHS's product portfolio.

Revenue Model

As previously mentioned, there are two types of software NHS produces and licenses: the product software and the interfaces that connects them. Regardless of their nature, the software price is charged as a lifetime license fee for their clients. All of the software is priced independently, which is, in my opinion, deterring the company to fully take advantage of their competitive advantages as the integration, customization and adaptability are their main selling points and the customers might lose interest when they do not have a discount based on modules/software ordered.

The product software, such as the PMS Front Office is sold through license agreements based on the end user requirements. For instance, the more hotel rooms the client has, the higher the price of the license fee. This is obviously due to the required increased complexity of customization and integration. This concept is also applied when speaking about the interfaces, they are charged according to a variable which is usually the number of rooms that need to be integrated into a whole management system – **See Exhibit 8 for the PMS Front-Office pricing**. In addition to this cost based pricing, NHS also applies a quantity discount pricing strategy. In the case the variable for pricing is number of hotel rooms. The more hotel rooms the client has, the smaller will the increase per added room be, leading to a decrease in the average price per hotel room. This pricing strategy is on par with NHS's target market. Services such as IT Consulting, Installation, Training and computer solutions design is based on a per hour price. Maintenance contracts are annual fees, which usually correspond from 20% to 30% from licensing fees, charged based on the type of client – **See Exhibit 9 for levels of maintenance contracts**. However, the fees are linear and their price does not depend on the duration of the contract. This makes NHS lose as by charging a higher fee in the beginning and lowering it on consequential years would give their clients a clear incentive to invest in a longer duration contracts which would increase the shifting costs (increasing loyalty) providing a barrier for other competitors.

Distribution Channels

NHS selects its distributors according to their know-how of software and hardware development. They want distributors that are already in the IT distribution system and preferably, with a high market share. Distributors which already supply the hospitality segment through sales of IT systems are highly valued. Also, NHS has clearly specified the conditions under which the distributors' revenues come from²: (1) a percentage commission on the software sold according to the total annual sales and goals accomplished by the distributor, (2) services provided by the distributor when they develop the know how such as training, installation, parameterization (customization) and support for new systems and (3) a 50% off the maintenance contracts corresponding to the support given by the distributor. These goal based contracts are extremely important in enhancing commitment. However, the maintenance contracts will also be the main source of revenues for the distributor and NHS, in order to achieve a long term commitment from its distributors, should give a lower than 50% percentage of the contracts to the distributor, and depending on goals achieved, increase this percentage. Information on new products should also be given on a regular basis to promote the relationship and commercial capabilities of NHS's distribution network³ – ***See Exhibit 10 for the evolution of the relative importance on the total sales of the distributors and clients.***

Cost Structure

At the first stage of software development inside the company, NHS acquires the tools to build their software from Oracle. As important is the supplying activity is, it only represents 1,18% of the company's total costs. On the other hand, and as expected since the company's primary activity is software development, R&D accounts for 30,38% of the headquarters' cost structure which emphasizes the huge investment that must be given in this activity. Despite the lack of data, we can assume through our contacts with the company that very little emphasis is given to marketing

activities. Lastly, being a software company and a service supplier, there are very little variable costs associated with the software licensed. Fixed costs represent the majority of expenditures.

Organizational Structure

In terms of its organization, NHS has a hybrid form. It's organized by functions on its internal activities (Software Development, Technical Services, Administrative Services and International Operations) but, when it comes to commercial activities, it is organized geographically – **See Exhibit 11 for organizational structure**. Out of the four main areas mentioned above, the Software Development department, as expected, employs the most workers (16 out of the total 74).

Due to the importance of maintenance services provided by NHS, the contracts, licenses and invoices segment in the administrative services takes a huge part in the company as this is clearly an area that needs to be carefully addressed.

The Hotel Management Solutions Industry

Porter's 5 Forces Analysis

Threat of new entrants: Low/Medium

There are certain structural barriers preventing the entrance of new players such as the required capital expenditure and initial investment in R&D, and the nature of the software which is usually protected by copyright laws preventing reverse engineering. Also, clients in this Industry have high shifting costs based on the fact that it is almost impossible for a hotel to withstand a period without a PMS which increases brand loyalty. In spite of this, IT companies developing software for other businesses can enter in this industry more easily as economies of scope come into action.

Threat of substitute products or services: Low

For a hotel to organize itself with items such as reservations or housekeeping, it can choose to use data systems such as an Excel spreadsheet. However, this is completely impossible as the hotel rises in operational requirements. Because of this, it becomes almost necessary for a hotel to use a management system in order to become competitive, efficient and uphold a good customer service.

Bargaining power of buyers: Medium

Two key factors contribute to a high bargaining power of suppliers: shifting costs of the customers and the sheer number of PMS suppliers. However, very few customers are essential to a single supplier and the customers are extremely dependent on having a PMS on their hotel.

Bargaining power of suppliers: Low/Medium

Suppliers of the hotel management solutions Industry are database providers which include a high number of companies such as Microsoft, Oracle and MySQL. However, not all the companies have the ability to provide the adequate databases for hotel management software which reduces the number of suppliers. At the same time, since the database providers offer the use of its systems through license fees based on sales, the switching costs are extremely low of a company such as NHS.

Intensity of competitive rivalry: Medium

In spite of the high number of PMS suppliers, the secretive nature of the industry (i.e. patents and non disclosed prices) prevents profit erosion. Because of this, firms are currently competing according to three different key success factors⁴: (1) brand awareness which translates into lower client acquisition costs, (2) continuous product innovation, pressuring R&D expenses and (3) post sales services such as maintenance and help desk services. This gives a wider range of variables for a firm to compete in which reduces the likelihood of a price war and maintains profitability in this Industry.

Industry Mapping

This exercise provides the explanation of the main relationships between key players in the Industry, putting in evidence the business environment that NHS operates in. Suppliers and external distributors were excluded as they were already mentioned in the previous chapter – **See Exhibit 12 for Industry Map.**

Government & other legislators: management software needs to contemplate certain accountancy standards; therefore, products must be customized which makes these players influential in this Industry.

IT Companies: the IT Industry serves several markets with software and, as such, a technological breakthrough by one of them can immediately dictate new ways of doing business inside this sector.

Online Booking agencies, Tourism Operators and Global Distribution Systems (GDS): as consumers are shifting towards online booking systems, it becomes of extreme importance for a hotel to be able to effectively manage the bookings from third party websites through a front office system. Therefore, NHS has a set of partners to enable this procedure: Expedia and Sabre (SynXis CRS), for instance.

Hotel Networks: this player is extremely important, particularly during an internationalization process since it provides the access to customer bases in target markets. Usually, hotel networks are created to serve hotels and provide a platform of reservation for all the members and boost their brand image by being associated with other hotels. They are represented, for instance, by “Leading Hotels of the world”, an international network and “*Alnorte – Alianza de hoteles del norte*”, an Argentinean hotel network. Currently, NHS does not have any partnerships with this player but striving to achieve one in order to be recommended as a “trustworthy” management supplier could translate into high brand awareness for commercial purposes.

Competitors: NHS’s competitors are considered here to be companies that license PMS software to the hotel Industry. Even when narrowing down our scope of the competitive environment, it is important to refer that the this industry is a global environment where, due to the nature of their products, firms can be international without being physically present in a given country: either through their distribution channels, or because a client internationalized and brought the software to a new country. Even services such as the help desk are remotely offered through a centralized platform. Note that a new type of competitor has been rising in this industry. The “*Cloud*” licensor offers hotel software through the internet with a distinct sales model: “*Software as a Service*” (SaaS).

Instead of simply licensing software, they provide the product through a remote system which can be accessed online. Price is charged according to use. This type of sales model of software is regarded as the next step in the software industry⁵. However, in anticipation, NHS is already investing in the development of its own “Cloud” PMS which will be available in the near future.

Competitive Assessment

As exposed, NHS faces direct competition from firms that develop and license software, mainly, to the hotel industry. Two international companies, Micros Systems and INFOR Softbrands, were chosen to perform this assessment based on their presence in the Argentinean market and their overall strength at the international level. Northwind was also chosen due to its resemblance to NHS as a small enterprise currently investing in internationalization – ***See Exhibit 13 for an overview of a few of NHS's competitors.***

The companies were also chosen based on the complexity of businesses their software can handle (to relate more to NHS's target market). This was measured by the number of clients their software can support, their clients' number of employees due to increased complexity of the needed software and the revenues which illustrates the ability to serve higher hotel segments such as chains and resorts⁶.

The core product of every hotel management supplier is the PMS Front-Office as it holds the highest sales margin and is, obviously, the most sought out software for hotels, while other products serve to complement their offering to the hotel Industry. In terms of the PMS software provided, there are negligible differences between the products these companies offer and those of NHS – ***See Exhibit 14 for a detailed comparison between the PMS software offered by these companies.*** However, despite these little differences, there are several features of the company that serves to create a competitive advantage.

From table 1, presented below, NHS's has the most software applications for the hotel Industry. In spite of having a competitor in each application, NHS offers the most complete solution. Unlike its

competitors, NHS also offers the possibility of integrating their software with a competitors' creating the possibility of following a strategy based on complementing the other product offerings. To better understand the advantages that can be deducted we need to carefully analyze the company's resources and competences.

Table 1 – Competitive Assessment

Type	Factors		Micros Systems	INFOR Softbrands	Northwind	Newhotel Software
Products	PMS		X	X	X	X
	POS		X	X	X	X
	Resort		X	X	X	X
	Stock		X	X	-	X
	Conference		-	X	X	X
	Gaming		-	X	-	-
	Spa		X	-	X	X
	Golf		-	-	X	X
Competences	Customization		X	X	X	X
	Modular Conception	Integration (within own products)	X*	X	X	X
		Integration (with other products)	-**	-**	N/A	X
	Technical Support		X	X	X	X
Market	Presence in Argentina		X	X	X	-
	Direct sales teams		X	X	-	-
	Pricing Strategy		Straight Line	N/A	N/A	Concave Line

Source: Companies' websites and NHS

*Due to Micros' acquisition tactics, full integration of their products is more expensive and time consuming because there are different source codes⁷

**According to NHS, both INFOR and Micros do not integrate their products with competition due to their size in the market which doesn't make it profitable for them to incur in these integration costs

Competitive Advantage

Key Resource: Their Human Resources, coming from engineering undergraduate degrees, have an extensive background on software development and an up to date know-how which enables them to begin the value adding process of NHS.

Core Competences: NHS has software development department which is able to react to market trends by innovating with new products / features of existing products. The company also created a set of interfaces (or modules) which allows them to make a connection between different software. Furthermore, NHS developed their software from scratch which has important implications in terms of access to the source codes.

Competitive Advantage: Generally speaking, NHS has a wide array of products which enables them to enter into niche markets their competitors cannot. “*Modular Conception*” or, the existence of interfaces allows them to link different software, which means that NHS’s products can be integrated into a single management system and, at the same time, integrate its products with any competitors’ software. This enables them to address the same clients as competitors by selling different applications further exploiting the concept of “*cross-selling*”. Also, the existence of interfaces, coupled with developing the software from scratch which enables fast access to source codes, allows them to customize their products faster than competition while incurring in less costs (operational efficiency) and providing more efficient technical support, such as the Help Desk, as the source codes can be accessed almost immediately. Also, because NHS is a relatively small player in this Industry, it has more flexibility to respond to market changes. However, in Argentina, these advantages can be different.

Table 2 – VRIO Framework for NHS’s Competences

Competences		Valuable	Rare	Costly to Imitate	Organized	Competitive Implications
Wide Product Portfolio		Yes	Yes	Yes	Yes	Sustained Competitive Advantage
Modular Conception	Integration within own products	Yes	No	Yes	Yes	Parity
	Integration with other products	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
Customization		Yes	No	Yes	Yes	Parity
Flexibility to respond		Yes	No	No	Yes	Parity
Technical Support		Yes	No	Yes	Yes	Parity

From the cross analysis of table 1 and 2, we can conclude that the ability to integrate its products with competitors and its wider product portfolio are the only sustainable competitive advantages that exist when compared to Northwind and INFOR. In spite of this, we know that the major player in the market is Micros Systems and most companies are benchmarked against this major competitor⁸. NHS has distinct competitive advantages comparing to this company. As explained in table 2, Micros Systems followed an aggressive acquisition strategy to enter the hotel management solutions industry. Because of this, it has a fragmented company with different source codes of its software. This translates into more time consuming and expensive integration, less operational efficiency, particularly concerning customizing products and, lower quality of technical support as it takes more time for them to perform, for instance, help desk services. Because of this superiority in relation to Micros, the Industry's leader, NHS can still take advantage of the whole array of competences to generate competitive advantages; therefore, the competences in the VRIO framework listed as "parity" would become sources of temporary advantages⁹.

The Argentinean Market

Country Overview

Argentina has been characterized by a having a very volatile business environment. However, from 2003 to our current years, the political stability enjoyed by this country, brought by Néstor and Cristina Kirchner, has had a major impact on industrial development and international trade, making efforts to remove entry barriers and providing benefits to high value adding industries. Now, Argentina is considered an emerging economy being part of the G-20¹⁰, and has registered an annual growth rate of its Gross Domestic Product (GDP), in 2010, of 9,2%. Also, due to the government's recent trends of trade liberalization, the imports and exports of trade goods and services have grown at, approximately, the same pace of the GDP. The Foreign Direct Investment (FDI), in 2009, registered US\$4.0bn growing by 50% to a value of approximately US\$6.0bn in 2010¹¹.

Concerning the technological prism, in 2010, the Information, Communication and Technology (ICT) services exports represented 12,0% of GDP while the ICT goods imports increased to 11,2% of the GDP. At the same time, the royalties and license fees payments to foreign investors have grown at an annual growth rate of, approximately, 17.52%, from 2006 to 2010¹².

On a more subjective level, regarding the Index constructed by the Heritage Foundation and the Wall Street Journal, the Property Rights Index, was reported to be one of the lowest in the world: a mere 20 points. Compared to the world average, of 43.6 points, Argentina was classified as having a repressed property rights management system. The judiciary system is defined by the Heritage Foundation as inefficient and it also refers to the wide availability of pirated copies of IT products (a piracy rate of 71% with an estimated loss of US\$209million¹³), which makes many foreign investors seek outside intervention¹⁴. However, this piracy issue refers mainly to products targeted at the mass audience. NHS's risk is greatly reduced as it licenses a product from a "B2B" (Business to Business) perspective.

Argentina has been focusing on the IT Industry. For instance, the "2004-14 Software Strategic Plan in Argentina" promotes the development of several important market factors that weigh in a great deal in IT firms. This plan focuses on the development of adequate Human Resources, offering 117 Engineering Degrees and investing in scholarships, the creation of industrial hubs in the most important regions (Buenos Aires and Córdoba) and is even endorsed by the judiciary institutes which have created a number of fiscal benefits to IT firms, such as the "Software Promotion Law", enacted in 2008, which gives a 10 year tax stability for IT firms, a credit account on the payments of the VAT equal to 70% of wages and a 60% benefit on taxable results to encourage IT firms to invest in R&D. Also, the FONSOFT ("*Fondo de Promoción de la Industria del Software*") was created in 2007 to promote the development of Universities and IT firms in the R&D activity¹⁵ – **See Exhibit 15 for additional information of the country.**

The Travel & Tourism Industry

In the last ten years, the number of arrivals in the Argentinean market has greatly increased as seen in the chart below. Between 2000 and 2010, this number increased by about 50% from 3 million arrivals to 4,5 million¹⁶ - **See Exhibit 16 for the evolution of international arrivals in Argentina**. It is also foreseen that these numbers will continue to increase, particularly due to the depreciation of the Argentinean currency¹⁷.

The T&T Industry has shown a considerable evolution from previous years and Argentina is now one of the most attractive countries in terms of tourism potential and bolsters an extremely good forecast for the future. The following table provides data of the most important indicators of the T&TI and their growth forecast. The other countries in this assessment were chosen as they represent the other options of NHS's internationalization. This should provide a clear picture of if Argentina is a good choice.

Table 3 – Market Attractiveness test

Market Attractiveness Test - Data of 2011										
Variables	Direct* Contribution of T&TI to GDP		Direct Contribution of T&TI to Employment		Visitor Exports / Total Exports		Investment / Total Investment		World Ranking (T&TI Contribution to GDP)	
Countries	%	Annual Growth Rate forecast	%	Annual Growth Rate forecast	%	Annual Growth Rate forecast	%	Annual Growth Rate forecast	Relative	Absolute
Argentina	4,00%	5,00%	3,80%	3,50%	7,10%	14,00%	7,00%	5,80%	73	23
Angola	1,40%	5,40%	1,30%	2,80%	1,30%	7,20%	4,00%	3,50%	174	107
Brazil	3,30%	4,80%	2,90%	2,30%	2,90%	16,40%	5,80%	6,50%	85	6
Chile	3,10%	4,60%	3,00%	1,70%	3,50%	9,10%	7,80%	6,10%	93	40
Mexico	6,20%	4,60%	7,30%	1,30%	5,40%	9,30%	6,50%	6,50%	58	11

Source: World Travel & Tourism Council¹⁸

*Direct Contribution: direct impact of T&T expenses. Total contribution includes indirect expenditure on the T&TI which is contemplated in other macro economical variables, such as, government expenditure in T&TI¹⁸.

As observed from the table above, Argentina, among the other choices, holds a very good position and should definitely be a target for NHS. Particular importance should be given to the country ranking in absolute size, meaning the total value of the direct contribution of T&TI to the national GDP. This translates into market size and correlates directly to the number of potential clients inside

the T&TI, such as hotels. In this regard, Argentina is put aside by Brazil and Mexico, but being ranked 23rd worldwide is a very positive indicator for future sustainability in this Industry.

On a different note, the government, in 2010, separated the Ministry of Tourism from the Ministry of Industry and Tourism due to the importance that is being attributed to this Industry¹⁹. Furthermore, it developed the “*Plan Federal Estratégico de Turismo Sustentable – 2016*” to provide information of the tourism industry in order to incite its sustainable development²⁰.

The Hotel Industry

The Argentinean market is divided into seven different regions, according to data from the Ministry of Tourism (2010): City of Buenos Aires, Region of Buenos Aires, Patagonia, Cuyo, North, Coast and Center. However, a great part of the number of hotels is concentrated in the city of Buenos Aires and the region around it. In 2010, together, they have a total number of 1839 hotels, 33% of the country's market followed by Patagonia, with 29%, and the center, with 18%. The city of Buenos Aires alongside the region around it, detain a leadership position in terms of number of hotels by type. They hold 38% of the whole market's 4 and 5 star hotels, 33% of the 3 star hotel, apart-hotels and boutiques segment as well as 35% of the 1 & 2 star hotel segments - **See Exhibit 17 for a market segmentation of hotels by region and type of hotel**. Also, in 2009, there were a total of 315 hotel chains in Argentina, out of which 95 were located in Buenos Aires and 49 around the capital²¹.

According to data from Ministry of Tourism (2010) we can also observe the number of available hotel rooms during 2010²² in each region. The city of Buenos Aires and the region surrounding it holding 36% of the market's available hotel rooms have a leadership position, followed by the center region with only 18%. We can also see that the ratio of available rooms per hotel is the largest in Buenos Aires with, approximately 1301 available rooms per hotel - **See Exhibit 18 for a market segmentation of available hotel rooms by region and type of hotel**. The city of Buenos Aires is therefore, the center of tourism in Argentina. It also holds the highest occupation rate of hotel rooms

(61,72%) among all other regions putting in evidence the thriving development of the hotel industry-

See Exhibit 19 information on the evolution of occupation rate by region.

Strategy for NHS

From the previous analysis, it is possible to infer that NHS needs to invest in increasing brand awareness as it is one of the key success factors in this industry and, as such, important in the Argentinean market. Furthermore, in relation to Micros specifically, NHS has clear and distinct competitive advantage which could, and should, be capitalized in an internationalization process and, as there are temporary advantages, the firm should invest in withdrawing the most value from them, as fast as it can. Given the growth of the Argentinean hotel Industry and the concentration around a small area (Buenos Aires), the internationalization to this market is a logical step in increasing NHS's global presence. It becomes a necessity to invest in such processes in order to be sustainable in the long run. NHS should, therefore, enter the Argentinean market by using a penetration strategy focused around its diverse portfolio of products and its key operational efficiencies. The target market should be organized according to size. First, NHS should make an effort in targeting the 4 & 5 star hotel segment, however, focus should also be given to boutique hotels and 3 star hotels as they can also present the size required for NHS's to take full advantage of its value proposition - ***See Exhibit 20 and 21 for a SWOT & TOWS analysis, respectively.***

Marketing Mix – The 4 P's

Product: because NHS deals, it can easily export goods which remove any restriction to choose a single product to enter in the market. In addition, because of their product portfolio and operational efficiency, it can easily find gaps in hotels even using another PMS system, and complement the hotel's business with interfaces and other management solutions. Therefore, the choice of product is completely dependent on the clients' needs, and NHS has the ability to serve each and any of those needs. However, the PMS Front-Office is the flagship product and it should be the first product of choice, complemented by a low end PMS product to target smaller hotels.

Placement: According to the hotel industry analysis, NHS should definitely focus on city of Buenos Aires. It concentrates the bulk of Argentina's hotel industry and should be a priority for the company holding 38% and 33% of 4 and 5 star hotels, and 3 star and boutique hotels, respectively. Other regions should be targeted at a later stage encompassing areas such as the Region of Patagonia and the North.

Price: NHS has a very specific pricing strategy which grants them a competitive advantage, but only for larger hotels. This is an advantage that should be exploited, however, because their competitor's are already present in the market, NHS should reformulate its pricing model to become more competitive in lesser segments.

Promotion: different levels of promotion should be exercised in order to increase brand awareness in the market. First, door to door and personal meetings should be scheduled by NHS's employees with potential clients and distributors. Second, attend national and international fairs and specific IT gatherings, not only to increase awareness, but, also, to assess potential competition. Due to the expected cost and NHS's budget constraints, advertisements in industry specific media should be avoided.

Internationalization Process

Mode of Entry

Before choosing a mode of entry, we need to understand what is driving NHS to internationalize. NHS main motivation is, obviously, to increase sales revenue and geographical presence. However, an additional motive should be considered: brand awareness. This is an area that the company needs to invest in and being present in an additional country would greatly boost its international recognition. Particularly, being present where Micros is present is not necessarily a bad strategy. Showing clients that NHS has a product as technological advanced as its main competitors and even having an additional operational efficiency and integration capability could prove to be the turning stone from a small enterprise, to one that is recognized worldwide.

Concerning the mode of entry now, there are several possibilities depending on the level of commitment NHS wants to induce in this strategy. Feasible modes of entry include lower commitment strategies such as direct exports (licensing) to either direct clients or distributors, or entering, effectively, in the Argentinean market through setting up a separately incorporated subsidiary – **See Exhibit 22 for information on the legal framework**. My advice, mostly because of competitors present in this market, is to start with a low level commitment strategy and increasingly build into a higher commitment strategy carefully assessing retaliation along the way. Therefore, the previously mentioned strategies are not mutually exclusive and NHS can and should take advantage of its flexibility as a small enterprise. To achieve a successful strategy, therefore, I propose that for a 3 year period, different strategies should be applied: first, the pre entry market assessment where important market information should be acquired. Second, and depending on the success rate of the first, NHS should engage in a higher commercial commitment in order to establish good relationships with players in the market and serve them through direct exports (licensing). This phase should be accompanied by the creation of sales force. Thirdly, enter effectively in the market under the legal form of a separately incorporated subsidiary to serve the whole market. Entering, based solely on distributors, is an even lower commitment strategy. However, in order to increase brand awareness, they should be considered as a parallel mode of entry by providing greater access to different distribution networks. Based on this proposal, the following objectives are to be considered for a 2 year time frame (2014):

- Achieve a market share of 3,50% (roughly 20 hotels) in the 3, 4, 5 star and boutique hotel segment in the Region of Buenos Aires.
- Establish an office with adequate sales people (2).

Implementation Plan – The 4 M's

Men: The pre market assessment phase will require two people, one with a commercial background and a software technician. Since, NHS is present in Colombia; the commercial employee should

come from this office due to the similarities in language and culture. However, the technician should come from the headquarters to also serve as a vehicle for a better communication between senior management and this team. They should make a 14 day trip to Buenos Aires to establish a first contact with potential clients through a door to door tactic. They should have clear objectives in the market such as: (1) establishing contact with target hotels in Buenos Aires, (2) finding suitable distributors and (3) carefully assessing potential competitors in this market and their level of commitment. The same two people should also make a 7 day trip on a later stage to be present in the “FIT – Feira Internacional de la América Latina de Turismo”. They should work for the same objectives as in the first trip but also be proactive in building NHS’s brand image in the market with product demonstrations. On a later stage, if the initial market assessment proved that the market has enough potential, NHS should recruit 2 sales people that should be trained in knowledge of the software and should have goal based contracts. Wages should start low and increase based on commissions of contracts achieved. This should increase productivity and help NHS increasing the commitment from its employees. Contacts will, again, be made through a door to door tactic. They should later be incorporated in the office and be promoted to full employees of NHS. Throughout the whole process, NHS should send, on a yearly basis, a manager to supervise and communicate with the local team in order to establish any additional objectives and motivate the team.

Minute: the following table presents the major steps that NHS needs to make in order to enter the market. The first phase is to be completed during the 1st semester of the 1st year. However, because market assessment needs to be a continuous process, some activities should be performed in later stages as well (presented in the chart with the dotted patterns). The second phase revolves around the creation and training of a local sales team. The third phase of the implementation process revolves around the creation of the sales office. In this stage, NHS needs to carefully address the potential this move would give to the firm, based on the added value from establishing an office –

See Exhibit 23 for objectives for the actions mentioned in the table below.

Table 4 – Mode of entry steps

Phase	Actions	2012							2013		2014	
		March	April	May	June	July	August	Rest	1st Sem	2nd Sem	1st Sem	2nd Sem
1 - Market Assessment	Contact with target hotels in Buenos Aires											
	Contact with potential distributors											
	Contact with hotel networks											
	Presence in Tourism Fairs											
	Assesment of valued product features											
	Sales Forecast											
2 - Direct Exports	Assessment of legal environment											
	Creation of sales team											
	Training of sales team											
	Product demonstrations											
	Product Customization											
	Review of the strategy adopted											
3 - Separatly Incorporated Subsidiary	Assessment of legal environment											
	Sales and cost Forecast											
	Creation of sales office											
	Contact with target hotels in other regions											
	Product demonstrations											
	Product Customization											
	Review of the strategy adopted											

As mentioned, another focus point is the presence in tourism fairs; the “FIT – Feira Internacional de la América Latina de Turismo” is the most important for NHS as, not only will it give contacts in the industry, but its targets also encompass NHS’s target either at an International level, or in the city of Buenos Aires. It is held on the second semester of the year which is why, in the table, the presence of NHS in this fair was only considered periodically – **See Exhibit 24 for more information on the International Fairs.**

Money: It is important to note that, from the proposed plan, NHS should always assess the profitability of each phase of the market entry. Therefore, any action taken should always be carefully

assessed. The costs associated with each phase are summed up in table 5 – **See Exhibit 25 for a detailed cost prediction of each activity.**

Table 5 –Cost Forecast & Sales required for Break-even

Annual Expenses	2012	2013	2014
Commercial Expenses	6.551	6.551	6.551
International Fair Budget	14.162	14.162	14.162
Creation of Sales Team	10.049	20.600	20.600
Setting up an Office	-	-	13.337
Total (EUR)	30.762	41.313	54.650
Total (USD)	39.830	53.492	70.761
Annual Revenues	2012	2013	2014
Clients	3	10	20
Market Share (%)	0,53%	1,75%	3,50%
Licensing revenues	19.530	45.570	65.100
Maintenance	4.740	15.800	20.540
Commissions from sales	977	2.279	3.255
Total (USD)	23.294	59.092	82.385

Note: exchange rates used were registered on the 4th January 2012

The number of clients presented in table 5 represents the break-even point. By 2014, NHS should have acquired 20 clients with an average size of 93²³ hotel rooms. This is an ambitious goal but, taking into account the market size, it only represents a market share of 3,50% in the 3,4,5 star and boutique hotels in the region of Buenos Aires – **See Exhibit 26 for the calculation of the average number of hotel rooms and the revenues obtained with 1 client.** Note that commissions obtained by the sales team were based on a value of 5% of each license contract which should provide an increase motivation to sell, not only to a lot, but also bigger clients. As observed, NHS's initial costs should be the most important as they will determine the future investments in the market. The sales forecast, in spite of having a target goal of 20 clients by 2020, does not contemplate other additional products. Because of this, as a hotel can request more than the PMS Front-Office, the revenues would greatly increase providing even greater margin for NHS to maneuver. However, in order to simplify this analysis, the former product was considered independently of additional interfaces and other software licensed.

Memo: The following table summarizes the key strategic theme in the internationalization process.

Table 6 –Strategic Themes for the internationalization process

Strategic Theme	Objective	Measurement	Target	Initiative
Internal	Establish an office & Creation of a Sales team	Office itself & number of employees allocated to the market	Establish Office by 2014 and select and recruit at least two employees in 2012 with further recruitment based on sales forecast	Find candidates willing to enter in goal based contracts & Assess potential clients to justify the establishment of the office
Market	Build brand image by creating awareness & Obtain information of competitors	Number of Contacts with tourism players (Hotels, Operators, Hotel Networks, etc)	Ongoing target. Should always be conducted to boost brand awareness and continuously asses present and potential competitors	Presence in Tourism Fairs & Contacts with key players in the industry
Financial	Increase sales & market share	Revenues & Market Sharw	3,50% by 2014 corresponding to revenues of USD\$82.000 by 2014 to achieve the break-even point. Further clients will greatly increase profitability	Door to door contacts on every phase of the implementation plan proposal & Presence in Tourism Fairs

Risk Analysis & Contingencies

The main risk associated with the proposed internationalization process is not achieving enough clients to, first, justify the costs and then to make of Argentina a truly profitable market. In spite of this, the growth prospects are extremely positive for this market as the T&T industry is becoming a prominent part of the economy. At the same time, most of the clients targeted by NHS are concentrated in Buenos Aires which reduces customer acquisition costs. Despite of the expenses proposed on the internationalization process, it's important to note that, through planning ahead, NHS can foresee quite easily if opening an office in two years will be profitable. For instance, creating the sales team will only occur if the pre market assessment, which only represents a cost of about EUR 20.000, is successful in gathering market information, more specifically, potential clients. Note that the highest expense in this phase is the presence in the proposed fair. Even if the prospects of future clients were dim, there could be spill over effects to South American markets where NHS is currently present as this fair targets all of South America. However, from the market assessment conducted, Argentina bolsters every economic condition to confirm NHS's success. We

also need to take into account the presence of competitors in the market. As there is little available knowledge about the commitment and market rivalry amongst NHS's competitors, it might be extremely difficult to acquire new clients. As such, it is extremely important for NHS, when talking to potential clients, to gather information about the strongest competitors. Be it what it may, our firm has a technologically advanced product and an efficient technical support to triumph in such a case.

The legal system, in Argentina, as mentioned, is extremely inefficient. NHS should, therefore, as soon as possible, register the copyright of its software in the Ministry of Justice, Security and Human Rights. On a broader scale, geopolitical risks such as terrorist attacks greatly influence the hotel industry which has a direct impact on NHS's revenues. This is, however, uncontrollable, but should always be considered by the company.

Conclusions & Recommendations

NHS is currently in a solid position. It has an up to date and even more developed software than its competition. In spite of being a responsive company, it does so with extreme efficiency enabling it to capitalize on its key advantages to acquire new customers. NHS also has an efficient help desk service system helping every client's needs. However, and as mentioned several times, NHS needs to invest in marketing to create brand awareness as it is a critical success factor to future growth. At the same time, review of NHS also needs to increase the communication between the company and its external distributors to develop a higher commitment and give NHS an additional distribution channel, which would boost market penetration. A simple idea is to divulge a newsletter with information on current developmental products and advice on its commercialization. Lastly, NHS should start penetrating different markets, including Argentina, with its "Cloud" based PMS. This would allow them to target low end hotels which generally represent the bulk of the hotel industry.

A last piece of advice is to make sure to follow the business etiquette in Argentina as most of the initial contacts will be made directly with clients – ***See Exhibit 27 for the business etiquette in Argentina.***

Bibliography

Endnotes

¹**Source:** NHS information and www.ine.pt (Accessed on the 21st of October)

²Contract available on the website when applying to become an NHS distributor

³Through contacts carried out; there was a lack of communication, particularly in what refers to future projects

⁴According to information obtained based on our meetings with NHS

⁵**Source:** <http://www.marketsandmarkets.com/Market-Reports/cloud-computing-234.html> (Accessed on the 29th of October)

⁶**Source:** <http://www.capterra.com/hospitality-property-management-software> (Accessed on the 5th of November)

⁷Due to Micros size and leadership position, its brand is, obviously, the most recognized by consumers and as such, and also according to NHS's business meetings, most clients request a comparison between what NHS's and Micros' software.

⁸**Source:** http://www.alacrastore.com/mergers-acquisitions/MICROS_Systems_Inc-1011094 (Accessed on the 6th of November)

⁹As the Industry evolves and competitors such as INFOR gain power, these competitive advantages would not hold true, making them a temporary advantage

¹⁰**Source:** http://en.wikipedia.org/wiki/Economy_of_Argentina (Accessed on the 17th of November)

¹¹**Source:** <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD/countries> (Accessed on the 17th of November)

¹² **Source:** <http://data.worldbank.org/indicator/BM.GSR.ROYL.CD/countries> (Accessed on the 17th of November)

¹³Obtained from the report of the International Intellectual Property Alliance. See on the reports & books section for a reference to the study.

¹⁴**Source:** <http://www.heritage.org/index/Property-Rights> (Accessed on the 17th of November)

¹⁵Obtained from the “*Plan Estratégico de SSI: 2004-2014*”. See on the reports & books section for a reference to the study.

¹⁶**Source:** <http://www.tradingeconomics.com/argentina/international-tourism-number-of-arrivals-wb-data.html> (Accessed on the 13th of November)

¹⁷**Source:** <http://www.hotelnewsresource.com/studies/global032202.htm> (Accessed on the 17th of November)

¹⁸Data from this table was obtained from the reports in the reports & books section from the World Travel & Tourism Council analysis of Argentina, Angola, Brazil, Chile and Mexico.

¹⁹**Source:** <http://www.asiatraveltips.com/news10/27-ArgentinaTourism.shtml> (Accessed on the 5th of December)

²⁰Obtained from the “*Plan Federal Estratégico de Turismo Sustentable 2016*”. See on the reports & books section for a reference to the study.

²¹Obtained from the “*Plan Federal Estratégico de Turismo Sustentable 2016*”. See on the reports & books section for a reference to the study.

²²Available hotel rooms is a measure calculated as the number of hotels rooms times the average number of days the establishments are open during one month. “INDEC” did not disclose information on the number of hotel rooms.

²³Information on the calculation of average hotel rooms can be found in exhibit 27 in the Annexes section.

Reports & Books

➤ **International Intellectual Property Alliance (IIPA):** “*2010 Special 301 Report on Copyright Protection and Enforcement*” (Accessed on the 17th of November)

➤ **“Ministerio de Economía y Producción”:** “*Plan Estratégico de SSI: 2004-2014*” (Accessed 13th of November)

➤ **World Travel & Tourism Council:** (Accessed on the 5th of December)

- “Travel and Tourism: 2011”
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- “Travel and Tourism Economic Impact: 2011, Brazil”
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➤ **Argentina’s Ministry of Tourism:** (Accessed on the 7th of December)

- “*Encuesta de Ocupación Hotelera: 2010*” – Data from this study can also be found on “*INDEC – Instituto Nacional de Estadística y Censos*”
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Newhotel Software: <http://www.newhotel.pt>

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AICEP: <http://www.portugalglobal.pt/PT/Paginas/Home.aspx>

World Bank: <http://www.worldbank.org/>

Heritage Foundation: <http://www.heritage.org/>

World Travel & Tourism Council: <http://www.wttc.org/>

World Tourism Organization: <http://unwto.org/>

Argentina's Ministry of Tourism: <http://www.turismo.gov.ar>

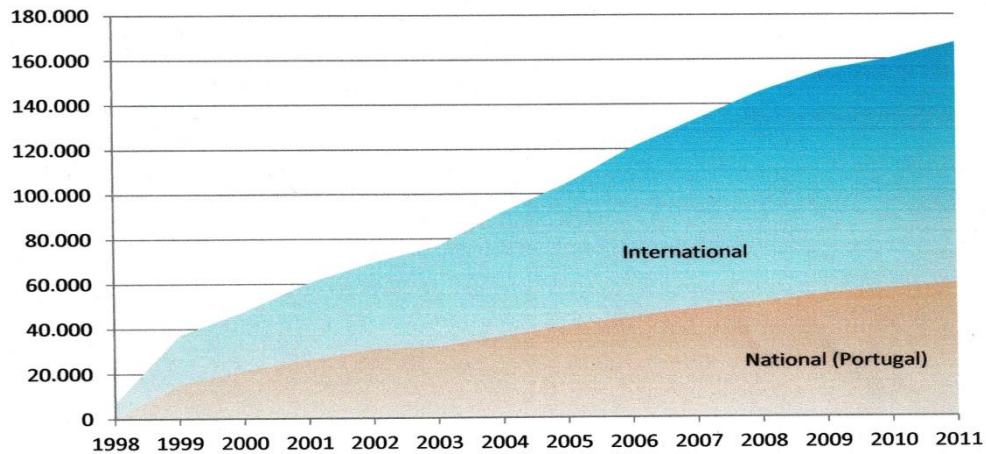
"INDEC": <http://www.indec.gov.ar/>

Exhibits

Exhibit 1 – Newhotel Client Base per major Region



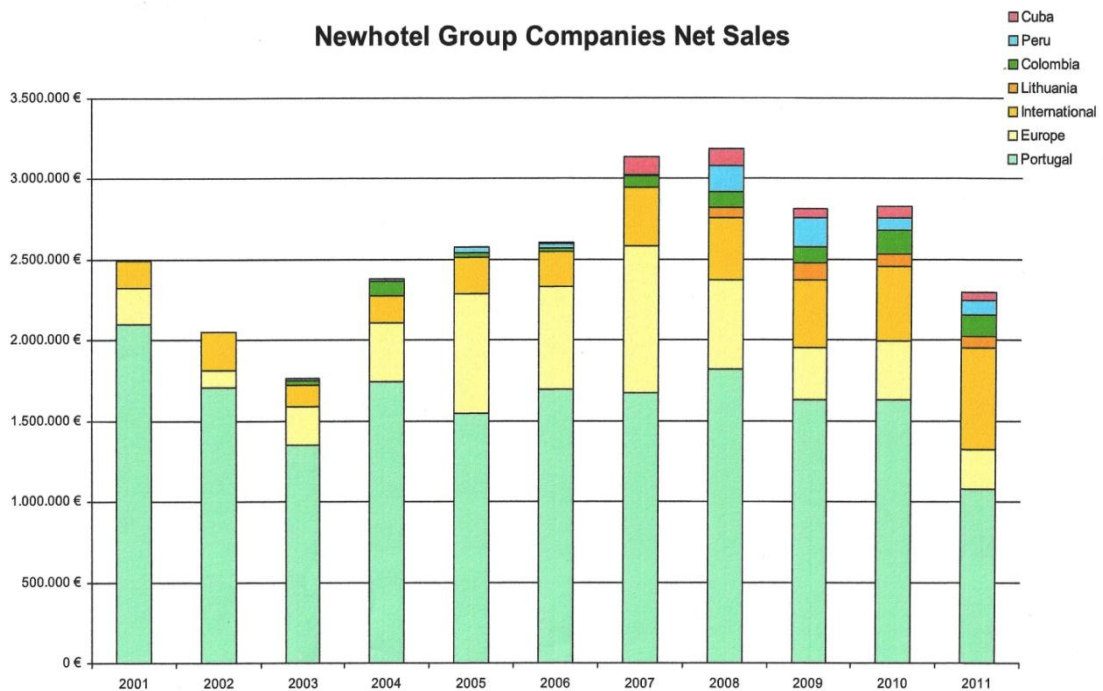
Software Newhotel Client Base



Source: Newhotel Software

Exhibit 2 – Newhotel Group Companies' Net Sales

Note: Europe and International do not contain the other specified countries

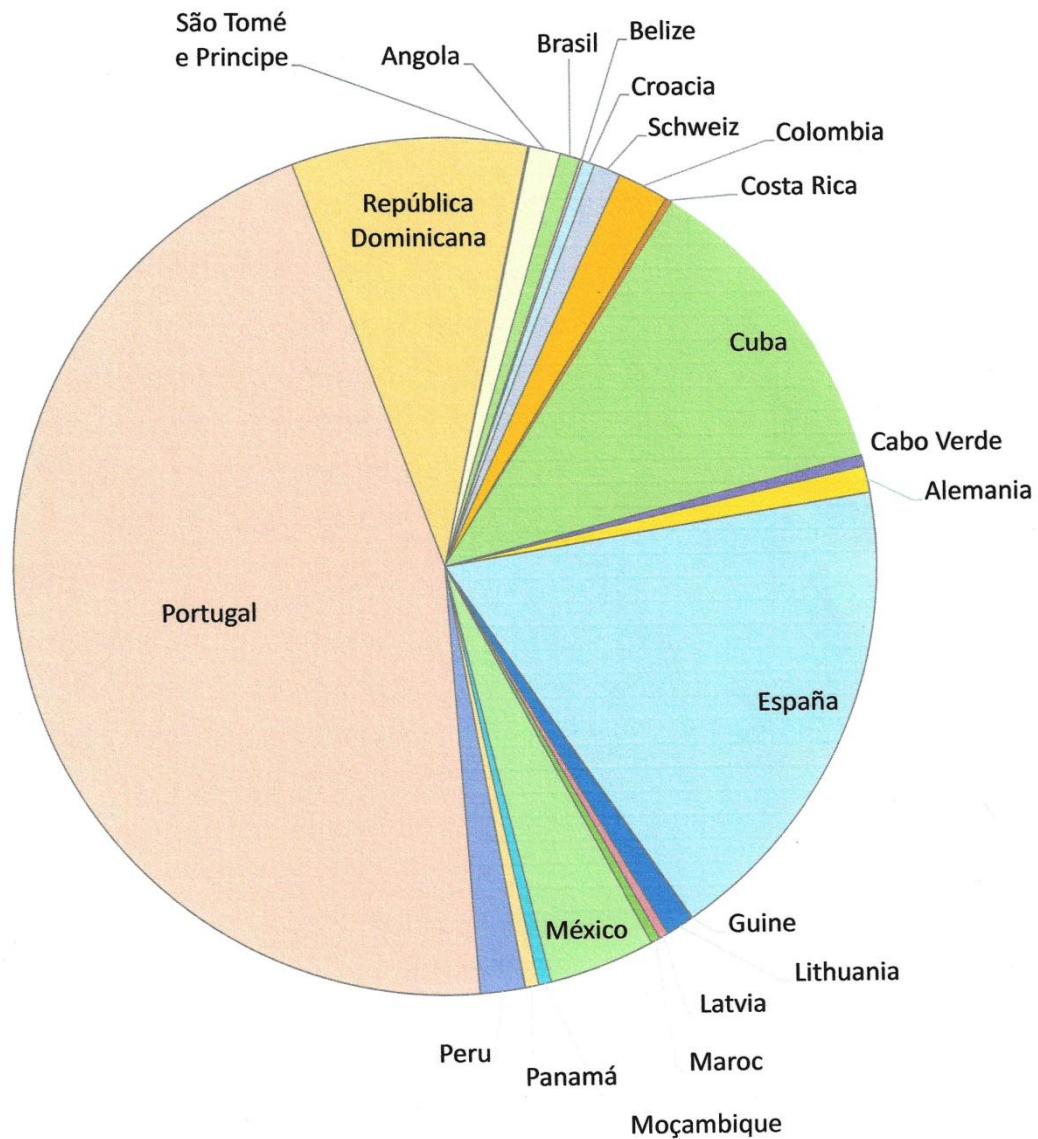


Source: Newhotel Software

Exhibit 3 – Newhotel Software's rooms installed per geographical presence

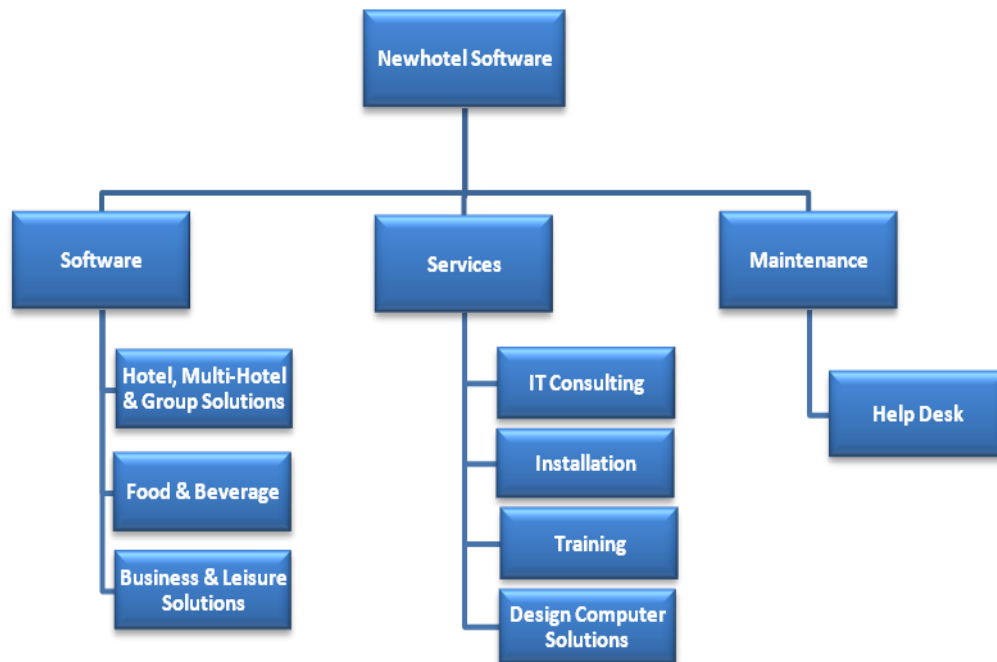


Newhotel Software Geographical Presence Hotel Rooms Installed



Source: NewHotel Software

Exhibit 4 – Newhotel Software product categories



Source: NewHotel Software website

Exhibit 5 – List of all Newhotel Software's Products

Hotel Management Solutions	
Newhotel PMS Front-Office	Newhotel PMS Property Management System
PMS Software for advanced hotel management. Supports multiple businesses and operation: bookings, groups, guests, packages, invoicing, night auditor, housekeeper, reports, Multilanguage, multicurrency and multi-hotel.	
GDS Interface two-way Sabre SynXis	SynXis SABRE CRS+IDS Web distributor IF
Two easy full integration with SABRE-SynXis. Access to CRS and IDS web distribution channels. Requires web and Newhotel booking engine license.	
Newhotel Cloud PMS	Newhotel Front-desk Express
Cloud PMS front-office. Internet browser user interface. Supplied as software as service (SaaS) with a monthly fee including software license and maintenance.	
WebNewhotel Web Services	Internet Online Direct Booking
Internet booking engine for online web reservations into Newhotel PMS. License for unlimited reservation. Interface available for seamless integration with internet sales channels (extra fee).	
IDS Interface Web Channels/ Regis Interface	Internet Bookings Channel Manager
Seamless integration with internet bookings channels (Expedia and others). Requires web and Newhotel booking engine license.	
Web Booking Express	Internet Online Direct Bookings
Express web booking service for direct web reservation. Flat fee monthly payment. Optional contract for payment per reservation.	
Multi-Hotel and Groups Solutions	
Complex Multi-Hotel Central Reservations	Integrated Multi-Property Management
Integrated management in multi-hotel complexes. Consolidated occupancy, income and booking position, cross bookings and consumptions, guest and reservation deviation, and internal overbooking management. Requires	

Newhotel Front-office licenses.

NewCentral Server + NewTrans	Central Group Manager
-------------------------------------	------------------------------

Hotel chain central package. Manages remote hotels (front-offices. POS or stocks), including contracts, prices, clients and other operational parameters.

NewCentral Client Front-Office	Client Front-Office PMS NewCentral
---------------------------------------	---

Client module for connecting the hotel front-office to the hotel chain central.

NewCentral Client POS	Client POS NewCentral
------------------------------	------------------------------

Client module for connecting the hotel points-of-sale to the hotel chain central.

NewCentral Client Stocks	Client Stocks NewCentral
---------------------------------	---------------------------------

Client module for connecting the hotel stocks to the hotel chain central.

Point of Sale, Food & Beverage

POS – Point of Sale	Points of Sale Hotel, Restaurant and Bar
----------------------------	---

Highly specialized point of sale software application for the most demanding restaurant and hotel operation. Unlimited PLU and programmable product keys for touch screen operation. Multi-currency, internal consumption and happy hour prices.

Restaurant Module for POS	Table Reservation for OS Restaurant
----------------------------------	--

Additional module to POS software for restaurant with table reservation and client database.

Portable POS Server	Hand Held POS System
----------------------------	-----------------------------

Base module software for mobile point of sale. One base controls unlimited POS palmtop terminals.

Portable POS Terminal	Portable Hand Held POS Terminal
------------------------------	--

Mobile POS Palmtop terminal. Requires one base module software and palmtop wireless network.

NewStock	Stocks Food and Beverage
-----------------	---------------------------------

Stocks and inventory management specialized for food and beverage operations. Complete set of features for sophisticated food and beverage management, including recipes, compositions, buffet tables, reduction planning. Allows automatic deduction of stock from POS sales.

NewClub	Management of Clubs and Cabarets
----------------	---

Software for management of cabarets, showrooms and similar operation. Table and seat reservation, door control, sale packages, and allows integration with POS.

NewPaga	Accounts Payable
----------------	-------------------------

Accounts payable with automatic integration with NewSotck. Database of providers, registers of purchases. Account statements and ageing analysis.

Business and Leisure Solutions

NewSPA	Wellness, Spa and Health Club
---------------	--------------------------------------

Software for Wellness, SPA and Health Club operation. Controls reservations for SPA resources, services therapists and doctors. Visual planning for day and week. Invoicing and hotel integration.

NewPlan	Conventions and Meeting Rooms
----------------	--------------------------------------

Manages Salons and other resources for events and conventions. Visual planning and daily work assignments. Additional services, audio-visuals, coffee-breaks, etc. invoicing and hotel integration.

NewGolf	Golf Course Management
----------------	-------------------------------

Golf Course management and reservations. Visual interactive planning. Golf shop sales operations with simple POS-type workstation.

NewGolf Web Reservations	Online Reservations for Golf Courses
---------------------------------	---

Internet reservations for golf courses using NewGolf software and database

NewCondo Multi-Property	Condos Multi-Property
--------------------------------	------------------------------

Additional module integrated with NewHotel PMS for controlling condo and time-share operations. Owner's files and accounts. Contracts and profit and cost sharing. Automatic reservations into hotel.

NewCRM	Customer Relationship Management
---------------	---

Customer Relationship Management with integrated access to NewHotel Software family client and guest databases.

NewConta	Accounts Receivable
-----------------	----------------------------

Accounts receivable fully integrated with NewHotel Front-Office. Account statements and ageing analysis.

NewChange	Exchange Currency
------------------	--------------------------

Module for currency exchange workstation. Integrates with Hotel Front-Office and Guest Databases.

NewSurvey	Quality Control and Guest Satisfaction
------------------	---

Module for designing guest satisfaction forms. Collects and analyses the information. Produces static and dynamic statistics and graphs.

NewPlan – Services and Activities	Resources Sports and Leisure Activities
--	--

Manages resources for timed-based rentals in hotels, resorts and leisure businesses. Visual planning and daily work assignments. Additional services, audio-visuals, coffee-breaks and etc. invoicing and hotel integration.

Interfaces

Telephone Call Accounting	Telephone Call Accounting
----------------------------------	----------------------------------

Time-based call accounting. Flexible price tables configuration by line trunk.

Export Accounting Front Office Standard	Interface Accounting (Front Office)
--	--

Module for exporting Newhotel Front-Office data for accounting. Flexible file format configuration.

Export Accounting Stocks	Export Accounting Stocks
---------------------------------	---------------------------------

Module for exporting NewStock data for accounting. Flexible file format configuration.

Export Accounting SPA	Export Accounting SPA
------------------------------	------------------------------

Module for exporting NewSPA data for accounting. Flexible file format configuration.

Export Accounting NewPlan	Export Accounting NewPlan
----------------------------------	----------------------------------

Module for exporting NewPlan data for accounting. Flexible file format configuration.

IF Electronic Invoicing	Electronic Invoicing
--------------------------------	-----------------------------

Module for producing and sending certified electronic invoices according to the established legal rules.

IF NewPOS – Front-Office	Interface Points of sale – Front Office
---------------------------------	--

Interface for complete integration of POS operations and sallies in hotel front-office. Posting room charges, credit control, preparation, table accounts, and multiple types of payment.

IF NewPOS - Stocks	Interface Points of Sale – Stocks
---------------------------	--

Interface for automatic deduction from stock of POS sales and consumptions. User's recipes and compositions for associating POS items with corresponding stock products.

IF Telephone 1 Way	Interface Telephone 1 Way
---------------------------	----------------------------------

Unidirectional telephone interface with front-office, pulse or value call charges sent by the central are inserted into guest accounts.

IF Telephone 2 Way	Interface Telephone 2 Way
---------------------------	----------------------------------

Bidirectional telephone interface with front-office, pulse or value call charges sent by the central are inserted into guest accounts. Extra functions: Open/close lines, rooms status, wake-up, minibar consumptions, etc.

IF Telephone 2 Way + Extras	Interface Telephone 2 Way Advanced
------------------------------------	---

Bidirectional telephone interface with front-office, pulse or value call charges sent by the central are inserted into guest accounts. Extra functions: Open/close lines, rooms status, wake-up, minibar consumptions, text messages, do not disturb database swap, etc.

IF Door Key Cards	Interface Magnetic Cards
--------------------------	---------------------------------

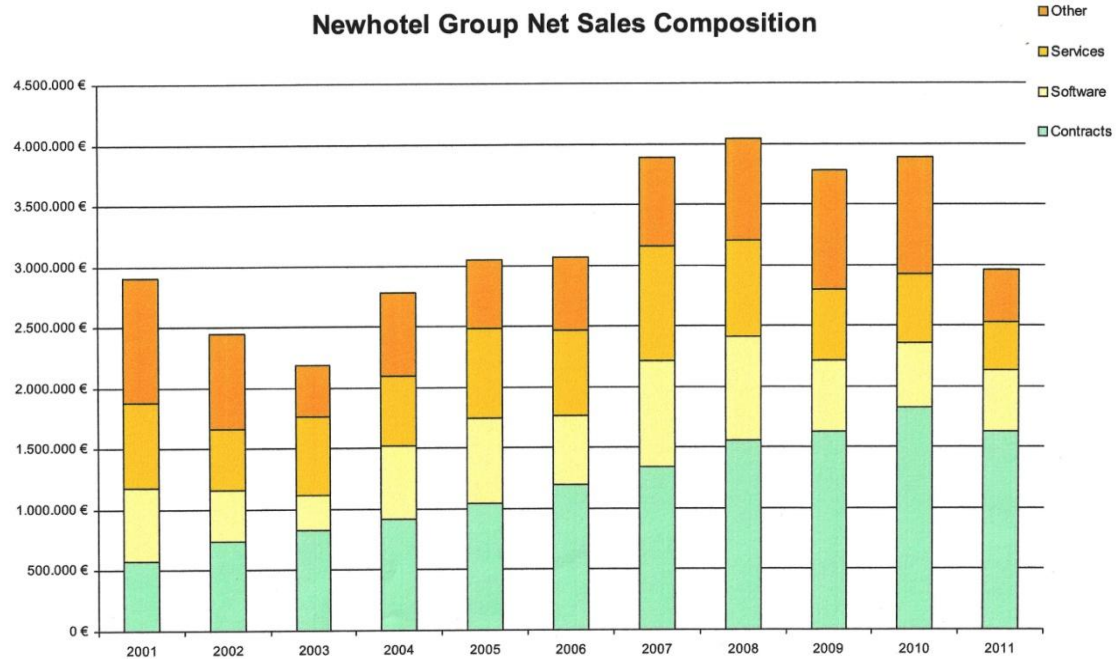
Issue door keys check-in/out, copy keys, pre-emission keys, cancel key, save guest/booking data for use in POS, doors and other devices.

IF Pay TV Basic	Interface Pay TV Standard
Interface Pat-TV enable/disable, check-in/out and room charges, and guest welcome.	
IF Pay TV + Extra Functions	Interface Pay TV Advanced
Interface Pat-TV enable/disable, check-in/out and room charges, and guest messages. Extra functions: room's status, view bill, messages, wake-up, guest information.	
IF Minibars	Interface Minibar Systems
Interface module for automatic charges in Newhotel Front-Office of minibar systems consumptions.	
IF Scanner Documents	Interface Documents Scanner
Interface scanner documents: passports, identity cards read and insert guest information in Newhotel cardex files.	
IF Internet Charges Control	Interface Internet Guests
Interface module for automatic charge in Newhotel Front-Office of internet access consumptions.	
IF Credit Cards EFT	Interface Credit Cards Payments
Interface with credit cards electronic fund transfer: payments and devolutions.	
IF SMS Messages	Interface SMS Messages
Interface module for sending SMS written messages. Requires porting to cellular phone provider.	
IF External POS Room Charges	Interface External POS – Newhotel Front-office
Fiscal printer interface for the legal requirement of some countries.	
IF Fiscal Printer POS	Interface Fiscal Printer POS
Fiscal printer interface for the legal requirement of some countries.	
IF Fiscal Printer Front Office	Interface Fiscal Printer Front-office
Fiscal printer interface for the legal requirement of some countries.	
IF Fiscal Printer NewSPA	Interface Fiscal Printer NewSPA
Fiscal printer interface for the legal requirement of some countries.	
IF Fiscal Printer NewPlan	Interface Fiscal Printer NewPlan
Fiscal printer interface for the legal requirement of some countries.	
IF Golf - Newhotel	Interface Golf – Newhotel
Interface for integrating golf sales in hotel production.	
Export Accounting Front-office Non-standard	Central Reservations
Central reservations for hotel chains. Inserts bookings for several hotels. Very reliable and resistant to communication failures. Requires NewCentral installation.	
IF NewSPA – NewStock	Interface NewSPA – NewStock
Interface for deducting stocks products for use and sale in SPA operations.	
IF NewPlan – NewStock	Interface NewPlan – NewStock
Interface for deducting stocks products for use and sale in NewPlan events operations.	
Manager Tools	
Newhotel PMS Revenue Manager	Toolkit for Revenue and Yield Management
Easy to use interactive toolkit that performs automatic analysis of Newhotel PMS database for revenue and Yield Management.	
Navigator	Navigator Hotel Manager Assistant
Easy to use intuitive explorer and analyser of hotel information for assisting managers decision making.	
Compass - Groups	Compass Group Manager Assistant
Intelligent group manager assistant. Simple and intuitive criteria search of high lever management information.	

Hundreds of clear charts and graphical analysis.

Newhotel Workstation Calls	
Workstation Call	Workstation License Embedded Oracle
Workstation license for embedded Oracle database engine.	
Source: NewHotel Software	

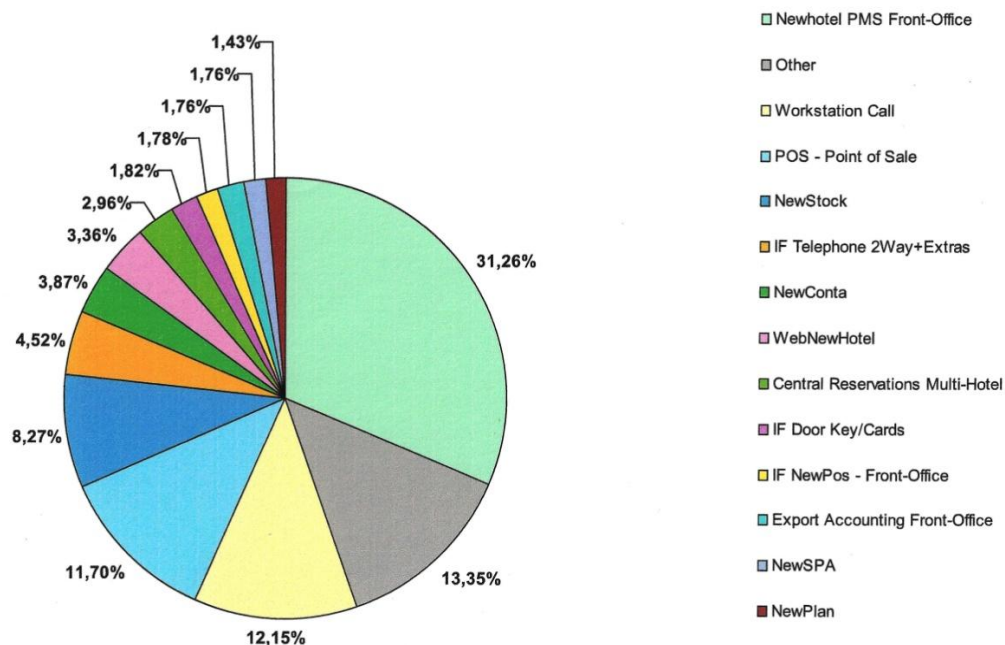
Exhibit 6 – Newhotel Software Net Sales Composition



Source: NewHotel Software

Exhibit 7 – Newhotel Software's top product licensing sales

Newhotel Software Historical Top Product Sales



Source: NewHotel Software

Exhibit 8 – PMS Front Office pricing example

Software License		Unit Price	Hours of Technical Support			Maintenance
Rooms	Price	Extra Rooms	Installation	Consulting	Training	Annual
25	\$1,750	\$70	2h	8h	32h	\$840
50	\$3,500	\$70	2h	8h	32h	\$1,005
75	\$5,250	\$70	2h	8h	32h	\$1,580
100	\$7,000	\$70	4h	12h	40h	\$2,100
125	\$8,750	\$70	4h	12h	40h	\$2,630
150	\$10,500	\$56	4h	12h	40h	\$3,150
175	\$11,900	\$56	4h	12h	40h	\$3,570
200	\$13,300	\$56	4h	12h	40h	\$3,990
225	\$14,700	\$56	4h	12h	40h	\$4,410
250	\$16,100	\$42	4h	12h	40h	\$4,830
300	\$18,200	\$42	4h	12h	40h	\$5,460
350	\$20,300	\$42	4h	12h	40h	\$6,090
400	\$22,400	\$42	4h	16h	64h	\$6,720
450	\$24,500	\$42	4h	16h	64h	\$7,350
500	\$26,600	\$42	4h	16h	64h	\$7,980
>500	\$26,600	\$42	4h	16h	64h	\$7,980

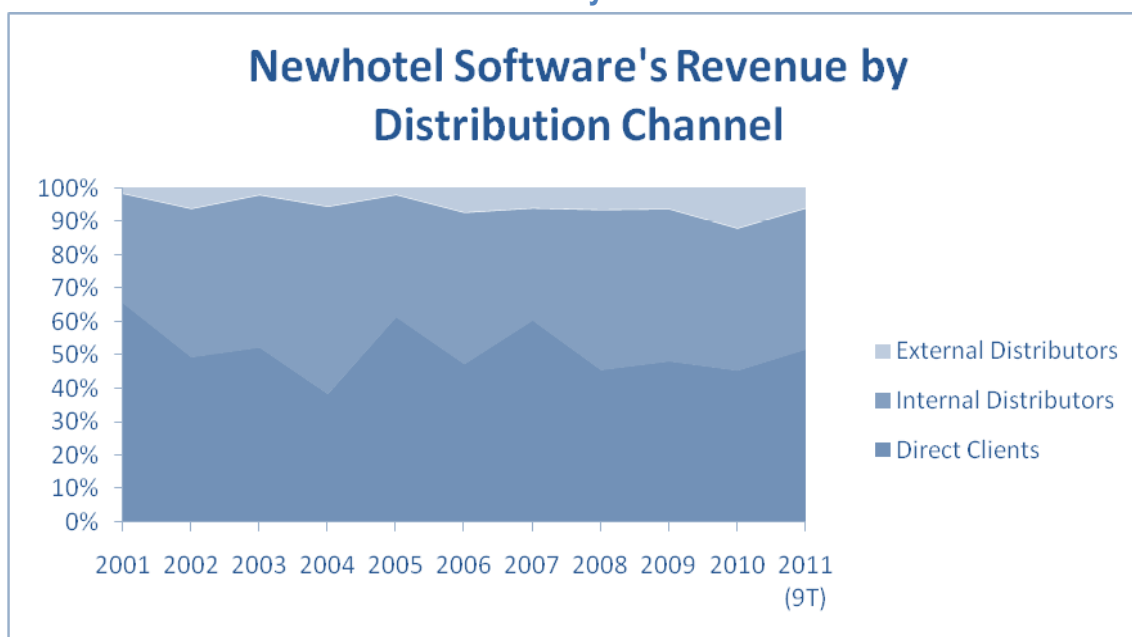
Source: NewHotel Software

Exhibit 9 – Levels of Maintenance Services

LEVELS OF MAINTENANCE SERVICES	GOLD	SILVER	BRONZE	BASIC
HelpDesk 24-hour remote support	Yes	Yes	No	No
New versions & upgrades	Yes	No	No	No
Telemaintenance services available	Unlimited	Week 9-18h	No	No
No charge maintenance included hours	Unlimited	16h /year	No	No
Availability for local interventions	24 hours	Week 9-18h	No	No

Source: NewHotel Software

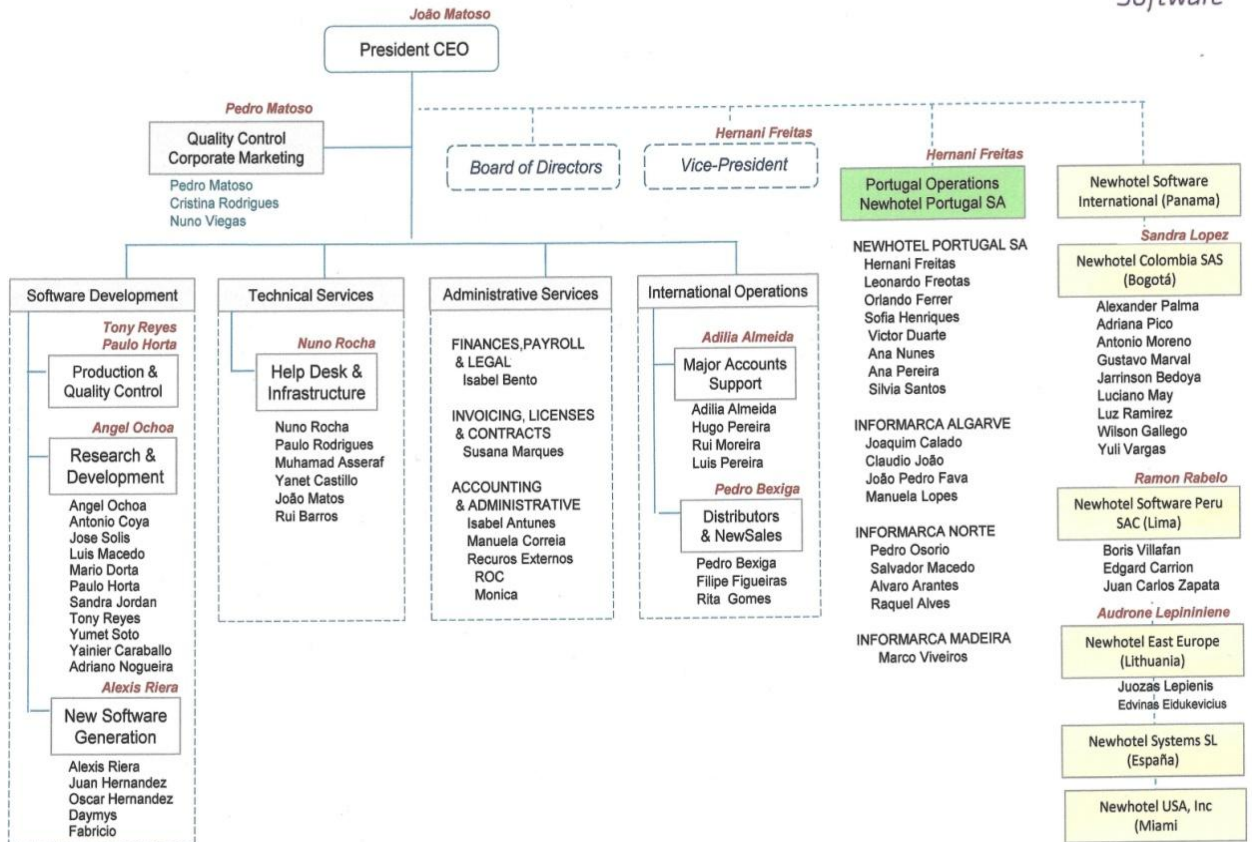
Exhibit 10 – Newhotel Software's revenue by distribution channel



Source: NewHotel Software

Exhibit 11 – Newhotel Software organizational chart

ORGANIZATIONAL CHART 2011



Source: NewHotel Software

Exhibit 12 – Industry Map

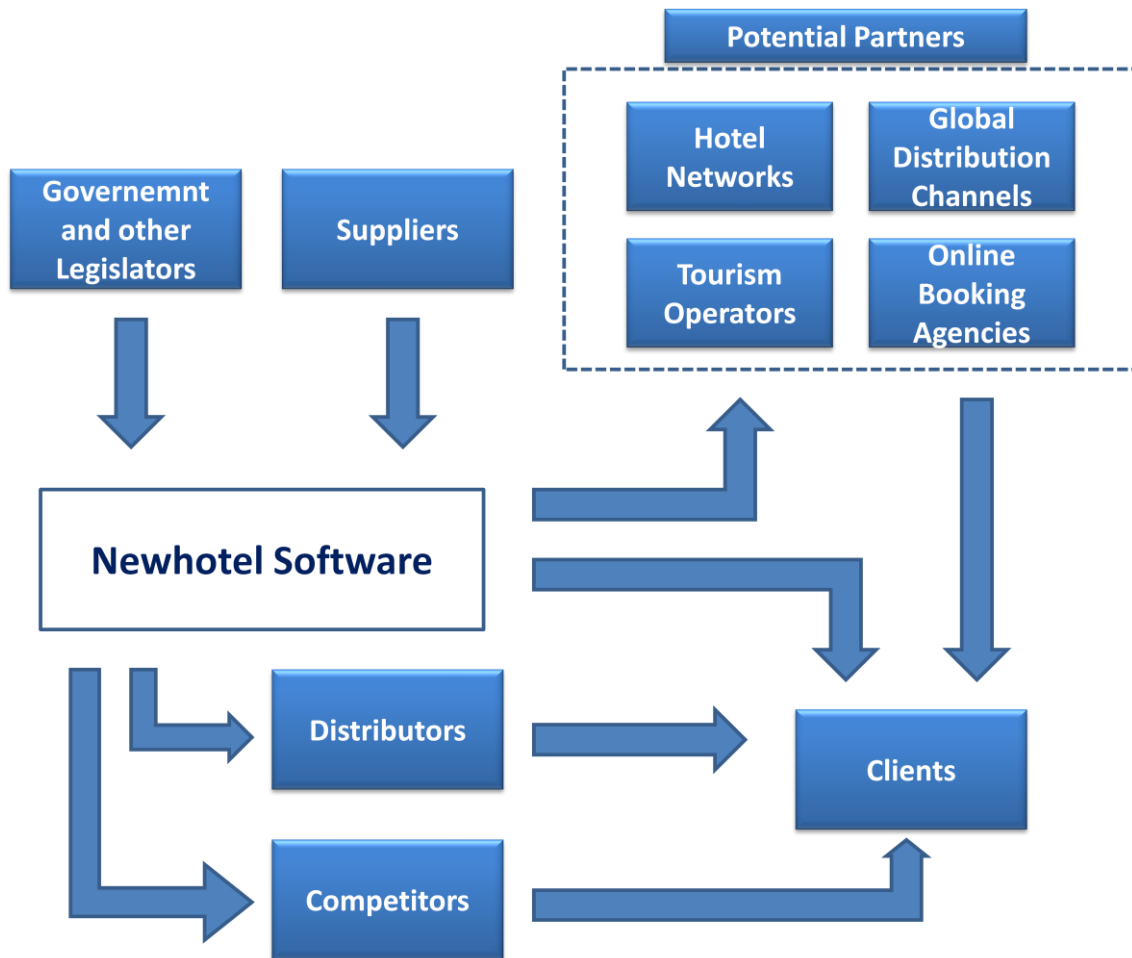


Exhibit 13 – Competitor's Overview

Micros Systems

- Micros Systems is the giant in the HMS Industry under the brand names of Opera and Fidelio. Its target is hotel chains with notable client being MGM Mirage, Shangri-la, Marriot Inc., Hilton, Hyatt and over 160 other global hotel chains. The company develops software and produces hardware for other businesses such as retailing and restaurants. Micros reported revenues for 2011 of US\$1bn out of which US\$100million correspond to software licenses. They've established 45 wholly owned subsidiaries (including Argentina) and have a distribution network encompassing 90 resellers bringing their presence to a total of 82 countries.
- Source: <http://www.micros.com/NR/rdonlyres/6CB2668F-B5A8-41ED-B030-A0A0CE3A5522/0/10KFY11FINAL.PDF>

INFOR Softbrands

- Present in 164 countries with over 10.000 clients, INFOR is a major company in the HMS industry. Its hotel software is fully integrated and its target is hotel chains, more specifically, casino hotel chains, licensing software for 90% of the Las Vegas Boulevard. In 2008, Softbrands, before being acquired by INFOR reported revenues of US\$93.4Million. Currently, they are present in Argentina with a wholly owned office.
- Source: <http://www.infor.com/solutions/hospitality/>

Northwind

- Chosen due to the resemblance to NHS, Northwind, with its Maestro PMS is a family owned company from the U.S.A with a distribution network in 14 countries. It currently has 69.000 hotel rooms installed, a third of NHS's 180.000. However, it offers fully integrated, built from the ground up hotel management software which nullifies NHS's operational advantages. However, they are only present in Argentina through resellers.
- Source: <http://www.maestropms.com/about/company-profile>

Desbravador Software

- Brazilian hotel management solution supplier. It currently has over 2000 clients and detains a leadership position in the Brazilian market. Other than Brazil, they are only present in Argentina (with an office) but their client portfolio ranges 7 different South American countries. They offer management solutions systems, not only to hotels but also to convenience stores and gas stations.
- Source: http://www.desbravador.com.br/br/empresa_apresentacao.php

Exhibit 14 – Competitive Assessment – PMS Features

Company	NHS	Micros	Northwind	INFOR Softbrands
Platform	All	Windows; Web Based	All	Windows
Account/ Invoice Transfer	●	●	●	●
Automatic Backup	●	●	●	●
Call Accounting	●	●	●	●
Content Management System			●	
Condo Management	●	●	●	●
Conference Centre Support	●	●	●	●
Corporate Rental	●	●	●	
Custom User Interface	●	●	●	●
Customization Fields	●	●	●	●
Customization Functionality	●	●	●	●
Customization Reporting	●	●	●	●
Data Import/ Export	●	●	●	●
E-mail Confirmation	●	●	●	●
Extended Stays Options	●	●	●	●
For Rental Properties	●	●	●	●
For Resorts	●	●	●	●
GDS/IDS	●	●	●	●
Group Management	●	●	●	●
Guest Management	●		●	
Incident Management	●	●	●	●
Individual/ Group Check-in	●	●	●	●
Inventory Management	●	●	●	●
Legacy System Integration	●	●	●	●
Maintenance Management	●	●	●	
Marketing Management	●	●	●	●
Mobile Access	●	●	●	
Multi-Currency	●	●	●	●
Multi-Language	●	●	●	●
Multi-Property Functionality	●	●	●	●
Online Booking	●	●	●	●
Payroll Management	●	●		●
POS Integration	●	●	●	●
Reporting	●	●	●	●
Reservation Classification	●	●	●	●
Room Availability	●	●	●	●
Room Feature Classification	●	●	●	●
Room Key Manager	●		●	●
Social Media Commerce			●	
Software Development Kit	●	●	●	
Staff Management	●	●	●	
Travel Agent Commissions	●	●	●	●
Trust Accounting	●	●	●	●
Vacation Rental Management	●	●	●	
Wait List Management	●	●	●	●
Walk-in Registration	●	●	●	●

Source: www.capterra.com

Exhibit 15 – Argentina’s PEST Analysis

Political

- The Republic of Argentina encloses 23 autonomous regions plus the capital city of Buenos Aires
- It follows the governmental form of a federal republic
- Characterized by Political Instability with 3 military coups during the late 20th century
- Nestor Kirchner (president 2003-2007) and his wife, Cristina Kirchner (current president), brought stability to the country
- The current government greatly endorses International trade and Industrial development

Economical

- Argentina is characterized by a significant relative importance of its primary sector, 13% of the GDP in 2010. The third sector detains 68% of the total GDP.
- From 2003-2007, the GDP growth rate was approximately 9,0%. In 2008, it declined to 6,8% further declining in 2009 to 0,9%. It is currently recovering: in 2010, the GDP growth rate was 9,2%
- Inflation rate has grown from 6,3 to 10,8 from 2009 to 2010. At the same time, average interest rates decreased from 15,7% to 10,6%.
- The Argentinean Peso is currently depreciating (1 USD = 4,2360) boosting the international tourists purchasing power in Argentina
- Imports and Exports of trade goods and services have grown at, approximately, the same rate as the GDP due to the increased trade liberalization. Imports now represent 18,0% of total GDP, while exports represent 22,0%
- FDI reached US\$9.725bn in 2008, however, following the world financial crisis, it declined to US\$4.0bn in 2009. In 2010 it grew by 50% holding a value of US\$6.0bn
- Member of the MERCOSUR (*“Mercado Común del Sur”*) and the FTAA (*“Free Trade Areas of the Americas”*)
- Scored 62,4 (2010) on the business freedom index of the Heritage Foundation which is below the world average of 64.3, however, it has been greatly increasing in the last few years growing 0,3 per year on average. One of the factors that weighs in this Index is the internationalization process of a foreign firm

Social

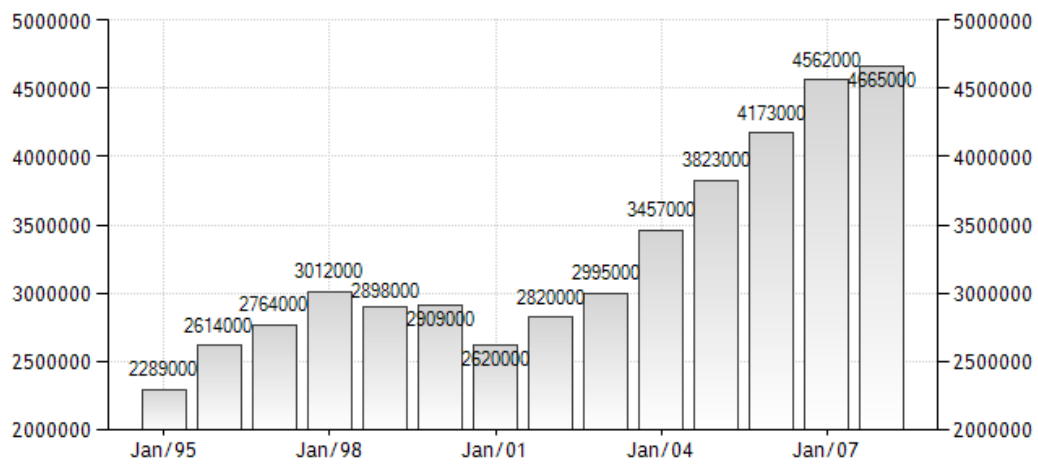
- 33rd country with the highest population in the world (40 million)
- Highly urbanized with over 90% living in urban areas. Buenos Aires accounts for 13 million inhabitants, 34% of the total population
- Argentina detains an adult literacy rate of 98%
- Expenditure on Education grew, from 2006 to 2008, from 0,9% to 5,4% of the country's GDP
- Employment rate declined, between 2006 and 2009, from 10,1% to 8,5%
- Income inequality has greatly decreased. Between 2002 and 2009, the 10% richest of the population decreased their income from 26 to 16 times the income of the 10% poorest
- In terms of the Healthcare system, the Argentinean Government, allied with the World Bank, is currently investing in the north of the country which has a highly underdeveloped system – Plan *“Nacer”*

Technological

- Over 230.000 kms of roads out which 30% are paved. The railway system is underdeveloped with only 34.000 kms, and many routes are currently closed. The waterway system bolsters more than 50% of the total goods transportation in all the country
- The government has been endorsing the energy sector through trust funds. The main power sources are hydro and thermal plants
- 97,2% of the population has access to electricity
- ICT services exports account for 12% of the GDP while the ICT goods imports accounted for 11,2%
- Internet Users accounted, in 2006, 20,9% of the population. In 2010, this value grew to 36%.

Sources: Worldbank, The Heritage Foundation and Wikipedia

Exhibit 16 – International Tourist Arrivals evolution in Argentina



Source: <http://www.tradingeconomics.com/argentina/international-tourism-number-of-arrivals-wb-data.html>

Exhibit 17 – Hotel Segmentation in Argentina

Establishments by region	2007	2008	2009	2010
City of Buenos Aires	538	603	643	669
1 & 2 Stars hotels	83	87	89	93
3 stars hotels, boutiques & apart-hotels	105	141	178	190
4 & 5 stars hotels	84	85	89	93
Others	266	290	287	293
Center	1.047	1.025	1.044	989
1 & 2 Stars hotels	280	284	258	243
3 stars hotels, boutiques & apart-hotels	148	139	151	136
4 & 5 stars hotels	20	20	21	21
Others	599	582	614	589
Coast	688	674	686	700
1 & 2 Stars hotels	106	117	112	117
3 stars hotels, boutiques & apart-hotels	148	140	133	145
4 & 5 stars hotels	49	54	54	54
Others	385	363	387	384
Patagonia	1.500	1.583	1.603	1.640
1 & 2 Stars hotels	170	191	176	192
3 stars hotels, boutiques & apart-hotels	226	248	257	271
4 & 5 stars hotels	71	73	75	80
Others	1.033	1.071	1.095	1.097
Region of Buenos Aires (excluding city)	1.064	1.053	1.099	1.170
1 & 2 Stars hotels	331	324	329	356
3 stars hotels, boutiques & apart-hotels	226	214	221	242
4 & 5 stars hotels	38	41	42	46
Others	469	474	507	526
Cuyo	640	751	840	789
1 & 2 Stars hotels	186	200	213	195
3 stars hotels, boutiques & apart-hotels	131	165	191	190
4 & 5 stars hotels	33	32	40	41
Others	290	354	396	363
North	560	572	620	617
1 & 2 Stars hotels	104	109	123	103
3 stars hotels, boutiques & apart-hotels	96	92	146	118
4 & 5 stars hotels	36	36	34	34
Others	324	335	317	362
1 & 2 Stars hotels	1.260	1.312	1.300	1.299
3 stars hotels, boutiques & apart-hotels	1.080	1.139	1.277	1.292
4 & 5 stars hotels	331	341	355	369

Others	3.366	3.469	3.603	3.614
Total	4.990	5.236	5.491	5.585

Source: "INDEC – Insitituto Nacional de Estadística e Censu"

Exhibit 18 – Available Hotel Rooms Segmentation in Argentina

Hotel Rooms by region and type (2010)	1 & 2 Stars hotels	3 stars hotels, boutiques & aparthotels	4 & 5 stars hotels	Others	Total	Avg Rooms per Hotel
Buenos Aires	121.845	241.958	375.007	131.231	870.041	1.301
Center	217.653	232.861	119.789	315.223	885.526	895
Coast	94.209	170.283	151.528	134.029	550.049	786
Patagonia	176.394	198.909	171.771	219.992	767.066	468
Region of Buenos Aires (excluding city)	217.653	232.861	119.789	315.223	885.526	757
Cuyo	130.492	170.883	113.301	67.051	481.727	611
North	82.069	135.162	75.555	120.909	413.695	670
Total	1.040.315	1.382.917	1.126.740	1.303.658	4.853.630	869

Source: "INDEC – Insitituto Nacional de Estadística e Censu"

Exhibit 19 – Occupation rate by region

Occupation rate of Hotel Rooms	2007	2008	2009	2010
CABA	62,81%	62,25%	50,00%	61,72%
Center	32,51%	36,42%	33,63%	34,42%
Coast	47,22%	41,30%	38,62%	40,21%
Patagonia	46,91%	42,04%	36,44%	50,00%
Buenos Aires (excluding city)	38,20%	34,40%	29,32%	32,39%
Cuyo	41,50%	36,39%	30,28%	33,66%
North	37,99%	35,70%	29,29%	35,01%

Source: "INDEC – Insitituto Nacional de Estadística e Censu"

Exhibit 20 – NHS's SWOT Analysis

Strengths

- S1: Product Portfolio
- S2: Integration capability within own product
- S3: Integration with other Softwares
- S4: PMS features and compatibility with Interfaces
- S5: Faster and cheaper customization
- S6: Help Desk Services
- S7: Flexibility to respond to market trends
- S8: Present in Colombia and Peru
- S9: Continuous investment in R&D

Weaknesses

- W1: Lack of management practices
- W2: Relationship with distributors
- W3: Hotel Chain penetration rate
- W4: Lack of brand awareness
- W5: Responsive company
- W6: Extremely small in relation to its main competitor: Micros

Opportunities

- O1: Integration of global distribution systems
- O2: Internatinalization of clients
- O3: Different target markets with the needs of management software
- O4: CRM, Yield Management and Cloud Softwares are future trends
- O5: Internationalization opportunities around the world
- O6: Argentina's investment in IT firms
- O7: Investment Treatie between Argentina and Portugal
- O8: Growth of hotel Industry in Argentina
- O9: Hotel Industry is concentrated in Buenos Aires

Threats

- T1: Established competitors with access to diverse distribution channels
- T2: Micros worldwide strong leadership position
- T3: Legal system in terms of copyright protection in Argentina
- T4: Core competences of NHS might only be a source of Temporary Advantage

Exhibit 21 – NHS's TOWS Analysis

Strengths / Opportunities

- NHS's core competences and its diverse product portfolio is completely fit to be adjusted to worldwide opportunities
- The fully customized and integrated software and technical support system allows NHS's to follow its clients wherever they may be.
- NHS's continuously innovates with additional product features which allows them to take advantages of new market trends such as the Cloud softwares
- Growth of the Argentinean market can be capitalized by NHS using its broad portfolio and its superior integration capabilities
- Presence in Colombia and Peru can easily translate into better management solutions due to NHS's know how in Latin America

Strengths / Threats

- NHS has competitive advantages and offers a product as advanced, if not more, than its direct competitors. Especially Micros
- Being present, already, in Latin America, can provide the know how to compete in a new environment
- NHS should capitalize on its technical support in terms of creating additional shifting costs for its clients
- The legal environment in terms of copyright is considered to be a low threat as they mainly include products targeted at the mass audience and not in a B2B perspective

Weaknesses / Opportunities

- Lack of management practices and investment in marketing can deter entrance in additional markets and prevent NHS from capitalizing existing opportunities
- Lack of brand awareness increases the costs of acquiring a new client and, as such, slows the growth of the company in relation to the growth of the industry

Weaknesses / Threats

- Micros can use its huge leadership position and, without brand awareness, NHS can easily be outmatched in spite of its competitive advantages
- Lack of access to distributors can further deteriorate NHS's competitive position
- Innovating as a reaction to market trends instead of anticipating future trends can very easily outdate NHS's products

Exhibit 22 – Legal Framework analysis

National Treatment of foreign companies
The Foreign Direct Investment Act N° 21382 enacted in 1993 by Executive Order 1853/93 confers national treatment to foreign investors meaning that a foreign company will have access to every benefit conceded to resident companies in Argentina, unrestricted access to all economic sectors and limitless access to credit regardless of country of origin.
Source:http://www.argentinatradenet.gov.ar/sitio/datos/material/legal_framework_argentina.pdf
Legal forms adopted by foreign companies
Foreign firms can adopt the following legal forms: corporations, limited partnership, general partnerships, office branch (includes the form of a Separately Incorporated Subsidiary) and joint ventures. There is a fundamental difference between setting up a local branch of a foreign company, or a separately incorporated subsidiary. The former, according to Argentina's legal framework of FDI – Commercial Companies Law number 19,550 and Bankruptcy and Creditor Protection Law number 19,551, includes all of the company's assets in potential liabilities while the latter only includes the assets owned by the company in Argentina. Without any other major difference, foreign companies that invest in this country usually opt for setting up a separately incorporated subsidiary.
Source:http://www.doingbusinessinargentina.com/index.php?fPID=EstablishinganOffice
Contracts registry of the IT Industry
According to Article 9 of Law 22.426, software licenses' contracts must be registered in the “<i>INTI – Instituto Nacional de Tecnología Industrial</i>”.
Source:http://www.gtar.com.ar/Medios/Doing_2011.pdf
Bilateral Investment Treaties

Portugal and Argentina also have a bilateral investment treaty preventing double taxation issues. With this, income from the Argentinean market is only taxable from its source.

Source: http://www.sice.oas.org/Investment/BITSbyCountry/BITs/ARG_Portugal_s.pdf

Main Taxes

Taxation System		Value
National Taxes	Corporate Income Tax	35%
	Value Added Tax	21%
Import duties	Software duty	17,5%
	Statistical Fee	0,5%

Source: <http://web.ita.doc.gov/ITI/itiHome.nsf/9b2cb14bda00318585256cc40068ca69/8844764bae43d6c085256cff006b1dfc?OpenDocument#DUTIES%20AND%20TAXES%20ON%20SOFTWARE%20IMPO>

Exhibit 23 – Objectives for actions in the implementation plan

Phase	Actions	Objectives
1 - Market Assessment	Contact with target hotels in Buenos Aires	Brand Awareness and establish relationships. Find competitors present in this segment
	Contact with potential distributors	Find suitable distributors to increase market penetration
	Contact with hotel networks	Establish relationships and strike potential partnerships
	Presence in Tourism Fairs	Assess local environment and find key players in the T&T Industry
	Assesment of valued product features	Find specific hotel needs
	Sales Forecast	Refine sales forecast as a response to data obtained
2 - Direct Exports	Assessment of legal environment	To adapt the strategy based on the FDI legal framework
	Creation of sales team	For preparation of product demonstration
	Training of sales team	Provide the know how to enhance quality of product demonstrations
	Product demonstrations	Includes demonstrations to distributors as well as the target segment
	Product Customization	Adapt product to legal and business environment
	Review of the strategy adopted	Review to assess key success factors in order to enhance future investments
3 - Separatly Incorporated Subsidiary	Assessment of legal environment	Adapt strategy based on FDI Legal Framework
	Sales and cost Forecast	To provide a clear image on the return on investment of establishing a Subsidiary
	Creation of sales office	Allocation of employees: the manager, the sales manager and a technician
	Contact with target hotels in other regions	Brand Awareness and establish relationships.
	Product demonstrations	Includes demonstrations to distributors as well as the target segment
	Product Customization	Adapt product to business environment
	Review of the strategy adopted	Review to assess key success factors in order to enhance future investments

Exhibit 24 – Main Tourism Fairs in Argentina

Name	Location	Date (2011)	Target
"FIT - Feira Internacional de la America Latina de Turismo"	Buenos Aires	29/Oct to 1/Nov	Hotels / Tour Operators / Booking Agencies / Other Tourism Organizations from all of Latin America
"FEBATUR - Feira Buenos Aires de Turismo"	Buenos Aires	30/Sep to 2/Oct	Hotels / Tour Operators / Booking Agencies / Other Tourism Organizations from the city of Buenos Aires
"EXPO Eventos"	Buenos Aires	9/Aug to 11/Aug	Event Planners / Hotel Services from the city of Buenos Aires
"EXPO Patagonia"	Buenos Aires	23/Sep to 25/Sep	Hotels / Tour Operators / Booking Agencies / Other Tourism Organizations from Patagonia

Source: <http://www.nfeiras.com/turismo/argentina/>

Exhibit 25 – Cost prediction and Assumptions & Sources

Commercial Expenses (2012-2014)		
Type	Cost per person	Cost
Flight Expenses (round trip / 2 people)	850	1.700
Car Rent	483	483
Accommodation (2 people / 14 days)	1.624	3.248
Meals (2 people / 14 days)	560	1.120
Total (EUR)	3.517	6.551
International Fair Budget (2012-2014)		
Type	Cost per person	Cost
Flight Expenses (round trip)	850	1.700
Car Rent	278	278
Accommodation (2 people / 7 days)	812	1.624
Meals (2 people / 7 days)	280	560
Stand & Equipment	10.000	10.000
Total (EUR)	12.220	14.162
Creation of Sales team (2013-2014)		
Type	Unit Cost	Cost
Wages (2 employees)	1.400	18.200
Training Expenses	3.517	3.517
Other Expenses	200	2.400
Total (EUR)	5.117	24.117
Setting up an Office (2014)		
Type	Unit Cost	Cost
Office Rent	306	3.672
Buying a car	9.665	9.665
Expenses on Equipment	500	6.000
Total	9.971	13.337
Total (EUR)	30.825	58.167
Total (USD)	39.912	75.315

Assumptions & Sources	
Flight Expenses (round trip)	Round trip from Lisbon to Buenos Aires: http://book.flytap.com/r3air/TAPPT/Calendar.aspx?origin=LIS&destination=EZE&flightType=Return&depDate=07.03.2012&retDate=21.03.2012&cabinClass=Y&ccSearch=P&adt=1&depTime=0&retTime=0&requestID=&_a=FTPTPT&market=PT&_l=pt Round trip from Bogotá to Buenos Aires: http://www.tripbase.com/Flights_to-Bogota_Colombia.html?gclid=CNP3zJTIt60CFYEmtAodEnarWA
Car Rent	http://www.abc-car.com.ar/tarifa.htm
Accommodation	http://www.argentour.com/pt/hotel/hoteis_em_buenos_aires.php?star=4&var_ciudad=BSA
Meals	Assumption based on a cost per meal of EUR 20 and 2 meals per day
Stand & Equipment	No data available from the tourism fairs. Therefore, an assumption was made here based on NHS's previous attendings of international fairs
Wages	Based on the minimum wage, an assumption of EUR 700 was made as the monthly salary of a sales person. http://en.wikipedia.org/wiki/List_of_minimum_wages_by_country
Training Expenses	Refers to the training of the sales team in dealing with NHS's software. Expenses are considered to be equal to unit cost of commercial expenses as it requires a technician to travel to Buenos Aires for 14 days
Other Expenses	Includes telephone bills and transportation costs of the sales team. A budget was considered here as it is difficult to forecast these costs
Office Rent	http://paddyinba.blogspot.com/2008/11/cost-of-living-in-buenos-aires.htmlv
Other Expenses (Setting up an Office)	Includes additional costs of internet, telephone bills and office equipment. A budget was considered here as it is difficult to forecast these costs. It also includes gas costs assumed to be USD\$100 per month
Buying a Car	http://www.renault.com.ar/automoviles/clio3puertas

Exhibit 26– Average number of hotel rooms and revenue prediction

Average number of hotel rooms calculation					
Location	Available Hotel Rooms	Average days a hotel stays open	Number of hotel rooms	Number of 3,4,5 star and boutique hotels	Average number of hotel Rooms
City of Buenos Aires	616.965	20	30.848	283	109
Region of Buenos Aires	352.650	15	23.510	288	82
	969.615	18,18	53.330	571	93

Revenues	
Client Size	93
PMS Price (75 rooms)	5250
Maintenance	1580
Additional rooms (70\$)	1260
Total	8090

Note that the information on the PMS Price is on Exhibit 8

Exhibit 27 – Business Etiquette in Argentina

Relationships & Communication
○ Argentina is a relationship-driven culture, so it is important to build networks and use them.
○ Argentines maintain and use an intricate network of family and friends to call upon for help, favors or assistance.
○ Name-dropping and nepotism do not have the negative connotations as it has in the West and can be used to your advantage.
○ Above all Argentines like to do business with people they know and trust.
○ They prefer face-to-face meetings rather than by telephone or in writing, which are seen as impersonal.
○ Once a relationship has developed, their loyalty will be to you rather than to the company you represent.
○ Looking good in the eyes of others is important to Argentines. Therefore, they will judge you not only on what you say, but also on the way you present yourself.
○ Avoid confrontation. Argentines do not like publicly admitting they are incorrect.
○ It is imperative to show deference and respect to those in positions of authority.
○ When dealing with people at the same level, communication can be more informal.
○ Be alert for nuances and hidden meanings. It is a good idea to repeat details, as you understand them to confirm that you and your business colleagues are in agreement.
Business Meeting Etiquette
○ Appointments are necessary and should be made 1 to 2 weeks in advance, preferably by e-mail or telephone.
○ Avoid January and February, which are their vacation times; the middle weeks of July, which is when many go skiing; and during the two weeks before and after Christmas.
○ You should arrive on time for meetings, although the person you are meeting may not be punctual.
○ In some older, more bureaucratic organizations, the more important the person you are meeting, the longer they keep you waiting.
○ Do not immediately begin discussing business. Small talk helps establish a rapport.
○ The person you are meeting with may accept telephone calls and attend to other business while you are there.
○ Have all printed material available in both English and Spanish.
○ Decisions are not reached at meetings. Meetings are for discussion and to exchange ideas.
Business Negotiations
○ Argentines expect to deal with people of similar status.
○ Hierarchy is important. Decisions are made at the top of the company. Business moves slowly because it is extremely bureaucratic. Decisions often require several layers of approval.
○ Argentines have a difficult time disagreeing, so do not think that things are going well simply because no one is challenging what you say.
What to Wear?
○ Men should wear dark colored, conservative business suits.
○ Women should wear elegant business suits or dresses.
○ Good quality accessories are important for both sexes.
○ Dress well if you want to make a good impression.
Business Card Etiquette
○ Business cards are given without formal ritual.
○ Have one side of your business card translated into Spanish.
○ Present your business card so the Spanish side faces the recipient.
Source: http://www.kwintessential.co.uk/resources/global-etiquette/argentina.html

Glossary

“Property Management System”

“Property management systems may be used in real estate, manufacturing, logistics, intellectual property, government or hospitality accommodation management. They are computerized systems that facilitate the management of properties, personal property, equipment, including maintenance, legalities and personnel all through a single piece of software.”

Source: http://en.wikipedia.org/wiki/Property_management_system

“Point of Sales”

*“Point of sale (POS) (also sometimes referred to as Point of purchase (POP)) or checkout is the location where a **transaction** occurs. A "checkout" refers to a POS terminal or more generally to the **hardware** and **software** used for checkouts, the equivalent of an electronic **cash register**.”*

Source: http://en.wikipedia.org/wiki/Point_of_sale

“Cross-Selling”

“Cross-selling is the action or practice of selling among or between established clients, markets, traders, etc. or the action or practice of selling an additional product or service to an existing customer.”

Source: <http://en.wikipedia.org/wiki/Cross-selling>

“Software as a Service”

*“Software as a service, sometimes referred to as "on-demand software," is a **software** delivery model in which software and its associated **data** are **hosted** centrally (typically in the (**Internet**) **cloud**) and are typically accessed by **users** using a **thin client**, normally using a **web browser** over the Internet.”*

Source: http://en.wikipedia.org/wiki/Software_as_a_service

“Modular Conception”

*“In **software**, a module is a part of a **program**. Programs are composed of one or more independently developed modules that are not combined until the program is **linked**. A single module can contain one or several **routines**.”*

Source: <http://www.webopedia.com/TERM/M/module.html>