

**SALES AND MARKETING—SCHEDULE 6**[illegible]

*Sales and Marketing*—Schedule 6 illustrates the proper format for reporting the Payroll and Related Expenses and Other Expenses for Sales and Marketing. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

## Expenses

Sales and Marketing expenses are separated into two major categories: Payroll and Related Expenses and Other Expenses.

### Payroll and Related Expenses

Payroll and Related Expenses for Sales and Marketing comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees classified as Sales and Marketing. A list of the positions typically included in Sales and Marketing is shown on page 177.

**Salaries, Wages, and Bonuses.** This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if a Sales department employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. A typical example is the use of individuals brought into the property to fill a clerical function such as filing. This situation differs from a contract service in which a property has an agreement with an outside company to provide some type of service, such as such scanning documents in connection with digitizing records. In this case, the contracted organization typically provides the supervision, and ensures that the work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

**Total Salaries, Wages, and Bonuses.** Calculated by adding together Salaries and Wages and Bonuses and Incentives.

**Payroll-Related Expenses.** Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13*.)
- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13*.) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

**Total Payroll-Related Expenses.** Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

### **Total Payroll and Related Expenses**

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages, and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Revenue for the entire property.

### **Other Expenses**

This expense grouping includes the significant Sales and Marketing expenses approved as Other Expenses in the *Uniform System*. Other Expenses for Sales and Marketing are divided into two groups: Sales Expenses and Marketing Expenses. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

**Sales Expenses**

***Complimentary Services and Gifts.*** Includes the cost of providing gift items used in gratis presentations for promotional purposes to guests and vendors associated with Sales and Marketing, such as pens, golf balls, shirts, and key chains.

***Contract Services.*** Includes expenses for activities performed for Sales and Marketing by outside companies rather than hotel employees. The costs of contracting outside companies to clean carpets and rugs or to disinfect areas associated with Sales and Marketing are typical examples. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account. The cost of contracts for Sales and Marketing laundry and dry cleaning is charged to Laundry and Dry Cleaning.

***Corporate Office Reimbursables.*** Includes the allocations of salaries and expenses of corporate or management company sales and marketing personnel billed to the property by the regional or corporate office or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

***Decorations.*** Includes the cost of decorative items used in the Sales and Marketing areas for holidays and special events.

***Dues and Subscriptions.*** Includes the cost of membership of the Sales and Marketing staff, when authorized to represent the property, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the Sales and Marketing staff.

***Equipment Rental.*** Includes the cost of renting any type of equipment that may be used either sporadically in Sales and Marketing or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased, would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

***Fam (Familiarization) Trips.*** Includes all costs associated with travel agents or meeting planners coming to a property for the purpose of familiarizing them with the property and gaining additional sales business from them. Rooms are recorded as complimentary and food and beverage consumed at the property is recorded at cost for fam trips.

***Laundry and Dry Cleaning.*** Includes the cost of laundry and dry cleaning services applicable to Sales and Marketing, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company,

the amount charged to Laundry and Dry Cleaning should be based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

**Miscellaneous.** Includes any expenses related to Sales that do not apply to the other line items discussed in this section. Items given as inducements to book rooms (e.g., a bottle of wine, dinner for two, etc.) are charged to Complimentary Services and Gifts in the Rooms department.

**Operating Supplies.** Includes the cost of items needed to operate Sales and Marketing that are not included in Postage and Overnight Delivery Charges or Printing and Stationery. Examples of items included in Operating Supplies are general office supplies, such as facsimile machines, calculators, and expendable office supplies, such as notepads, pens, pencils, and paper clips.

**Outside Sales Representation.** Includes the fees, commissions, and expenses paid to third parties, other than travel agents and meeting planners, whose services are retained for the purpose of selling and generating revenue for the property.

**Postage and Overnight Delivery Charges.** Includes the cost of stamps and express mail charges attributable to Sales and Marketing except those costs associated with direct mail campaigns.

**Printing and Stationery.** Includes the cost of printed forms used in Sales and Marketing, whether they are purchased from an outside source or produced internally.

**Promotion.** Includes the cost of goods and services provided to any individual or organization to promote the property in the community and the industry other than media advertising. Examples include entry fees to events held by civic groups to create a presence and awareness of the property, sponsoring gift certificates for non-profit and other organizations, participation in charity golf tournaments, and client appreciation parties. If food and beverage is involved, it is recorded at the cost of the food and beverage items provided.

**Telecommunications.** Includes any telecommunications expenditures that can be directly related to Sales and Marketing, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in Sales and Marketing.

**Trade Shows.** Includes the cost of promoting the property at various trade shows, excluding travel expenses of attending representatives, but including the cost of the booth, registration fees, promotional logo items, and rental of exhibition space.

**Training.** Includes the costs, other than time, that can be directly attributed to the training of employees in Sales and Marketing. Examples include the costs of

training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

**Travel—Meals and Entertainment.** Includes the reimbursable cost of food and beverage expenses for travel and entertainment by employees of Sales and Marketing traveling on property business.

**Travel—Other.** Includes the cost of travel and reimbursable expenses, other than food, beverage, and entertainment, by employees of Sales and Marketing traveling on property business.

**Total Sales Expenses.** Calculated by adding together all items listed under Sales Expenses.

### **Marketing Expenses**

**Agency Fees.** Includes fees paid to advertising and/or public relations agencies.

**Collateral Material.** Includes the cost of brochures, salespersons' kits, maps, floor plans, and similar materials used to describe the property's services.

**Contract Services.** Includes expenses for activities related to Advertising that are performed by outside companies rather than hotel employees. The costs of equipment maintenance contracts and other service contracts related to Advertising are typical examples. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account.

**Direct Mail.** Includes the cost of mailing lists, letter writing, postage, addressing envelopes or cards, and other work of this nature.

**E-Commerce.** Includes the cost of Web site development and maintenance, including Web site registration fees, link costs, and the cost of producing a virtual tour.

**Franchise and Affiliation Advertising.** Includes any costs paid to a franchise or affiliation entity for the purpose of advertising on a national or regional basis.

**Franchise Fees.** Includes all fees except those related to national advertising, loyalty programs, and reservations charged by a franchisor or affiliation entity, including royalties for the licensing/branding/naming of the property itself. Fees paid for national advertising are charged to Franchise and Affiliation Advertising. Room reservation fees paid to the franchise company are charged to the Rooms department.

**In-House Graphics.** Includes the cost of directories, signs, brochures, and other costs associated with merchandising the services of the property. Computer software programs and applications purchased to produce these items in-house are also charged to this account.

**Loyalty Programs and Affiliation Fees.** Includes any costs associated with programs designed to build guest loyalty to the property or brand. Costs associated

with cooperative frequent traveler programs, such as frequent flyer programs, are also charged to this account. Additionally, this account is charged with any fees associated with the administration of the property's frequent guest stay or similar programs. The actual cost of executing the frequent guest stay or similar programs, such as the charge based on revenue or sold room nights, is charged to this account.

**Media.** Includes the cost of advertising on radio and television, including production costs, as well as advertising in newspapers, magazines, directories, and third-party Web sites. When such costs are significant, a property may break out the items in a series of sub-accounts, such as consumer media, newspapers, prep and production, radio, trade media, brochures, and telephone directories; but the total of each of these items must be rolled into this line item.

**Miscellaneous.** Includes any expenses of Marketing that do not apply to the other line items discussed in this section.

**Outdoor.** Includes the cost of posters, painted billboards, reader boards, and other signs, including rental costs and service charges.

**Outside Services.** Includes the cost of any analysis prepared by independent research or consulting firms for the purpose of reviewing demographic characteristics or analyzing guest history.

**Photography.** Includes the cost of photographs used in various types of promotional and publicity programs, including the cost of using professional models.

**Total Marketing Expenses.** Calculated by adding all items listed under Marketing Expenses.

### **Total Other Expenses**

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other Expenses is calculated by dividing the line item amount by Total Revenue for the entire property.

### **Total Expenses**

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Revenue for the entire property.

Total Expenses is the same amount that appears on the Summary Operating Statement under Undistributed Operating Expenses—Sales and Marketing.