

**BUSINESS PLAN ANALYSIS OF A NEW VENTURE FOR AN ONLINE  
TRAVEL ACCOMODATION RESERVATION SERVICE**

by

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## **Abstract**

This paper is business plan analysis for developing a niche online travel agency business. The entity is in the very early stages of setup, and the initial service will provide online reservations capabilities for accommodations and other services targeted to golf and ski activity based travellers.

The paper examines the online travel agency industry, and performs a competitive analysis of the main competitors in the industry, as well as the niche players looking to capture a similar market niche. The paper also reviews market segmentation, and analyzes the behaviour and needs of the target market to determine if the development of this service will be a viable business. Lastly the paper examines the operational considerations of establishing the business to provide the services, and to operate the business successfully.

**Keywords:** New business venture, business plan, online travel agency, OTA, travel reservation service.

## **Dedication**

I dedicate this paper in loving memory of my father who saw great value in higher education. He provided support and encouragement to make it through the laborious times and provided inspiration to achieve my goals. One thing he always said was “you can never learn too much, but you can most certainly learn to little”.

I also dedicate this paper to my children Chad and Lisa who have encouraged and supported me throughout this program and to my mother whose prayers and wishes are always with me.

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## Glossary

CRS.	Computerized Reservation Systems refer to systems initially developed by the airlines as their internal systems used to manage seat reservations.
GDS	Global Distribution Systems are the electronic travel distribution networks that evolved from airline CRS systems that provide the reservation technology and infrastructure to enable travel bookings for multiple travel products and suppliers.
GNE	Global New Entrants refers to companies that emerged in the mid 2000s offering travel distribution services in competition to the GDS companies using newer technologies and open architecture designs, which could provide better service to travel suppliers at a much lower cost. One example is ITA software.
GPS	Global Positioning System is a system of satellites receivers and computers used to determine the position on the earth's surface.
Google Maps	A mapping application developed by Google that utilizes GPS systems and satellite images to provide maps of locations, directions between locations, and images of the earth's surface at a location.
Meta search engine	A meta search engine is a tool used to search several search engines or databases by sending requests to the various sources and aggregating the results into a single list, or listing the results for each source.
OTA	Online Travel Agencies are companies who provide travel planning information and booking capabilities primarily online and have minimal call centre activity. Some examples include: Expedia, Orbitz, Travelocity, Priceline.
TMC	Travel Management Company is a travel agency for the business travel market, which includes call centre and online sales and often also includes additional travel management functions and reporting for companies.
Traditional Travel Agencies	Are companies that provide travel planning and reservation services for clients primarily through a brick and mortar office location with call centre sales and by directly accessing the GDS systems to make travel reservations for clients.
Travel Suppliers	Travel suppliers include airlines, hotels, bed and breakfasts, cruise lines, car rental companies and other travel related service providers.

# **1: INTRODUCTION**

This paper provides a business plan analysis for a new online travel reservation agency. The business is currently in the very early start-up stage and the business founders are performing this research and analysis to evaluate the feasibility of moving ahead with the business. The goal is to understand what business strategies need to be employed, and what financial and resource commitments will be required to make this business a success.

## **1.1 Objective**

The objective of this paper is to analyze the dynamics of the Online Travel Agency (OTA) industry and determine the key success factors to compete effectively in this industry. The paper will also outline a competitive analysis discussing the competitors, and competitive factors that a new company will need to consider. In addition, the paper will provide a market analysis to understand the target market and segmentation, and provide strategies for market positioning and market entry. Further analysis will consider the operational requirements for a new company to create a successful business considering the resources, management, competencies and operational requirements of this type of business. The outcome of the analysis will be a conclusion of whether the founders should move forward with executing this new business plan.

## **1.2 Methodology of Analysis**

Various market forces exist within the marketplace that can make an entire industry more or less profitable. It is important to closely examine the forces at work in the Online Travel Agency industry and understand the challenges for a new company in this industry. A framework developed by Michael Porter provides a method to model the influence of five key forces on industry profitability. Porter's Five Forces model is used to perform the industry analysis on the Online Travel Agency industry and to examine the competitive forces at work that will influence this new business venture. The competitive forces to be explored comprises: industry rivalry – the extent to which the value captured by an industry is lost through competition between firms, threat of entry – the existence of or lack of barriers that impede new firms from entering a

profitable industry, threat of substitutes – the potential for substitute products or services to impact an industry’s profitability, buyer power – the extent to which customers can influence the pricing or services offered (as in the case of large buyer firms such as Walmart), and supplier power – the extent to which suppliers can influence the pricing or services offered, (as in the case of limited supply of input products available from only a few firms).

Competitive forces are considered -- evaluating strategic alternatives and determining appropriate strategies for a new company to successfully enter this business and to capture market share from existing competitors. The competitive analysis is based on a competitive analysis framework also developed by Michael Porter. This framework analyzes four key aspects of a competitor which includes: a competitors objectives, assumptions, strategy and capabilities.

Silk’s concepts on marketing process and strategy through which a company creates value for its customers, form the basis of the market analysis. Following these concepts, the marketing strategy components of identifying customer segments and demographics to select a target market are explored. The analysis will further examine the strategic alternatives for marketing services according to Lovelock’s services marketing framework, by defining the strategic positioning of the service offering, as well as the market entry strategy, marketing plan, and pricing strategies to achieve the desired positioning.

An operational plan for the company is outlined considering the company’s internal capabilities and what can be developed to exploit the business opportunity that is crucial to the company’s success. This includes a review of resources both human, managerial and financial resources that will be required for the business to operate and grow effectively.

## **1.3 Business Concept**

### **1.3.1 Business Opportunity**

With the ever expanding use of the internet and online travel booking sites for vacation planning, opportunities may exist for niche travel reservation offerings in the Online Travel Agency industry. Golfandskivacations.com is a new start-up company looking to capitalize on these opportunities by offering an online travel reservation service, specialized in golf and ski vacation accommodation reservation services. The company plans to offer competitive rates for hotel accommodation product distribution for many types of hotel properties, from small independent hotels to five star luxury residences, located at the top golf and ski resort destinations within North America.

Golf and Ski Vacations (GSV) intends to offer an efficient, informative, and user-friendly website for leisure travellers to book reservations for their golf and ski holiday vacations. Travellers will be able to easily make accommodation reservations, for a vast range of hotel rooms, condos, and vacation home properties, located at or near golf and ski resorts in North America, at very competitive rates. The service will also provide a more competitive distribution channel for hotels and resorts to make their accommodation products available to a targeted customer base. With the help of a strong customer service team, GSV will greatly simplify the process of finding the most suitable accommodations for this more specialized traveller group, while providing hotels and other accommodation suppliers with a more cost effective distribution channel for their product.

### 1.3.2 Revenue Model

Revenue will be generated from multiple sources. Booking fees of 10% will be charged for reservations made directly through the reservation service. As hotels distribution costs range from 25% – 35% for distribution through Online Travel Agencies such as Expedia and Priceline, GSV provides a no risk and much lower cost distribution option for accommodation suppliers.

Additional revenue will be generated from service fees and commissions on the sale of related services by providing customers the ability to purchase lift tickets, book golf tee times, and make reservations for equipment rentals, lessons, insurance and other complimentary services.

Advertising revenues will also be generated from the website by selling advertising packages to companies looking to market their products to the GSV client base on the website portal. Different levels of advertising i.e. gold, silver, and bronze as well as individual promotions, will be offered to advertisers including hoteliers that can directly setup up their specific promotions on the website.

## **2: INDUSTRY ANALYSIS**

### **2.1 Industry Background**

The online travel distribution industry has evolved from the initial development of computerised reservation systems (CRS) by the airlines to manage airline seat reservations, with the first major system Sabre developed by American Airlines with the help of IBM in the early 1960's, and followed shortly by United Airlines development of the Apollo system (PhoCusWright, 2009). These CRS systems, initially intended for internal airline reservations, were later deployed to travel agencies in the late 1970's and early 1980's allowing travel agents to book and sell airline tickets directly. The systems were then further extended to allow bookings for multiple airline companies, as well as for hotel properties, car rentals, cruises and travel packages, and became known as global distribution systems (GDS). For many years, the market for travel reservations was dominated by a few GDS systems, connecting hundreds of thousands of travel agents and distributors with thousands of travel suppliers, providing a major distribution outlet for travel providers and a primary booking mechanism for travel agents.

During the late 1990's larger travel agencies began to use technology to improve service to customers with improved coordination of requirements for air tickets, car rentals hotels and other services. These companies also started to purchase larger blocks of seats and then sell them to customers at lower prices. This began to fragment the market as customers became aware of differences in pricing. At the same time, the internet opened up new opportunities for travel distribution, and pure online travel agencies (OTA) were created with Microsoft initially funding the creation of Expedia. Following close behind, Sabre started Travelocity.

### **2.2 Industry Players**

To get an understanding of the players in this industry we will look at the different strategic groups and rival firms that operate within it.

Consumers are the end customers who purchase the travel products, and they generally consist of: individual leisure travel customers, individual business travel customers, and corporate business travel customers who manage business travel for a corporation.

Global Distribution Systems (GDS) are the electronic travel distribution networks that provide the reservation technology and infrastructure to enable travel bookings for the various travel suppliers. These companies originally started out as the Computer Reservations Systems (CRS) for managing airline reservations, and were later spun off from the airline companies and evolved into separate travel distribution companies. These systems are utilized by 163,000 travel agencies around the world, allowing travel agents to make reservations directly. Today there are a small number of GDS systems owned by three main companies: Amadeus, Sabre, Travelport as outlined in Table 2.1 below.

Table 2.1 Current Global Distribution Systems

GDS	Owner	Airlines	Market Share
Amadeus	Amadeus	<ul style="list-style-type: none"> <li>Started by Air France Lufthansa, Iberia, SAS</li> <li>Used by 500 airlines, 86,000 hotels, 99,000 travel agencies in 195 countries, 24 car rental companies</li> </ul>	26.8%
Sabre	Sabre Holdings	<ul style="list-style-type: none"> <li>Started by American Airlines</li> <li>Schedules for 800 airlines, 88,000 hotels, 55,000 travel agencies in 100 countries, 24 car rental companies, 13 cruise lines, 50 rail carriers</li> </ul>	31.5%
Galileo Apollo	Travelport	<ul style="list-style-type: none"> <li>Started by United Airlines</li> <li>Used by Swissair, Alitalia, Ebookers, Flightcentre, Orbitz</li> </ul>	22.6%
Worldspan	Travelport	<ul style="list-style-type: none"> <li>Started by Delta, mergers added Northwest, TWA</li> <li>Used by Expedia, Hotwire, Hotels, Priceline, Orbitz, Bookit</li> </ul>	19.1%

Online Travel Agencies (OTA) are companies who provide travel reservations primarily on the internet. These companies acquire blocks of airline and hotel inventory at discounted prices and make them available to consumers on the internet. While there are hundreds of OTAs, the market in North America is dominated by the four largest OTA companies Expedia, Orbitz, Priceline, and Travelocity, who represented 96% of all online travel agency sales in 2008 (PhoChus Wright, 2009).

Meta Search Engines and Aggregators are technology companies that consolidate and repackage travel reservation information on the internet and direct customers back to travel supplier or OTA websites, to make the actual reservation. These companies make revenues through website advertising, and charging referral fees to OTAs for sending customers to their

sites. Companies such as Kayak, Bing, Cheapflights, Dohop, Mobissimo, Momondo and Skyscraper are some of the travel aggregators.

Hotel Distribution companies are closely tied to other travel distribution companies. The Hotel Industry Switch Company THISCO was started in 1989 to develop a switch technology to connect hotel reservation systems to the airlines global distribution systems. This company today, Pegasus Solutions, provides distribution and related services for 86,000 hotel properties.

Traditional Travel Agencies are travel companies that have a physical brick and mortar storefront or office based travel agency business. The agencies may focus on either leisure travellers, corporate travellers or both.

Travel Management Companies (TMC) operate similar to traditional travel agencies and include full travel management services and consulting for corporate travel customers. These companies manage corporations travel accounts negotiating bulk rates for employee travel, analyzing spending, and providing various expense reporting and information, as well as booking travel.

Travel Suppliers include airlines, hotel companies, car rental companies, destination service providers, cruise lines and other travel product and service companies.

Global New Entrants (GNE) are companies that emerged in the mid 2000's and developed travel distribution systems using new technologies and interfaces, offering travel distribution at reduced costs to what the GDS's could provide. These companies include ITA Software and Farelogix.

## **2.3 Industry Size and Profitability**

The size of the online travel reservation industry is substantial. The online sales of leisure and business travel in the U.S. alone has increased from \$6.5B in 1991 to more than \$95B in 2008 (PhoChus Wright, 2009), and more than nine out of ten U.S. travellers used the internet at some point in the travel planning process (PhoChus Wright, 2009). Table 2.2 provides a financial summary of top four OTA companies in the US today.

Table 2.2 Online Travel Agents

OTA Company	Owner	Market Share	Market Cap	Revenue 2009	Net Income	Op. Margin	ROE	ROA
Expedia	Public company	43%	\$8.24B	\$2.955B	\$299M	22%	15.62%	6.65%
Priceline	Public company	9%	\$18.23B	\$2.338B	\$489M	22.05%	50.74%	18.37%
Orbitz	Travelport	26%	\$695M	\$738M	-\$337M	8.26%	-3.58%	2.82%
Travelocity <sup>1</sup>	Sabre	22%		\$2.9B				
Go Voyages **	European Capital			€2.23B				
Opodo **	Amadeus			€1.3B				

<sup>1</sup>Travelocity is a private company and full financial information is not available.

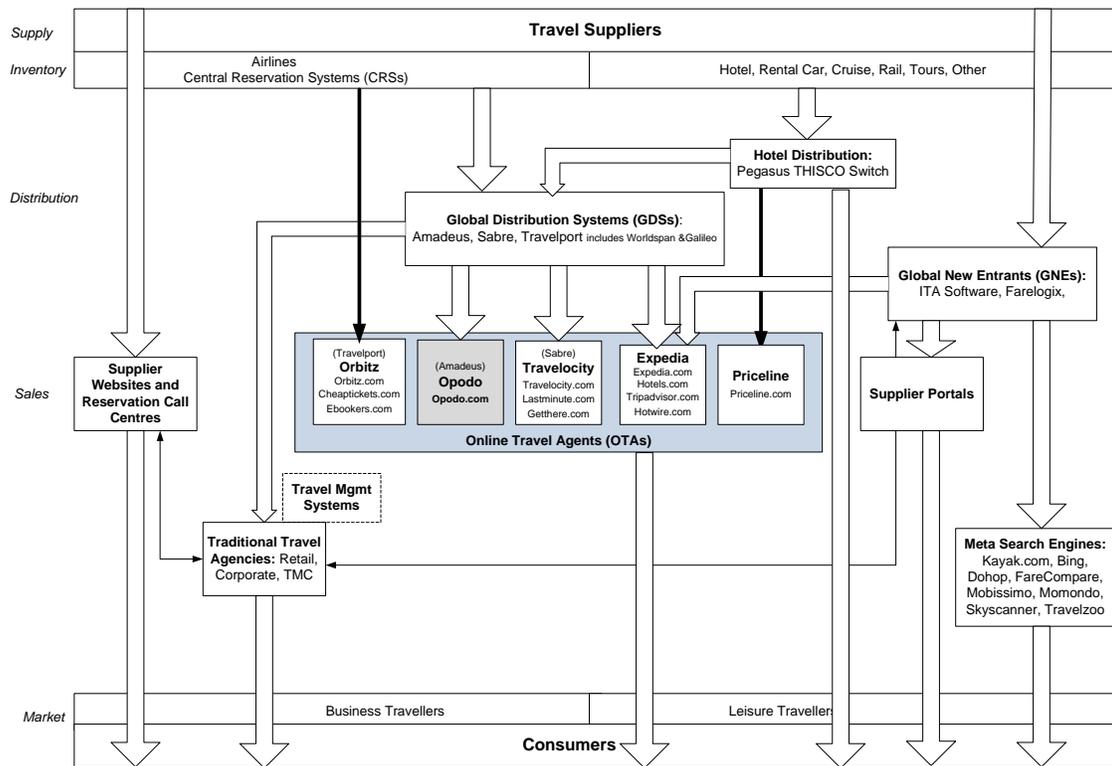
<sup>2</sup>European OTA information is outside the scope of this analysis but provided for reference, as these are the primary GDS and associated OTAs in Europe.

## 2.4 Industry Value Chain

Travel suppliers pay for distribution of their travel products across various distribution channels. The way the industry evolved, airlines traditionally paid fees to GDS companies for bookings made through their systems by travel agents. As the GDSs expanded, similar booking fees were charged to hotel, car rental and cruise suppliers. Online Travel Agencies began purchasing bulk reservations at wholesale prices and reselling the reservations at higher prices to their customers plus adding on commission fees. The OTAs would enter into arrangements with airlines and hotels, to promote and favour their service on their websites. OTAs also use opaque sites that provide only a portion of the information about the reservation until it has been booked, so that customers cannot compare discount prices across various sites and GDSs, or against hotels own supplier websites.

The diagram below represents the current value chain in the travel distribution industry.

Figure 2.1 Online Travel Distribution Value Chain.



GDS companies had significant market power being the primary source of distribution directly linked to traditional travel agents, and were therefore able to capture a large portion of the value in travel distribution throughout the 1980's and 1990's. In 2002 a United Airlines spokesman commented that the airline had spent \$300M on GDS booking fees that year, with distribution costs representing the third largest expense of airline behind only labour and fuel. And while airlines distribution costs had increased 350% in the past 20 years, the average domestic revenue per customer had increased by only 14%. The GDS companies had an oligopoly in travel distribution and with considerable market power, were able to extract large rents, with margins of over 30%.

With the onset of the internet, customers became able to bypass both traditional travel agents and GDS systems, to book directly with travel suppliers and the new online travel agencies. The OTAs by providing better information to customers at a lower cost, threatened to disintermediate the travel distribution system, allowing customers to bypass the usual distribution channels of the GDS and associated travel agents. The GDSs reacted by positioning themselves as technology providers for airline's internet travel portals, and also, by establishing or acquiring their own OTAs.

Today the travel distribution industry remains highly concentrated. With the recent consolidation where Travelport acquired Galileo and Worldspan, there are now only 3 major GDS companies. These three companies have a combined corporate revenue of over \$9.5 billion dollars, and employ more than 23,000 people, providing access to 550 airlines, 90,000 hotel properties, 30,000 car rental locations and hundreds of major tour operators and cruise lines (PhoChus Wright, 2010). In addition, each GDS company also now owns one or more OTAs and has contracts with others. The GDSs have managed to vertically integrate again and recover their market power. In the OTA space there is now also an oligopoly with four major companies that control 96% of the market. Most of the OTAs today, are now owned by GDSs.

The largest online travel agencies continue to take market share from traditional travel agencies, and are capturing an ever increasing piece of the value in travel distribution. OTAs operating margins at over 22%, are again approaching the high rents enjoyed by the GDS companies for many years. One main difference though is that this time, those profits are less at the expense of the airline industry and moreso from the hotel industry.

Airlines fighting for survival have done a number of things to limit their distribution costs including eliminating fees paid to travel agents, developing their own web distribution portals, and encouraging customers to book directly. At one point several airlines partnered to develop their own OTA - Orbitz, to compete with GDS and OTA companies (although Orbitz was later sold to Travelport in 2006). As a result, the online travel agents today get a much smaller portion of their revenue from airline distribution. Expedia for example, obtains only 15% of revenues from airlines with over 60% of its revenues coming directly from hotels, even though hotel bookings account for less than 30% of its gross booking volume (Starkov, 2009). Car rentals provide 7% and cruises 2% of revenues, respectively.

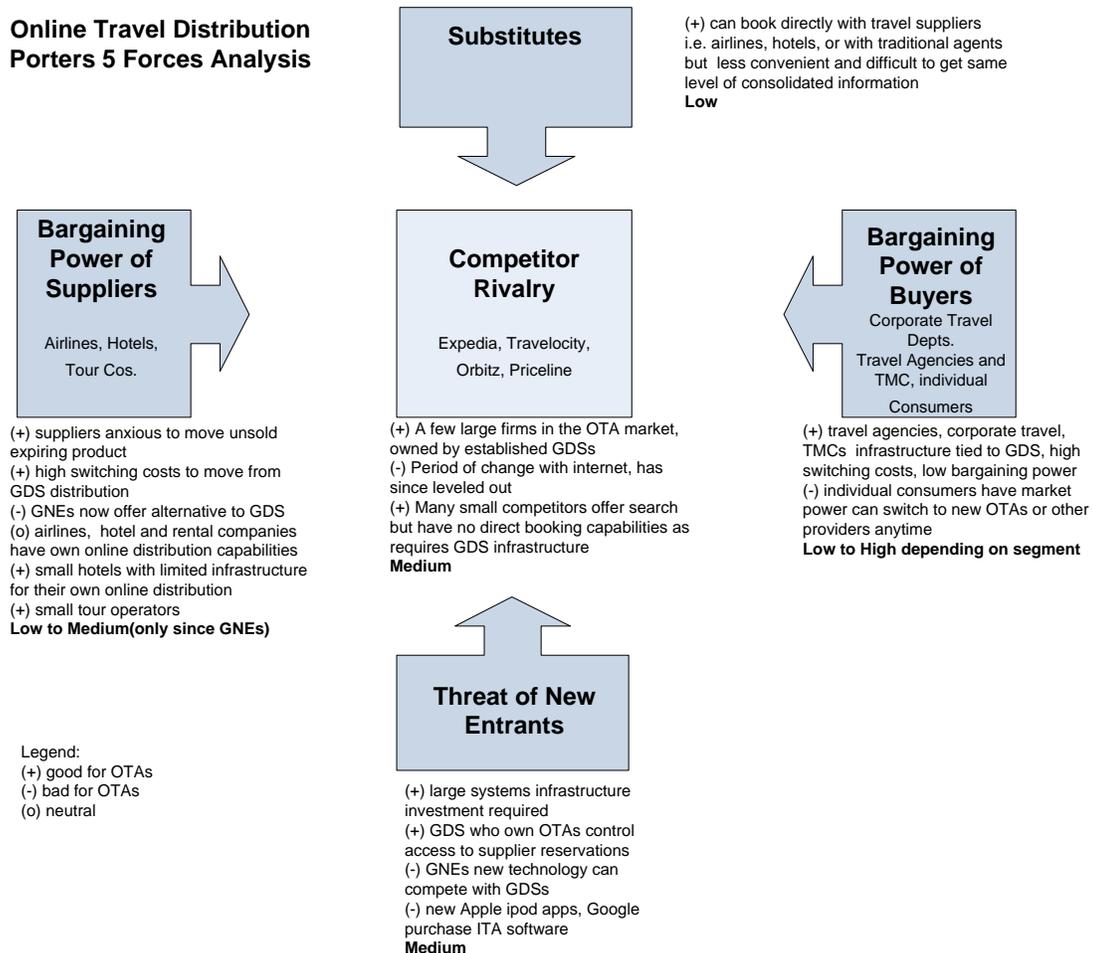
Hotel's distribution costs through OTAs are estimated between 25 – 35% as OTAs negotiate commissions paid by hotels for bookings, and also obtain inventory at significant discounts. The distribution costs for hotels to use OTA's is 4000% - 6000% higher compared to the \$2-\$4 cost of booking from their own website and allows the OTAs to capture a significant portion of the travel distribution value from hotels (Starkov, 2009).

A consortium of hotels jointly developed Travelweb to compete with OTAs, and similar to Orbitz it was later bought by Priceline. Although the hotel companies understand the benefits of a joint reservation system, it appears they had similar problems to the airlines in defining the rules for jointly managing this company.

## 2.5 Porter's 5 Forces Analysis

One important model used to examine industry economics and industry attractiveness is Michael Porter's Five Force Framework. Porter described how to look at the impact of key forces to determine how attractive an industry is and to consider: competitive rival sellers within the industry, new entrants to the industry, substitute products, supplier power, and buyer power in the industry. The weaker these forces, the greater the opportunities for a firm to achieve superior performance. See diagram 2.2 below for a summary of how these five forces currently affect the OTA industry.

Figure 2.2 Porter's 5 Forces for Online Travel Reservation Services



### 2.5.1 Industry Rivalry

The online travel distribution industry is very concentrated, and dominated by a few large players that control 96% of the market. OTAs have evolved as the internet created change in travel distribution. The industry has been quite rivalrous as competitors fought to gain or maintain market share, and as travel suppliers continue to look for alternatives to lower their costs. Expedia last year announced it was eliminating up front booking fees for customers in order to compete with GDSs, whose fees are paid on the back end by suppliers. Today as the OTAs are again controlled primarily by the GDSs, or closely tied to hotel distribution, it appears that industry rivalry is starting to settle out with less competition based on price, suggesting that industry rivalry is medium.

### 2.5.2 Threat of New Entrants

The size and scope of operations in both airline and hotel distribution make it difficult for new competitors to enter. There are large upfront fixed costs needed to establish the systems and technology infrastructure, that have grown over time as the market and industry developed. The large OTAs have established supplier relationships with hotels, car rental companies and other tour providers, and have significant advertising investments in their brands.

In around 2005 a number of new companies, referred to as Global New Entrants (GNE), such as ITA Software, Farelogix and G2 Switchworks, emerged, offering new technology that could connect directly to supplier reservations systems offering to reduce their travel distribution costs by 75%. These developments created major competition for GDSs and OTAs. However the GNEs have not gained significant market share as the airlines did not switch to these services – possibly because of the high costs to switch systems and retrain employees – but merely used their presence to negotiate 30-40% reductions in GDS fees (Simanindou et al, ND).

However, in July of last year, Google announced plans to purchase one of the GNEs -- ITA software. Google's search technology combined with ITA's software expertise could easily develop new and better tools for travel search and comparison that could potentially bypass the GDSs and OTAs. Also, GPS services such as Google maps, may further enhance the potential product offerings

Apple has also been registering patents for travel related applications for the iPhone and iPad. Perhaps Apple will be able to provide significant improvements in online travel booking capabilities and make the GDSs and OTAs irrelevant as they did in the music industry. And then

there is also the potential for new entrants from social media such as Facebook. As travel distribution has been a lucrative industry, new entrants will always be looking for potential opportunities to enter the market even though the current barriers are high, and any new developments will be a welcome change in an industry slow to evolve and upgrade their outdated technologies. So given the potential for new entrants to the industry, this threat would be considered to be medium.

### **2.5.3 Threat of Substitutes**

Substitutes to online travel distribution through OTA and GDS distribution are the travel suppliers own travel websites, reservation offices and call centres. In recent years the airlines and hotels have begun encouraging users to book directly on their sites to eliminate the fees they pay to the distributors. Airlines do not always reveal their full inventory and/or complete fees to travel agents to force customers to go to their websites directly in order to get complete information. As a result, the OTA sites are not always able to provide the full costs of services that now may include extra charges for baggage and additional services. Hotels are following suit using their loyalty programs to provide additional service, room upgrades and special rates not available for product booked through the OTAs.

While these substitutes could pose a threat, the OTA provides a useful service to the end customer in consolidating the myriad of fares and options of multiple travel suppliers. Although customers could and do use the substitute services, in many cases they have to expend a great deal of time and effort to look at all individual sites of travel suppliers to find the information they are looking for. Another substitute of course is the traditional travel agent, which can be a good option for the customer if their particular travel agent is very good, and/or has specific knowledge about the traveller's destination. However, because of the lack of convenience to the end customer having to research information from various websites, and the individual service nature of travel agent services, the threat of substitutes to OTAs distribution channels is considered to be low.

### **2.5.4 Supplier Power**

The OTAs rely very heavily on information provided from the three GDS companies and hotel distributors, and changing involves high switching costs to modify systems and retrain staff which is one of the reasons why the GDSs have now vertically integrated with the OTAs.

With the exception of a portion of Expedia's suppliers (Priceline is partially vertically integrated with some hotel distribution), the suppliers to OTAs are the GDS systems who control the end product supply from the airlines, hotels and car rental agencies. These suppliers rely on both traditional travel agents and online travel agents to distribute a large portion of their product. With limited means of distributing their product and lots of competition in their own industries, travel suppliers have limited power with the GDS/OTAs.

For many years airlines raised concerns about the excessive fees charged by the GDS companies and only the development of GNEs mentioned earlier gave them some leverage to reduce fees. A similar situation has since developed for hotel suppliers that use OTAs as their distribution network. Hoteliers are now commenting on being bullied by Expedia during contract renewal negotiations as OTAs have gained the same market power in hotel distribution as GDSs had in airline distribution (Starkov, 2010). The low supplier power of travel providers was first summarized in an article by Smith Travel Research in December 2003, which described how revenue "leaked" from the hotel industry to third party websites in the form of abnormally high merchant commissions of 25% and higher. Over the last several years the "leakage" from the hotel industry to Expedia in the form of abnormally high merchant commissions has been increasing every single year, and this leakage which exceeded \$2 billion in 2007 will reach \$2.3 billion dollars in 2009 (Starkov, 2010). As such, the supplier power is considered to be low, and possibly medium, only since the GNEs created an alternative distribution channel for suppliers.

#### **2.5.5 Buyer Power**

There are multiple segments of buyers with the three main groups being: leisure travel agencies, corporate travel groups, which includes agencies, corporate travel departments and travel management companies, and finally individual customers. Travel agencies both traditional and online, are tied to the GDSs, as are corporate travel departments and TMCs, in most cases. With the advent of the GNEs there are now at least some alternatives however there are also switching costs. So for travel agents and corporate travel or TMCs, their buyer power is relatively low.

Individual travel customers are always on the look out for lower prices and because switching costs from them are very low -- customers can easily migrate to a new website or service provider that offers better information, better service or lower costs for travel -- so for this customer segment buyer power is high.

### 2.5.6 **Complementors**

A number of complementors for travel distribution are the various books, travel blogs and travel information websites that provide information on destinations such as hotels, and tips and tricks for getting the lowest fares. Also included in this category are the various meta search engines that consolidate OTA and GDS information and present it in a better format for customers. Many of these information sources have a significant influence on travel bookings in the industry, and OTAs also control some of these complementor sites such as TripAdvisor, which is owned by Expedia.

### 2.5.7 **Impact of Technology**

Technology is key to this industry, and the introduction of new technologies could have a major disruptive impact. As the Global New Entrants ITA software and Farelogix showed, newer technology that can provide the same service at a much lower cost can cause significant changes in the industry. To combat the changing technology threat, the three main GDS companies have started migrating to open architecture systems, and developing new functionality to be more responsive to industry needs. However, this may not be enough. As mentioned earlier, Google may introduce new or improved search technology that could make the GDSs and OTAs irrelevant.

In addition, with the growth of smartphone use, the method and timing of bookings especially for hotels may shift away from OTAs. Travellers are now starting to use airline and hotel smart phone applications to make reservations directly. Ten percent of respondents in a previous survey indicated they have used a web enabled smart phone to book a room as well as to modify a hotel reservation, pay a hotel bill or check in and out. And according to PhoCusWright, as stated at their recent event “Trends in Traveller Technology: Social Media and Mobile”, thirty-five percent of mobile users intend to book travel on their phones in the upcoming year.

### 2.5.8 **Government Regulations**

Starting in the mid 1980’s GDSs were regulated by the US Department of Transportation to ensure equal access to GDS services for non GDS owner airlines. In 2004 those rules were eliminated, deregulating the industry as the internet increased pricing transparency and consumer access to information. No new regulations govern this specific industry segment.

## 2.6 Assessment of Industry Attractiveness

The GDS industry, which has evolved into the GDS/OTA industry, has been extremely lucrative affording much higher than average margins for industry players. This success has been due to the: low bargaining power of suppliers, low to medium threat of substitutes, large barriers to entry i.e. need for large systems infrastructure investments, and for the most part low bargaining power of buyers who have been primarily the travel agents linked directly to the GDS systems. Industry rivalry among competitors is medium as the existing GDS/OTAs have a strong position and are more or less content with their current market share. In fact they will even support each other in the greater rivalry that exists between OTAs and the travel suppliers, the most contentious which has been with the airlines. For example in recent developments where American Airlines(AA) pulled its product inventory from Orbitz in favour of its own direct channel, Expedia supported Orbitz by also removing AA flights from the Expedia display.

For a new entrant today working with a specific target and niche, this industry could be very attractive. By focusing only on a small segment of the much larger OTA industry, the new entrant would not be considered a threat, and would not become a target of competition with the big industry players. As the bargaining power of suppliers with OTAs is low, the suppliers are looking for alternative and less costly distribution methods that could effectively be provided by a new entrant. And while there are substitutes for online accommodation distribution, online reservation services are being used more and more by consumers, who prefer the convenience to plan and secure the services they seek.

Although the bargaining power of the end customer is high – they will book through whatever service is most convenient and affordable to them. This actually creates a great opportunity for a new entrant to enter the industry and provide a better or more focused service that better fulfils the needs of the customer or a specific customer segment or market niche. In addition, once loyal customers are established, there will also be several other opportunities for a new entrant can provide better information or improved services to what the large OTAs have traditionally provided.

While the barriers to entry for a new OTA have traditionally been very high requiring a large system infrastructure, the development of GNE company systems and infrastructure, as well as hotel management systems, has created an availability of potential systems that interface to the large distribution networks, that can be utilized by a new entrant. And although the potential for new players such as Google to enter the market and change the industry landscape and value

chain could have an impact on a new entrant's ability to capture value in the industry, this could also create significant opportunities for a new entrant to gain even greater market share.

So considering all the market forces at play, the industry appears to be quite attractive for a new entrant. By selecting a specific market niche, a new entrant could establish a viable business without requiring significant investment in systems and infrastructure.

## **2.7 Key Success Factors**

The growth of the internet has given consumers numerous opportunities to locate and compare numerous product offerings. However, for the accommodation reservation product, the information available is often very broad and requires the user to spend a lot of time trying to narrow down suitable options that meet their needs. Research from 2009 showed that two thirds of all trips were already being booked online and that two thirds of the online bookers shopped with OTAs but 70% booked directly from the supplier (Saitto et al, 2010). There is also a distinct dissatisfaction of online shoppers, as two thirds of customers complained that online offerings were not clear and comprehensive. In addition, twenty-three percent said they prefer a traditional travel agency over online research, not because traditional agencies make the booking process any simpler, but rather that the OTAs present the information poorly and present an unreasonable volume of information to be processed by the person making the booking (Saitto et al, 2010).

The keys to success in this competitive industry will be providing a better service than is currently offered by OTAs through the identification of niche markets and effective implementation strategies. Along these lines, GSV needs to consider advertising, internet marketing and direct marketing strategies aimed towards the right target markets, supported by marketing strategies to secure major hotels suppliers, as well as additional accommodation types from individual and niche suppliers. The key success factors in this industry will include the following:

- Up to date information and online reservation booking capabilities

As more and more consumers look for information online, the expectation is that an online service has access to all available information rather than just a subset supported by their systems.

- Effective segmentation and targeting of golf and ski travellers within the larger travel market

Travel distribution is a large and lucrative industry with powerful incumbent players. As the large players cannot provide all things to all customers, opportunities exist to provide exceptional service to specific market niches.

- Successful positioning as the premiere golf and ski travel specialists

To be successful as a niche player it is important to establish a name and brand for the niche service being provided and to be recognized as “the premiere” or dominant provider for that niche area.

- Differentiation of service capabilities and effective online marketing

As a relatively new company there will be a need to aggressively market the service and its benefits to target customers, to make them aware of the services offered and the benefits to them.

- Solid and fruitful strategic alliances

Considering the nature of the service and the relative infancy of GSV on the market, it will be of great importance to establish and maintain strategic alliances with the multiple stakeholders, but specifically key hotel suppliers such as resort hotels and lodges.

By focusing on these key factors GSV will be able to develop effective strategies supported by suitable marketing and operational plans to make this venture successful.

### **3: COMPETITIVE ANALYSIS**

A competitive analysis is both a strategic and a marketing tool, which evaluates the strengths and weaknesses of current and potential competitors. Competitors strengths and weaknesses must be understood so a firm can seek differentiation possibilities (Silk, 2006). Performing competitor analysis by considering the objectives, assumptions, strategies and capabilities of the key competitors in the industry, and comparing the new business opportunity against these competitors, will provide a strategic framework to develop an effective business strategy. The key competitors will therefore be evaluated, to determine the strategic alternatives for GSV to compete successfully in this industry.

#### **3.1 Competitors**

The primary competitors in the OTA industry in North America were previously identified in industry analysis section. GSV will be competing with several players including: traditional travel agencies, large OTAs like Expedia (and for the purpose of competitive analysis Global New Entrants will be considered the same as OTAs), metasearch engines like Kayak, and hotel supplier websites. There is also the potential for competition to arise from areas such as social media and mobile applications, that are currently under development. Specifically for golf and ski vacation accommodations, the resort areas centralized booking services is also a service that will be in direct competition with GSV.

A new OTA entrant, providing accommodation reservations, will face significant competition from existing industry players. However, since online hotel distribution has been dominated by a few large GDS companies who have been slow to adapt to new technologies, or improve their service, there are also many opportunities to provide information in a better format and to improve the end customer experience. Capturing even a small portion of the large and lucrative market of travel accommodation distribution, could be a very successful business.

To determine an effective strategy for GSV one will need to assess the key competitive factors in the industry and evaluate the core competencies of the competitors. Determining areas where customer's needs are not being met, a new entrant may find ways to provide improved services that meet the unmet needs of customers, at the same or a lower cost. By providing

additional value, the company will be able to attract and retain customers and capture a portion of the market share.

### 3.1.1 **Competitive Factors**

In any industry, one of the criteria for success is the competitive factors on which companies compete. What makes one company superior to another involves the buyer's willingness to pay for a product or service versus the costs and efficiency with which that service can be provided (Ghemawat, 2010).

The competitive factors for resort accommodation distribution can be summarized as follows:

- 1) Extensive distribution capabilities– Ability to reach a broad and diverse group of customers located in various geographical locations
- 2) Customer focus – Ability to provide products and services designed for the specific needs of customers
- 3) Breadth of service – Ability to provide information and reservations for a large number of properties and several property types and configurations i.e. including hotel, B&B, vacation rental, timeshare etc.
- 4) Depth of service – Ability to provide sufficient information on the accommodation location, services and amenities

As GSV will focus only on golf and ski accommodation reservations, the competitive analysis will consider these competitive factors within this specific niche. Table 3.1 below provides a summary of these competitive factors as specifically related to golf and ski accommodation distribution.

Table 3.1 *Competitive Factors of Key Competitors*

Key Industry Success Factors	Weight	Traditional Travel Agencies	Centralized resort booking services	OTA's (Expedia, Orbitz, Travelocity, Priceline) & GNE's	Metasearch Engines (Kayak, Bing, Dohop, Farecompare, Mobissimo, Mombondo, Skyskanner, Travelzoo)	Hotel Supplier Websites	Social Media (Facebook)	Mobile Apps (Apple, RiM)
Extensive distribution	5	5	3	5	4	2	4	4
Customer focus	5	1	4	2	3	2	1	1
Breadth of service	3	4	4	2	2	1	1	1
Depth of service	2	3	4	2	2	2	0	0
User Experience	5	3	4	3	3	3	0	0
<b>Weighted Total</b>		<b>63</b>	<b>75</b>	<b>60</b>	<b>60</b>	<b>42</b>	<b>28</b>	<b>28</b>

The factors above that will differentiate a company and make it more or less successful are closely related to the level of service offered to customers looking for accommodations, and making reservations on the service. Each of the various types of competitors has strengths and weaknesses that will need to be considered by GSV.

OTAs are large and have significant market power and extensive distribution capabilities for hotel room inventories. However, OTAs are also very broadly focused, offering primarily hotel type accommodations in multiple locations around the world. The OTAs have a limited inventory of condo, vacation home rental and B&B accommodation often preferred by the golf and ski vacation market segment, and so are not able to provide a sufficient breadth of offering. In addition, the OTAs do not provide any additional services such as the ability to book lift tickets, tee times, spa treatments and related services, and as such are not able to provide a depth of service to this market segment. The metasearch engines, also focus on a broad generic service and provide few additional benefits or services beyond the basic service, to this particular target market.

Traditional travel agents generally serve a broad market and have access to the same accommodation types through the GDS systems as offered by OTAs. So unless a particular travel agent happens to have knowledge of a specific resort that a customer is interested in, they are usually not able to provide sufficient or enough specialized information or services to the

customer either. However, a number of traditional travel agents do attempt to cater to the specific niche markets of golf and/or ski vacations, and the strengths and weaknesses of these specific companies will need to be considered further by GSV.

Hotel specific websites generally provide information on only one property, and thus have insufficient information for the customer to make a choice amongst the various property types and properties types available at the resort, which may meet their specific requirements.

Social media applications and mobile hotel reservation applications could also become a competitor to be considered, however this will yet take some time. These new competitors will likely initially focus on the same broad market using the basic hotel accommodation information available through GDSs and OTAs, as that is the data that is readily available. So having a mobile application would likely provide minimal additional value for a little while yet.

Resort central reservation services are the one other competitor in addition to some specific travel agencies that are narrowly focused on the same target market as GSV. The resort central reservation services provide good customer service and good depth of service. The central reservation services also provide a good breadth of service for their specific resort. However, their breadth of service capability is usually very limited beyond a single resort location.

### **3.1.2 Niche Market Competitors**

The primary competitors in this niche area of online accommodation distribution for golf and ski resorts were identified using several information sources. An internet search was performed using both Google and Yahoo search engines for the phrases “golf vacations”, “golf travel”, “golf holiday”, “golf accommodation” and “ski vacation”, “ski travel”, “ski holiday”, “ski accommodation”. Ten companies were found. The companies were evaluated and categorized based on the services available through their website(s). Some sites provide actual online booking capabilities, while many others are simply a request for information and quotation from a traditional travel agency service. A few websites provide marketing and advertising for condo and vacation home short term rentals.

Table 3.2 provides a summary of the competitors currently offering some form of online accommodation distribution in the niche area of golf and ski resort properties.

Table 3.2 *Golf and Ski Accommodation Distribution Competitors*

Competitor	Competitor Type	Websites
Golf Vacations	Specialty travel agency	golfvacations.com
International Golf vacations	Information website	usagolfvacations.net
Merit Travel	Specialty travel agency	ultimateskivacations.ca utlimategolf.ca
International golf vacations	Specialty travel agency	internationalgolfvacations.com
Golf Zoo	Specialty travel agency	golfzoo.com
Ski.com	Online Travel Agency	ski.com
Leader Marketing Services Inc.	Vacation rental listing service	goski.ca
Ski Canada Resorts	Specialty travel agency	skicanada.com
The Lodging Company	Travel agency	skihills.com
Mountain accommodations	Vacation rental listing service	mountain accomodations.com

### 3.1.3 **Competitor Products Features and Content**

The internet has become a key information source for trip research, planning and booking. Travel web sites must create a compelling offering and provide high value content in order to attract and retain visitors. People visit travel websites at the various stages in the travel life cycle, and for various purposes during each stage. First, there is a desire to learn and become educated about potential destinations or areas for a vacation. At this stage, potential customers are generally just looking for information on which ski or golf resorts they may like to visit. In the next stage, there is a need for information that enables planning of a trip and the accommodation availability information is crucial for this consumer. Once the customer has obtained sufficient information, they often use the website to book their accommodation. On completion of their trip, customers often also return to a site to provide information and feedback on their experience for others.

Looking at the features of the niche competitor websites, the majority of the sites are primarily information only sites, in most cases traditional travel agencies promoting packaged trips. Two of the sites specialize in providing listings for condo and vacation home rental accommodations. In all of these cases, there is no capability for online bookings of accommodations at the resorts let alone any capability for online booking of any related services.

The exception to the traditional travel agency approach, are two websites: [www.golfzoo.com](http://www.golfzoo.com) and [www.ski.com](http://www.ski.com). Both of these sites are setup as OTAs and provide full online booking capabilities. [Golfzoo.com](http://www.golfzoo.com) allows you to select an area in the U.S., and also has a few resorts listed in Jamaica, Dominican Republic, Bermuda and Canada. It provides brief overview information of the golf courses in each area, area activities such as dining, lifestyle and outdoor activities, weather, and maps. It allows you to book accommodations, and golf tee times for various resorts in the area, as well as car rentals. [Ski.com](http://www.ski.com) has information on numerous ski resorts in the U.S. , Canada, Europe and South America. The site provides information on the resorts and allows you to book, flights, accommodations, car rentals, ground transportation, lift tickets, equipment rentals, ski lessons and travel insurance. [Ski.com](http://www.ski.com) also has a luxury agent assisted concierge service to facilitate other customer needs such as spa treatments, dining reservations, personal chefs etc. These two websites appear to be the main competitors for what GSV is looking to provide in terms of website functionality and services available to customers. Table 3.3 lists the features and categories for each of the niche market competitors.

Table 3.3 Competitive Factors of Niche Market Competitors

Competitor	Competitor Type	Websites	Website Services and Features	Booking capability	Revenue Model	Site Advertising
Golf Vacations	Specialty travel agency	golfvacations.com	Outlines packaged trips to various destinations Blog type posts describing previous trips Request quotation from agent	Request quote	Booking commission	No
International Golf vacations	Information website	usagolfvacations.net	Information only site Features golf courses and provides hotel info. by city, not related to golf courses	None	Google advertising	Yes
Merit Travel	Specialty travel agency	ultimateskivacations.ca ultimatgolf.ca	Features packages trips to various destinations	Request quote	Booking commission	No
International golf vacations	Specialty travel agency	internationalgolfvacations.com	Info on destinations, courses, lodging info	Request quote	Booking commission	Yes
Golf Zoo	Specialty travel agency	golfzoo.com	Dynamic packages for golf vacations in US destinations for accommodation, golf, car	Yes	Booking commission	No
Ski.com	Online Travel Agency	ski.com	Site for booking air, hotel, car rental, lift tickets and related guest services for travel to ski resort destinations	Yes	Booking commission	No
Leader Marketing Services Inc.	Vacation rental listing service	goski.ca	Site to list vacation properties for rent by owner	Email owner	Property listing fees	Yes
Ski Canada Resorts	Specialty travel agency	skicanada.com	Features package trips to various Canadian ski destinations	Request quote	Booking commission	Yes
Ski Hills	Travel agency	skihills.com	Features ski accommodation and packages	Request quote	Booking commission	Yes
Mountain accommodations	Vacation rental listing service	mountainaccommodations.com	Condo and vacation home rental properties	Email rental inquiry	25% Rental commission	No

## **4: MARKET ANALYSIS**

### **4.1 Target Market and Segmentation**

Market segmentation is a process that groups people with similar needs, wants and characteristics together. Segmentation can be based on any ties that connect individuals together such as their age, common activities, the magazines they read, or the movies they watch. The possibilities for segmentation are endless. Grouping individuals by some type of categorization like this, provides a means to serve and communicate with these groups with greater precision. Segmentation may also help to identify partnerships that promote networking, or to guide product and services or research and development. Segmentation can create better marketing decisions and promote more cost effective operations (Silk, 2006).

While market segmentation is important, there is also a larger debate about the approach to segmentation and whether it should be based on “product push” versus “market pull”. In the product push model, a product is designed and packaged in the hope that there will be a market for it. Whereas the market pull approach, attempts to establish a niche market by identifying the needs and wants of individuals within a market, and then to design a product to meet those needs. It can be more effective to utilize the market pull approach, but at the same time it is important to understand additional factors that may influence buyer behaviour. The understanding of each approach becomes important in developing partnerships and offering services that fit with customer desires and values.

Market segmentation can also be approached from two sides. On the supply side, segmentation looks at how similar products can be grouped together, while the demand side looks at the demographics and behavioural patterns of the target consumer group. Regardless of the perspective from which the market segment is determined, the objective is consistent – grouping customers with similar traits, product needs and other behavioural characteristics in order to reach potential customers in the most cost effective manner. The levels of segmentation can be broad such as all businesses that offer outdoor experiences, or very narrow, such as a segment of the population in a specific geographical region, in a particular income bracket, of a specific gender, who participate in a specific type of activity.

When developing a new accommodation reservation service, an approach that combines both the market pull and a product push with value added features, is likely to be most effective. This analysis will consider both aspects and review the target market by examining both the product side to gain an understanding of the various golf and ski vacation products available, as well as to review the demand side by exploring the demographics and buyer behaviour of the customer.

## **4.2 Product Segmentation**

Exploring the supply side of market segmentation, the products offered by the various online hotel distribution competitors generally consist of hotel reservations for the right to occupy a room at a specific hotel property location on a certain date and time. However, hotel room reservations are often combined with other travel items to provide various products. Travel providers utilize this product differentiation strategy to distinguish a product in one market segment from competitor's products, as well as their own products in other markets.

OTAs generally offer hotel reservations as well as bundles of travel products that can include air, hotel and car rental packages, which can provide multiple travel products at a lower cost than if they were purchased separately. Typically groups of products related to hotel distribution would include : accommodation only booking ( ranging from budget and hostel properties to high end luxury hotels), accommodation and tour booking at the resort (ranging from basic to high end full feature concierge service) and full package booking services that include all accommodation, tours and transportation to and from the destination.

The type of accommodation product may also need to be considered for this specific niche market segment. The TAMS reports developed by Lang Research – U.S. and Canadian Travel Activities and Motivations of Travellers, looked at the reasons for travel, and the preferences of the travellers. As might be expected, people participating in activities such as skiing or golfing while travelling, generally preferred accommodation located directly at the activity or very near to it. While the location may be of number one importance, it is followed closely by the type of accommodation and room configuration. This consumer segment has a much greater desire for self-sufficient accommodations such as on resort fully self-contained condos, rental apartments, and vacation rental homes. The length of stay at a resort for these types of travellers averages 3-5 days, which is higher than for normal hotel accommodations, for which the average stay is 1-2 days. Table 4.1 below shows the type of accommodation used by activity based travellers.

Table 4.1 Accommodation Stayed At During Overnight Trips for Activity Related Travel

Accommodation	American Travellers (000s)	% of Total Travellers (176.4 million)	% Travellers for which the activity motivated the trip
Lakeside / Riverside Resort	21363	12.1%	4.4%
Ski Resort or Mountain Resort	15374	8.7%	3.6%
Seaside Resort	31380	17.8%	6.8%
Wilderness Lodge or Outpost	7218	4.1%	1.7%
Cooking School	1006	0.6%	0.2%
Wine Tasting School	755	0.4%	0.2%
Country Inn or Resort because of gourmet restaurant	3432	1.9%	0.6%
Health Spa	5411	3.1%	0.8%
Farm or Guest Ranch	3452	2.0%	0.6%
Houseboat	2477	1.4%	0.7%
Campground	39314	22.3%	3.7%

Source: TAMS Report Lang Research 2007

This data would suggest that there may be the potential to develop a niche accommodation reservation service, that could offer a high return relative to their market size in the area of ski resort or mountain vacations, as this specific product segment accounts for a significant percentage of overall activity accommodation types. Although golf vacation accommodation was not specifically categorized in the research, the unique accommodation requirements of golfers are considered to be similar to skiers.

A few recommendations can be drawn with respect to defining a product type niche for GSV. Market segmentation is crucial. No business can be all things to all people and those that differentiate their markets will be in a much stronger position. Segmentation should not be based purely on similar product attributes, and a market pull approach should be adopted, looking first to understand the needs and desires of the individual market segments and then designing services to meet those needs. There is no right or wrong way to segment the products or market but segments or niche markets need to be both focused and targetable.

### 4.3 Customer Segmentation

The demand side of market segmentation considers the end customer to be served. For GSV, the end customer is people planning an activity based vacation, who are looking to book accommodation in a specific location near to a given resort. The more that is understood about

this end customer, the easier it will be to market the services to them. A focused customer group that has strong ties can create a strong niche market, which makes it easier to provide information to the customer. These people may read similar publications or visit similar locations on a regular basis, for example, which can then be targeted for marketing campaigns.

Understanding demographics is imperative, to understanding product and service segmentation, to foresee potential trends in the market place. Demographics looks at the characteristics of the population considering things like: age, sex, education, family status, ethnicity, religion, life stage etc. The analysis of this type of data is an excellent tool for the development and marketing of a new product or service. According to David Foot, the demographer who wrote the book *Boom Bust and Echo*, demographics accounts for “two thirds of everything”, including things such as markets and demand for services, as well as many other factors like social problems and political changes. When a large group of people are going through a similar stage in life such as getting married, buying a first home, or having children for example, the simple size of the market resulting from the demographic trends can create significant success for a particular service or product. The subject of demographics also plays a key-role in decision-making regarding demand for tourism products like accommodation reservations and services for golf and ski vacations, and needs to be considered in the market analysis.

Age is a very important part of demographics and the baby-boom generation (born between 1947 and 1966) is of prime importance due to its size. This cohort is well educated with above average income. The front end of this group is also approaching retirement age and will therefore have the money and time to travel which often includes activity based vacations such as golf and skiing. The “echo” generation (children of the boomers) are also creating peak demand on certain products and services. Born between 1980 and 1995, the front end of this cohort is into their thirties and taking part in independent adventure travel, with ski vacations being only one area.

#### **4.3.1 Customer Groups**

Accommodation reservation distribution services, essentially has two distinct sets of customers. One customer group is the service provider i.e. the hotels, lodges, condos, B&B's and vacation home properties that are providing their product for use. The second distinct customer group is the end customer – the consumer who will stay in the accommodation unit during their travel. GSV acts as an agent promoting the product of various service providers to the end

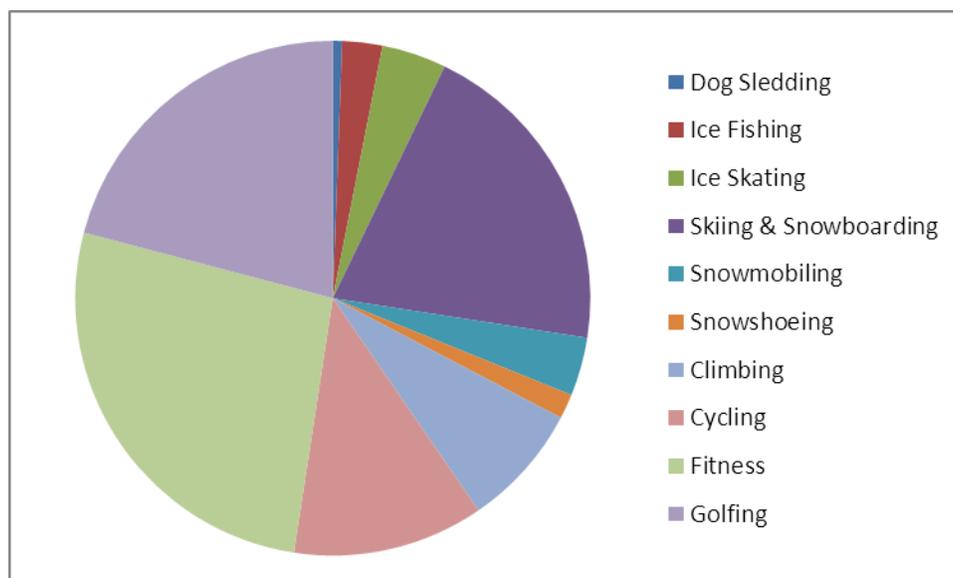
consumer and charging a fee when a match and a reservation is made between the service provider and the end consumer.

As hotel accommodation product for distribution is already widely available through GDS networks, the focus of customer segmentation here will be on the end customer.

#### 4.3.2 Activity Interests Segmentation

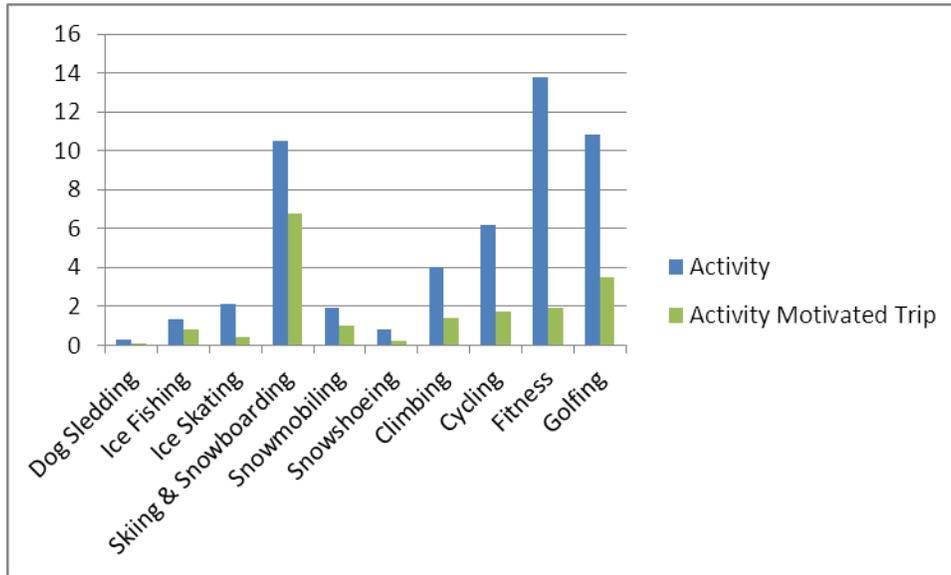
Two reports prepared by Lang Research for Travel Alberta titled “Travel Activities and Motivations of U.S. Residents” and “Travel Activities and Motivations of Canadian Residents”, provide data on the consumer motivations for taking trips, including where people travel to, the activities they do at their destinations, as well as various other information. According to this research of the 194 activities undertaken by overnight American travellers, only 26 activities were trip motivators in 50% or more of the trips that included this activity (Lang, 2007). Of the activities that Americans engaged in during their overnight trips, 76% of trips that included a package golf tour were primarily motivated by taking the package golf tour, and 72% of the trips where people participated in downhill skiing, were primarily motivated by downhill skiing (Lang, 2007). The table below provides a summary of the type of activities that motivate trips for U.S. travellers outlined in the report.

Figure 4.1 Activities of US travellers



The activities of skiing/snowboarding and golf alone account for 41% of all activities that are done on trips, and these activities themselves are also the key motivation for taking the trips in the first place, in approximately 41% of those cases (Lang, 2007).

Figure 4.2 Activities that motivate trips for US travellers



### 4.3.3 Demographics Segmentation

Two additional reports compiled in 2007 by Lang Research for various Canadian tourism boards provide insight into the demographics of the consumer segment interested specifically in golf and ski destination accommodations. The first report titled “Golfing While on Trips” shows that in the previous two years, 8.2% (18,189,169) of adult Americans played golf while on an out-of-town, overnight trip of one or more nights. Of those who golfed, 33.4% (6,067,369) reported that golfing was the main reason for taking at least one trip. (Lang, 2007). Those who golfed while on a trip tend to be more affluent than the average U.S. pleasure traveller and have higher household incomes and university education (Lang, 2007). They are more likely to be male, married, with the majority between the ages of 55 to 64 (Lang, 2007). They are also active in other types of activities and especially winter sports such as downhill skiing, and they are also more interested than non golfers in professional sporting events (Lang, 2007). They prefer luxury accommodations, fine dining and spas, and are more likely than the average U.S. Pleasure Traveller to have participated in wine, beer and food tastings while on a trip (Lang, 2007). Table

4.2 below provides more details of the demographics of golfers who travel to participate in that activity.

Table 4.2 Demographic Profile of Golfers Relative to all U.S. Pleasure Travellers

Attribute	Size of Market	Golfers	Non-Golfers <sup>1</sup>	Pleasure Travellers	Index <sup>2</sup>
		18,189,169	152,321,072	170,510,241	100
Gender	Male	66.8%	46.3%	48.5%	138
	Female	33.2%	53.7%	51.5%	64
Age of Respondent	18 to 24	8.5%	11.1%	10.8%	78
	25 to 34	19.5%	21.1%	21.0%	93
	35 to 44	17.8%	17.2%	17.3%	103
	45 to 54	22.6%	20.9%	21.0%	107
	55 to 64	19.0%	15.0%	15.5%	123
	65 Plus	12.7%	14.6%	14.4%	88
Average Age		46.2	45.4	45.4	N/A
Marital Status	Not married	22.9%	31.5%	30.5%	75
	Married	77.1%	68.5%	69.5%	111
Parental Status	No children under 18	20.6%	69.9%	70.0%	101
	Children under 18	29.4%	30.1%	30.0%	98
Education	High school or less	10.5%	21.7%	20.5%	51
	Trade, Technical, Community College	15.7%	22.0%	21.4%	73
	University Degree	49.1%	40.1%	41.1%	120
	Post Graduate Degree	24.7%	16.2%	17.1%	145
Household Income	Under \$20,000	2.7%	8.7%	8.1%	34
	\$20,000 to \$39,999	7.9%	17.2%	16.2%	49
	\$40,000 to \$59,999	13.7%	17.0%	16.7%	82
	\$60,000 to \$79,999	15.6%	14.6%	14.7%	107
	\$80,000 to \$99,999	14.4%	11.2%	11.6%	124
	\$100,000 to \$149,999	21.4%	13.5%	14.4%	149
	\$150,000 or more	13.6%	5.8%	6.7%	204
	Not stated	10.7%	11.8%	11.7%	91
Average Household Income		\$97,381	\$71,512	\$74,303	N/A

<sup>1</sup>The "Non-Golfers" are defined as individuals who took at least one out-of-town, pleasure trip of one or more nights in the last two years but did not play golf on any trip. The number of Golfers and Non-Golfers equals the number of Pleasure Travellers.

<sup>2</sup>The "Index" is calculated by dividing the percent for Golfers in each group by the percent of Pleasure Travellers in each group. The Index indicates the extent to which golfers are over or under-represented relative to the average Pleasure Traveller. An index of 100 means the percent participating in the activity is the same as that of the average U.S. Pleasure Traveller. Index values over 100 indicate that those participating in the activity are over-represented relative to the average U.S. Pleasure Traveller. Index values less than 100 indicate that those participating in the activity are under-represented relative to the average U.S. Pleasure Traveller.

A second report titled “Downhill Skiing and Snowboarding While on Trips” shows that in the previous two years 6.2% (13,702,969) of adult Americans went downhill skiing or snowboarding while on an out-of-town, overnight trip of one or more nights (Lang, 2007). 71.1% (9,745,079) of the skiers and snowboarders indicated that the activity was the main reason for taking at least one trip (Lang, 2007). Downhill skiers and snowboarders tend to be younger (18 to 34), single and male (Lang, 2007). They are more affluent than the average U.S. pleasure traveller, with higher household incomes and higher levels of education, and are more likely to live in large urban centres with populations of two or more million people (Lang, 2007). They were more likely than the average U.S. Pleasure Traveller to have participated in physically challenging activities or extreme sports including both summer and winter activities, and they were more likely to attend sporting events, theatre and comedy clubs, rock concerts, and wine beer and food tastings (Lang, 2007). Table 4.3 below provides more details of the Skiing and Snowboarding While on Trips survey.

Table 4.3 Demographic Profile of Skiers or Snowboarders Relative to all U.S. Pleasure Travellers

Attribute	Size of Market	Downhill Skiers / Snowboarders	Non Downhill Skiers / Snowboarders <sup>1</sup>	Pleasure Travellers	Index <sup>2</sup>
		13,702,969	156,807,272	170,510,241	100
Gender	Male	58.4%	47.7%	48.5%	120
	Female	41.6%	52.3%	51.5%	81
Age of Respondent	18 to 24	22.4%	9.8%	10.8%	207
	25 to 34	29.8%	20.2%	21.0%	142
	35 to 44	18.8%	17.1%	17.3%	109
	45 to 54	18.7%	21.2%	21.0%	89
	55 to 64	7.5%	16.2%	15.5%	48
	65 Plus	2.8%	15.4%	14.4%	20
	Average Age		36.4	46.2	45.4
Marital Status	Not married	37.8%	29.9%	30.5%	124
	Married	62.2%	70.1%	69.5%	90
Parental Status	No children under 18	66.5%	70.3%	70.0%	95
	Children under 18	33.5%	29.7%	30.0%	112
Education	High school or less	9.8%	21.4%	20.5%	48
	Trade, Technical, Community College	14.5%	22.0%	21.4%	68
	University Degree	51.6%	40.1%	41.1%	126
	Post Graduate Degree	24.1%	16.5%	17.1%	141
Household Income	Under \$20,000	4.9%	8.4%	8.1%	61
	\$20,000 to \$39,999	9.2%	16.9%	16.2%	56
	\$40,000 to \$59,999	11.8%	17.1%	16.7%	71
	\$60,000 to \$79,999	13.2%	14.8%	14.7%	90
	\$80,000 to \$99,999	13.0%	11.5%	11.6%	112
	\$100,000 to \$149,999	20.2%	13.8%	14.4%	141
	\$150,000 or more	15.7%	5.9%	6.7%	236
	Not stated	12.0%	11.7%	11.7%	103
Average Household Income		\$98,886	\$72,163	\$74,303	N/A

<sup>1</sup>The "Non-Downhill Skiers/Snowboarders" are defined as individuals who took at least one out-of-town, pleasure trip of one or more nights in the last two years but did not go downhill skiing or snowboarding on any trip. The number of Downhill Skiers/Snowboarders and Downhill Skiers/Snowboarders equals the number of Pleasure Travellers.

<sup>2</sup>The "Index" is calculated by dividing the percent for Downhill Skiers/Snowboarders in each group by the percent of Pleasure Travellers in each group. The Index indicates the extent to which Downhill Skiers/Snowboarders are over or under-represented relative to the average Pleasure Traveller. An index of 100 means the percent participating in the activity is the same as that of the average U.S. Pleasure Traveller. Index values over 100 indicate that those participating in the activity are over-represented relative to the average U.S. Pleasure Traveller. Index values less than 100 indicate that those participating in the activity are under-represented relative to the average U.S. Pleasure Traveller.

The demographic shifts taking place seem to favour golf and ski destination vacations as they cover two large groups of consumers. The baby boomers are playing more golf and taking more golf related vacations as they get older. The echo generation (children of the boomers) are also now taking both ski and golf vacations on their own as they have become accustomed to taking these types of trips with their parents while growing up. The recent travel motivations survey undertaken for Canadian and US travellers (Lang Research 2007) supports this, showing that golfing and skiing are the largest segments of activity based travel. These activity motivated trips generally have somewhat unique and specific accommodation and other service requirements from travellers, that could be serviced well by a niche reservation service that is complemented by the related activities and services that these cohorts seek.

#### **4.3.4 Buyer Behaviour**

The internet has taken a very prominent role with consumers performing research planning, and booking hotel reservations and other travel. As this relates to accommodation reservations, 63% of adult Americans were personally involved in planning all of their overnight, out-of-town pleasure or vacation trips, and of those involved with the planning, 76% of them used the internet as one of their trip planning tools (Lang, 2007).

In planning overnight pleasure trips, Americans are more likely to use hotel or travel websites rather than government related websites (Lang, 2007). Approximately 55% of travellers who planned their overnight pleasure trips relied on their past experiences and 45% relied on advice of friends or relatives, and less than a quarter of travellers (19%) relied on a travel agent, and approximately of quarter of them used advertising (from newspapers, tv, or mail publications) as a source of information (Lang, 2007). Research shows that clients booking by themselves on the web purchase 47% more profitable optional extra services, and that 61% make their reservations outside office hours if they are able. The majority of travel bookings are created on a Sunday afternoon.

#### **4.3.5 Market Size and Trends**

As indicated by the Lang Research reports, golf and ski activity travellers represent 18.7% of the total U.S. pleasure travellers for a total market size of up to 31 million potential customers. Despite the economic difficulties in the travel industry caused by the recent economic downturn, skiers and snowboarders are still travelling in strong numbers. According to the National Ski Areas Association (NSAA) report, the skier and rider visits for the 2009/2010

season were the second best ever, only 1.2% below the all time record of 60.5 million visits achieved in the more prosperous times in 2007/2008 season. In fact it may be partly related to the economic situation that has many travellers looking for vacation closer to home during the downturn. This fits well with a ski and golf vacations niche, as large numbers of Americans and Canadians live within a one-day drive of top ski and golf resorts. In any event, it appears that golfers and skiers continue to travel to resorts both in times of economic prosperity and in times of economic hardship, possibly because this segment of the population is also more highly educated and earns a higher income than the average U.S. traveller.

#### **4.4 Customer Needs**

Both customer groups – the end consumer and the accommodation suppliers are looking to get the best product and service at the lowest cost.

Hotels have increased their use of OTAs since the global economic crisis with the expectation that business will have to be bought with low pricing. However, the hotels are also concerned about their loss of margins from relying too heavily on OTAs which have consistently demanded higher and higher fees for distribution of hotel products. More and more hotels are looking for new distribution channels by which they can distribute their product more efficiently and cost effectively. GSV needs to position its service a filling this need for accommodation suppliers.

The end consumer has also become frustrated with the lack of useful information and services available to plan and book accommodations. And specifically for activity based vacations such as golfing and skiing vacations, the list of unsuitable properties presented can waste significant time in planning a trip. GSV has an opportunity to sort and filter the vast information available and to make it more meaningful and targeted to the specific target market's requirements.

#### **4.5 Strategic Positioning**

According to Porter (1996) strategy is the creation of a unique and valuable position involving a different sets of activities based on three different objectives:

- serving few needs of many customers
- serving broad needs of few customers

- serving broad needs of many customers in a narrow market

Strategic positioning attempts to achieve a competitive advantage by performing different activities from competitors, or performing similar activities in different ways to outperform others in the industry. The strategic position determines where a company believes it can compete successfully within the specific competitive environment, with the goal being to position the product or service so as to maximize the benefits to the company.

#### 4.5.1 **Strategy**

Porter(1980) also outlined three generic strategies for how to outperform other firms in an industry. These strategies are: overall cost leadership, differentiation, and focus. The cost leadership strategy requires a company to provide the product or service to the customer at a lower cost than competitors through effective cost control processes, overhead control and efficiency. The differentiation strategy requires the company to offer the product or service in a way that makes the product or service to be considered unique in the marketplace. The focus strategy requires the company to target a specific segment of the market while the competitor targets the broad market.

By focusing on golf and ski travel, GSV has already selected a focus or niche marketing strategy. This is a good strategy that can be most effective for a smaller firm to compete with larger competitors. Where a niche can sell specialized or high end products it compensates for serving only a small fraction of the market by capturing a much higher percentage of the specific market that it focuses on. However, GSV should pursue a combination of the focus and differentiation strategies. By focusing specifically on golf and ski resort accommodations the company will be better able to serve the needs of this specific market niche much better than the OTAs and travel agencies that service a broad range of customers. However, as there are already a few competitors within the golf and ski travel niche, GSV will need to further differentiate their service offering to create a unique selling proposition for this service in the marketplace.

#### 4.5.2 **Positioning Approach**

Positioning is the process of creating an image or identity in the minds of the customer. According to Lovelock (2001), positioning requires developing and communicating key product attributes rather than just a brand or advertising images. Positioning guides the marketing strategy and helps consumers to understand the unique benefits that a product or service provides.

Applying the positioning process to a niche market accommodation distribution service, it is important to understand the market to ascertain which product attributes determine accommodation choice. Then from a strengths and weaknesses assessment of competitors, a decision can be made, regarding which market segments to target and which products to offer. Lovelock suggests segmenting the market first, and then matching the service to the needs of those segments. This approach implies that the key to successful positioning is to match the benefits provided by the service with benefits sought by a target market looking for suitable services to meet their needs. To effectively position the service offerings, GSV must determine which of the target markets' important needs it is able to service better than its competitors.

#### 4.5.3 **Target Segment Characteristics**

The research on golf and ski travellers shows that the target market for GSV is more likely to be male, with a university or post graduate degree, and an average annual income of close to \$100,000 dollars. On the skier side, the target market is generally from 18 to 34 years old, single, and lives in a large urban centre. On the golf side, the target market is generally from 45 to 64 years old and married. However both groups often participate in both golfing and skiing, both segments are more active than the average pleasure traveller, and they both enjoy sporting events and wine, beer and food tastings.

#### 4.5.4 **Position**

Looking at the various competitors and the factors that the OTAs and other niche competitors compete on, there is an opportunity for GSV to differentiate by providing online reservation services for accommodations and related services. As the one competitor [www.ski.com](http://www.ski.com) is already well established in the ski niche, it may be worthwhile for GSV to concentrate more on the golf niche initially, as the competitors in that area are not as well established and do not yet provide the additional services that would be a differentiator and create value for the target market segment.

Beyond the basic accommodation reservation service, there should be value added capabilities providing the ability to book additional services such as ground transportation, tickets, equipment rentals, and insurance as well as concierge type services to compliment the basic accommodation reservation offering. This would include the ability to schedule tee times, a golf cart, and lessons with the golf pro at a golf club, or to purchase lift tickets, schedule equipment rentals, ski lessons, and babysitting. In addition, the ability to make dinner

reservations, spa reservations, and to book special events that may coincide with the trip such as sporting events or wine and food tastings at or near the resort destination.

GSV will need to create a separate image in the industry that speaks to its unique market. It should do this by focusing first on delivering high quality and luxury hotel, condo, vacation home and bed and breakfast accommodation to meet the requirements of the target market segment for golf and ski travel accommodations. It should position itself as “the ultimate authority” on high quality and well rounded golf and ski vacation services, at the best available price. This type of position will promote the idea of GSV being the provider of the overall travel experience that this upscale market is seeking.

The opportunity for GSV lies in finding good value for high end and luxury accommodation and related services to fulfil the desires of this specialized market segment.

## **4.6 Market Entry**

Strategies for entering a market depend on the market environment as well as the positioning and product portfolio of the existing players. An effective strategy will generally require either lower pricing, improved product or service, new geographic markets, or new distribution channels.

Offering a product or service at a reduced price can provide a means to penetrate an existing market. By offering a lower price, a market latecomer can attract new customers who would not have otherwise purchased the product or service, which in effect expands the total market. A lower price strategy can also cause an incumbent’s current customers to switch. However, this strategy is likely to result in reduced margins for the new entrant compared with other players in the market, unless the new entrant’s cost is relatively cheaper.

Improving a product or service offering or focusing on a niche market can provide another effective entry strategy. Companies can compete by being innovative in the marketplace. The innovation may be radical or incremental such as simply enhancing an existing product or service. The enhanced product can compete directly with existing products, or it can be positioned to attract a smaller segment of the existing market. An improved product or service can sometimes also attract new customers that are not the current target for the existing product or service.

Targeting new geographic markets for existing products, developing new channels of distribution to access new markets, or achieving better penetration of existing ones, can also be

effective strategies. A later entrant can also segment the market, focusing on a particular target and by providing appropriate value, can extract additional rents. Later entrants can also position themselves as variety enhancers, rather than as replacements or substitutes for the pioneers.

Different markets require different strategies. A key source of differentiation for new entrants when there are high barriers to entry are creative marketing, innovative advertising, new service packages and superior customer service. Considering the various market entry strategies GSV should consider a three pronged approach. Staying with the market niche of golf and ski accommodation reservations it should differentiate itself in the mind of the end customer as providing an enhanced service offering for the needs of its target market such as concierge services. In addition, it should pursue a low price strategy with accommodation product suppliers. In order to compete with the large and powerful OTAs, GSV will need to provide a compelling reason for the suppliers to list their products with them. A low cost approach will provide a good market entry strategy as hotel suppliers are concerned with the high cost of distribution with OTAs and are looking for more cost effective alternatives.

## **4.7 Marketing**

Successful marketing requires the design of a marketing mix with the right combination of products or services, offered at the right price, in the right place, and then promoted in such a way that makes it easy and rewarding for an individual to change his or her behaviour to purchase the product or service. The customer pays a price in exchange for receiving a set of benefits. Various pricing tactics are used to make the desired behaviour appear to have fewer costs and more benefits, while also making the undesired behaviour seem to have less benefits and greater cost.

There is a current debate in marketing literature whether marketing practices have been too product focused and need to be adjusted for differences in behaviour when the economic exchange is based on the provision of a service rather than a product. The area of services marketing was founded on the assumption that marketing services is uniquely different from marketing products (Lovelock & Gummesson, 2004). The five areas of difference between products and services are:

1. **Ownership:** Services are not owned and stored like a product but rather something that is used or hired for a period of time.
2. **Intangibility:** Services are an intangible experience, there is nothing that can be held or touched.

3. Inseparability: Services cannot be separated from service providers as the acts of providing the service essentially is the product.
4. Perish ability: Services last for a specific time and cannot be stored like products.
5. Heterogeneity: It is difficult to make each service experience the same, as each will have slight variations depending on the individual service provider.

The unique characteristics of services that create marketing challenges are further magnified with an online accommodation reservation service as both the reservation service itself and the end service, being the use of a room or facility are both intangible .

A core element of the marketing strategy therefore needs to be that of differentiation from competitors. In terms of marketing, GSV needs to ensure that its name and service offering are marketed on an extensive basis so that customers are aware of its existence, as well as the additional benefits provided for them by using the service.

#### 4.7.1 **Product**

GSV plans to offer an efficient, informative, and user friendly website for leisure travellers to plan and book their golf or ski holidays. The site will provide an online accommodation catalogue and booking system for accommodation providers such as hotels, condos, B&Bs, apartment and vacation home rentals, located at golf and ski resorts in North America.

The service will provide general information on the various resorts and provide online booking capabilities for associated services such as ground transportation, golf tee times, lift tickets, equipment rentals, lessons, and insurance. The service will also provide information on various activities and sporting events in the area and allow bookings for dining reservations, spa treatments, and local events that may occur during the time of stay. The website will also have a community feature that is connected with Facebook for various discussions such as the best hole, or best run etc.

Unlike other OTAs or on-line booking sites GSV has a specialized product – activity based golf and ski accommodation reservations and related services. The design and content of the website will need to be developed to reach that specific niche with all content prepared from the end customer’s point of view. This will enable every customer to find the information they need to plan their ideal golf and/or ski vacation much more easily than available from other sources. The website intends to provide good information as well as a pleasurable adventure.

#### 4.7.2 Price

In successful marketing strategies the consumer trades a price or incurs a cost in exchange for receiving some benefit – the core product or service. Costs can be monetary or non-monetary. Nonmonetary costs may include time, embarrassment, effort, lifestyle etc. Considering that price can be a barrier to engage in an exchange that will provide the benefits of a service, the exchange needs to be weighted so that the benefits (core product or service) that people receive is greater than what it costs them to receive those benefits, and the benefit must also be greater than the alternative (Levitt, 1991).

In this case, the end customer doesn't pay for the service directly as the cost is born by the supplier as their cost of distribution. But although there may be no financial cost for the end customer to search endlessly for the right type of accommodation for an activity trip, there is certainly an opportunity cost of time.

For the accommodation service provider customer group however, there is a real cost of distribution and GSV needs to price itself very competitively in relation to the dictates of the market. By offering a new and focused distribution service for accommodation providers at low cost, and minimal risk to the supplier, GSV should be able to make significant market inroads. As such, the distribution service for accommodation provider will be priced as a very simple commission based model of 10% commission with payment only received on successful bookings. There will be no registration fee or fixed monthly fees charged. The suppliers will also not be required to commit specific allotments of inventory and the supplier has full control to choose which periods to provide product for, as well as the associated pricing of their product. The supplier will also have the capability to define and establish special promotional rates for its products for any given period, through the GSV site.

With this pricing approach GSV will be very competitively priced in relation to the OTA and travel agents who use the GDS systems and their associated distribution costs. Considering the stage of the venture and the services being offered, a low cost distributor market penetration pricing strategy will ensure that potential customers and suppliers are not frightened away by price until the service becomes more established. This will dictate that costs need to be prudently kept down to ensure financial success and the revenue structure needs to match the cost structure to ensure that the services incurred can be provided at a profit.

#### 4.7.3 **Place**

Place is generally considered where and when the target market will perform the desired behaviour such as purchase the product or service. For an online reservation service such as GSV, the main place where the service will be provided is on the internet. As seen in several studies the use of the internet to book travel has grown in leaps and bounds over the past ten years and it still continues to grow albeit at a more modest pace.

The placement strategy for an OTA to provide their services on the internet works well for accommodation suppliers as it makes their products more accessible and increases opportunities for customers to make bookings which is of great benefit to them. As the internet is widely available, any new internet distribution channel creates additional places where transactions can be performed. Once GSV is fully operational, a future consideration may be the development of a mobile app to provide similar reservation services via mobile phones.

#### 4.7.4 **Promotion**

Promotional activity is a part of selling a product or service. It generally includes advertising and related efforts to increase awareness of the service. GSV intends to promote its business by informing potential customers about the company and the benefits of its services as well as by providing useful information to the target golf and ski enthusiast customers.

Information will be provided to each of the customer segments through:

- Print Advertising: Placed in golf and ski magazines and various target market specific publications
- Trade shows: Hotel industry and golf and ski industry trade shows
- Personal Selling: Used to promote the company's services to hotel supplier customers making them aware of the benefits and this low cost and low risk distribution option
- Direct Marketing: This will be used to secure key accommodation properties and specific resort services

Internet marketing is a very necessary function for an online reservation service and will be key to the success of GSV. Internet marketing is performed using several online promotion tactics including:

- Public Relations such as press releases, message boards
- Search engines and directories
- Pay per click advertising
- Direct email
- Electronic newsletters and ezines

- Customer incentives, coupons and rewards

Users of the Internet that are less proficient at searching for product information rely more on brands. Promoting the benefits of GSV's service and how it meets their needs will reduce the risk for customers and create brand loyalty. Therefore, GSV will need to promote its services while creating a positive and reliable brand name. Branding reinforces loyalty, and also conveys useful product information that tends to make markets more efficient.

#### 4.7.5 Marketing Strategy

Being a new company on the market GSV will need to focus on specific services with specific types of clients to get established and gain the necessary experience in the marketplace. As the niche area for skiing already has a strong competitor, it may be better for GSV to focus its efforts first on the golf activity traveller segment, as it appears that this particular area has no clear market leader. The initial aim should be to instill awareness and confidence in the services offered by GSV and then to expand and offer complementary services over time as experience is gained.

To establish itself as the premiere provider of golf and ski activity travel services, GSV should adopt the following strategies:

- Establish GSV reputation as a differentiated specialty provider of golf and ski vacations. This will be accomplished through a diverse marketing communications programme directed at GSV target market, utilizing various media as well as the establishment of strategic allies.
- Provide unparalleled service to travellers, to gain repeat business and build trust. This will include superior service in all phases of the transaction including timely follow through.
- Aggressively promote supporting services and activities such as fine dining, wine tastings, and sporting events with the target market to create an position of offering exquisite services.

The strategy should be to grow the business by nurturing clients, differentiating the service offerings of competitors such as the OTAs who provide services to a broad range of clients.

Alliances and collaboration should be pursued with hotels and other accommodation providers utilizing the low cost distribution strategy to gain market penetration.



## **5: OPERATIONAL PLAN**

For an organization to operate successfully it requires a number of resources such as financial capital, human resources capital, and management and organizational strengths to perform its functions in an efficient and cost effective manner in order for the company to be successful. In the case of a new start-up company such as GSV, the operational plan will provide insight into what competencies the company needs to develop and what measures will need to be taken, in order to make the company capable of effectively executing the proposed strategy.

### **5.1 Organizational Structure**

To establish itself as an OTA company specializing in golf and ski reservations, GSV will require senior managers to grow and manage the business, technology staff to develop and maintain the online services and reservations systems, accommodation reservation business experts to research and market the service offerings, and client service agents to assist end customers. A start-up web-based service company like this could initially be managed by one to two senior managers such as the working owners/partners. The Chief Executive Officer (CEO) role could take on the functions of sales and business development and financial oversight, and the Chief Operating Officer (COO) role could be responsible for operations and systems development. The company should utilize a functional organization structure whereby people can focus on their prime area of expertise.

As the company grows there will need to be more structure to manage new employees and ensure they are assigned to a supervisor for guidance and support. Once the company is at a full staff count, the functional organization structure will need to be reviewed to ensure that sufficient cross team communication structures or processes are established.

### **5.2 Management Team**

With a new start-up company, the management team can initially be very small and be expanded as sales and revenues become realized. The two founders of GSV are passionate about the services that they will promote and offer on the market. Founder B has been successfully running a small consulting company for over 20 years providing management consulting,

strategic planning, project management and systems implementation services to medium and large size companies. Founder B also has significant experience in running a small business as well as the business and development and sales activities required to generate revenue for a consulting firm. Founder G has significant technology experience having worked as a software developer and architect for over 20 years. Founder G currently works as the Director of Engineering for a large software technology company managing technical software consultants around the world.

Founder B will initially take on the role of CEO responsible to carry out the strategic plans and policies of the company leading both business development and sales. This will involve securing hotel accommodation suppliers and establishing related travel partnership agreements, which support the strategic plans and policies for the company to grow successfully. In addition, founder B will fill the role of CFO which will entail financial management and transaction oversight for the company's funds. The role ensures that sufficient funds are available for ongoing operations and expansion, and that outstanding debts are being paid, excess funds are being invested and managed effectively, and providing reporting to summarize the financial condition of the company. In addition, this role forecasts future cash flow needs for expansion and growth to support the strategic plans and policies of the company.

Founder G will initially take on the roles of COO and CTO. As being up to date with technology will be the key success in this industry this role needs to be filled by someone who is tech savvy and can find ways to provide the reservation services effectively and efficiently to customers using technology in the most productive way. The CTO role will be responsible to identify, select and implement technological solutions that meet the needs of GSV, providing effective service to the customers while controlling costs, by selecting the appropriate technology as required. The role of COO will be responsible to develop and execute an operational plan that meets the strategic direction of the company and that meets the expectations of the customers. The role will oversee day to day operations of the company and ensure that effective systems and processes are in place to meet the needs of the business.

While a small management team may be sufficient in the early stages of the start-up, the company will need to closely monitor its growth and development and review its management capabilities and needs on a regular basis. The company needs to prepare to build and recruit the required talent to grow the business. It may be important to acquire resources in multiple ways such as licensing or joint venturing for example (Capron & Mitchell 2010).

### **5.2.1 Advisory Board**

The management team currently has two advisors. The first advisor is a serial entrepreneur who has established three successful companies that have either been taken public or were bought by large software companies in Silicon Valley. The second advisor has extensive financial management experience having worked as a CFO taking a small start-up company from its initial IPO through several mergers and acquisitions, through to its eventual sale at 40 times the initial IPO offering. Both of these advisors will provide valuable insights to seek investor funding.

## **5.3 Human Resources**

Creating and staffing a company requires human resources, which are an essential component in the delivery of the total service. Key resources for GSV will be the technology staff required to develop and maintain the website and online reservations systems, and interfaces to related booking systems, to establish the reservation service offerings for the company, and to promote the service offerings with online marketing campaigns.

Once the reservation software is selected and the website development is completed for reservation requests to be accepted, customer service agents will also be required. While the majority of reservations are expected to be done online, within minimal assistance from customer service agents, it will be important to have people available to provide good customer service and more importantly to learn more about what the customers are looking for and what additional services can be offered. By encouraging all employees to handle customers well, and by having enthusiastic, capable and empowered people interacting with customers, GSV will be able to build the competitive advantage and able to comprehensively meet the customers' needs. To provide good service GSV will be need to evaluate jobs and remuneration packages against market benchmarks for the agreed set of tasks for employees to ensure that they are competitive. Effective recruiting, motivation and discipline procedures will also need to be developed as the staff count grows beyond the small start-up employee group.

### **5.3.1 Personnel Plan**

The company will start with a small staff component of both technology and customer service support, supplemented by call centre support, and led by the management team. As the business grows, the staff count will increase to meet the needs of additional customers. Good staff compensation levels will help ensure higher employee retention as well as to maintain the

desired level of customer service and efficiency for the organization. A suitable compensation plan, that includes salary, health care, profit sharing and three weeks of vacation each year, will be developed.

## **5.4 Development Plan**

The only channel for delivery of the GSV service will be via the website. GSV will intentionally not deliver service through a bricks and mortar establishment, as the intent of the business is to provide an online travel reservation service rather than a traditional travel agency business.

The value chain in this business involves delivery of reservation services directly from an accommodation supplier to a GSV client. GSV is the channel that connects clients to accommodation providers, and as such, earns a commission, on a per transaction basis.

Key activities required to establish GSV, will be the selection of a suitable online reservation system and the development of a website that will provide the service distribution channel.

## **5.5 Systems**

Planning and designing systems and processes for a new business involves the arrangement of management and staff, and their roles, functions and business administration requirements. It also needs to take into account business facilities and equipment, inventory management as well as policies and procedures for other business functions.

Because the ability to perform online reservations to many hotel properties is tied into GDS companies, it will be beneficial and necessary for GSV to utilize an established online reservation system that provides access to GDS hotel information and bookings. This will ensure access to a large number of hotel reservation product suppliers at a standard commission rate. This base inventory can then be supplemented by specific property listing agreements established over time, with additional accommodation providers in each of the resort areas, or for personalized or improved services for each accommodation property according to their needs. The unique and value added product of onsite condominiums, vacation homes and apartments in demand by the target market, as well as additional resort specific services will further enhance the product offering selection.

Several online reservation systems are currently available that provide the online reservation functionality required. From a preliminary review of the systems available in the marketplace, a number of potential reservation system alternatives were identified, as outlined in Table 5.1 below.

Table 5.1 Potential Online Reservation Software Systems

Reservation Software Company	Product Features	Pricing Model	One-Time Cost	Monthly Cost	Reservation Fee
Globekey	- online booking systems with check availability & book now link to agent system - search & property information pages - credit card processing - instant confirmation and auto email - reports, export, multiple currencies	Monthly licensing fee based on number of properties	\$500 one-time setup	\$70 / month / 25 properties	\$1 / booking
Reslogic	- online booking engine - multiple sales channels - 3rd party GDS product integration - product manager supplier contracts - website content management - call centre reservations - financial management - dynamic reporting engine - CRM	Monthly licensing fee based on different levels of service	n/a	\$1,000 - \$4,000 / mo	n/a
Paxsoft	- online booking system - inventory management			5% of webbookings	
eCareTechLabs	- flight, hotel, car, tour booking engine - hotel module - CRM - market intelligence				
Rezeasy	- Reservation management software	Software purchase fee	\$599 \$1,299	n/a	n/a
Rezgateway	reservation system to create, book, manage, integrate and distribute multiple travel products (air, car, hotels, cruises, ground transportation, leisure activities, tickets and insurance) from a single mid office system	Revenue sharing			
Travelbooster	online travel reservation system and a web-based mid- back office administration system, the product is user-friendly and supports in-house content as well as a wealth of 3rd party content interfaces				
Travelize	web based booking, administration and content management system - internal allotment from many sources - price/availability from GDS - dynamic packaging - content management		Light: \$7,100 Std Maxi: \$18,600	Light: \$349 / mo Std Maxi: \$685/mo	.085% annual sales
Calypso	online reservation and distribution system suitable for international hotel chain, independent hotel, hotel central reservation centre, regional sales offices, travel agents and tour operators	Annual fee			

By defining the system requirements of GSV and then evaluating the systems available in the marketplace, a suitable reservation system can be selected and implemented. This will greatly simplify the time and development effort required to get the reservation service website up and operational, and shorten the time period to begin earning revenue.

## **5.6 Partnerships**

Partnerships are arrangements where business entities work together to promote their common interests. There are often cases where complimentary products or services can be provided to the same group of customers. Establishing partnerships with accommodation providers in the various golf and ski destinations will be a key differentiator for GSV. By providing an effective channel for accommodation suppliers to distribute their product without having to pay the high fees of online distribution from other OTAs, will be a significant cost savings to providers and a key differentiator for GSV.

## **5.7 Risks and Assumptions**

### **5.7.1 Risks**

A key risk to GSV business operations will be securing accommodation supplier partners seeking alternative distribution methods for their product. GSV will need to provide a better service at a lower cost in order to attract suppliers who are willing to work directly with GSV to promote their product, and provide additional benefits specifically for GSV clients. While the business could still operate the same as any other OTA providing general accommodation reservations for various products available through GDS systems, the differentiation and competitive advantage will come from supplier specific offerings for the golf and ski activity traveller's needs.

The other key risks are potential changes in technology and / or changes within the industry structure itself. With Google purchasing ITA software, there is the potential for a big transformation to occur in how the industry operates and the value chain could change significantly in the next few years. Additionally the increased use of mobile phones may further change the shape of the industry. GSV will need to keep abreast of new players and changes and adapt the business model as new challenges or opportunities arise.

### **5.7.2 Assumptions**

The largest assumption that GSV is making is that golf and ski activity based vacations will continue to grow based on the demographics of the population. If for any reason the popularity of these activities was to decline then the GSV business model may become less viable.

## **6: FINANCIALS**

### **6.1 Economics of the Business Model**

GSV is a provider of services. As such, it carries no inventories and incurs little in the way of cost of goods sold. Its revenues are derived from three main sources being: commissions paid for reservation bookings, sale of related resort products and ancillary services, and website advertising revenues.

The monthly operational costs are as could be expected of a business of this nature and besides an initial capital outlay for the purchase of reservation software and the development of a website, the corner stone of its business, it will incur nominal on-going capital costs.

#### **6.1.1 Revenues**

GSV will offer online reservation services delivered through its website. A commission fee of 10% of the booking value is secured when a reservation is made. Bookings for additional related services such as lift tickets, tee times, equipment rentals, lessons, and insurance are also offered on a cost plus or commission basis which generates additional revenue. In addition, further revenue will be generated by offering a small amount of advertising on the site. The monetized services fall into three categories outlined below.

Booking commissions are expected to generate 60% of GSV's revenues through percentage of booking fees extracted from suppliers for GSV to distribute their travel accommodation product. From the supplier's point of view, the fees paid to GSV is part of their cost of distribution. A much lower cost paid to GSV improves the supplier's average daily rate(ADR) for a room which is a key metric in the hotel industry.

Other reservation service revenues are expected to generate 30% of GSV's total revenues. GSV will work with the resorts to gain access to schedule the various resort services directly through GSV at a reduced rate for which GSV also receives a fee. GSV will provide the convenience of one stop shopping for customers to secure all of their requirements when planning their vacation accommodation. The customer also receives a benefit by paying a lesser fee than by waiting to book onsite at the resort.

Advertising revenues are expected to generate up to 10% of GSV’s total revenues (with potential to grow). The GSV website will provide excellent advertising space to outside companies and will charge a flat fee on a monthly basis for the use of their site in this manner. A marketing plan offering different levels of advertising will provide various options for advertisers although the net result will be a monthly fee paid to GSV.

GSV is primarily a service, and as such, it will not maintain any inventories as a component of its product delivery. Furthermore, as a service provider, as opposed to a manufacturer or retailer of tangible goods, its COGS are a relatively small aspect of its selling prices. COGS relate to direct labour and direct overhead charges and comprise about 10% of selling prices translating to per unit contribution margins of \$54 to \$900 on a product-by-product basis.

*Table 6.1 Product Revenues*

<b>Product Type</b>	<b>Revenue per Transaction</b>	<b>Cost of Goods Sold</b>	<b>Contribution Margin</b>	<b>Gross Margin</b>
Accommodation Reservation Commission	\$60	\$6	\$54	90%
Related Services	\$60	\$6	\$54	90%
Advertising	\$1,000	\$100	\$900	90%

### 6.1.2 Expenses

In the process of establishing the company, GSV will incur a number of expenses. Capital expenditures will be required to acquire the necessary reservation system software and to develop a suitable website and systems to service online accommodation reservation clients. Fixed and variable operational expenses will be incurred on a monthly basis to operate the business. The fixed expenses consist of advertising, office expenses, salaries, systems expenses and general expenses such as insurance, bank fees and allowance for bad debts. The variable expenses relate primarily to reservation system fees based on sales and some direct sales and marketing expenses.

### 6.1.3 Operating Leverage

GSV’s cost structure is predominately fixed, resulting in what will appear to be a venture with higher risks. However, GSV is not expecting to incur any large debt obligations. Rather the majority of its fixed costs are tied to operational costs which can be easily terminated with

relatively short notice as opposed to being tied to highly leveraged debt obligations. Therefore, the ease with which GSV could shed its operating costs by changing its operations, helps mitigate the overall riskiness of the venture when risk is viewed solely from a cost perspective.

#### 6.1.4 Breakeven Chart and Calculation

The breakeven points for GSV are determined by utilizing the calculated composite weighted average contribution margin for each year based on the estimated annual sales expected in each year. The analysis shows that by penetrating only .2% of the target market within year 2, the company will become profitable as reflected in table 6.2 below.

Table 6.2 Breakeven Analysis

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Estimated # of Clients to be served	2,946	15,051	31,833	48,002	53,081
% Target Market Served	0.0%	0.2%	0.4%	0.6%	0.6%
<b>Weighted Average Breakeven</b>	5,855	10,817	13,281	18,925	22,189
<b>Breakeven Surplus (Deficit) Clients Served</b>	<b>(2,910)</b>	<b>4,234</b>	<b>18,551</b>	<b>29,077</b>	<b>30,892</b>
% Above (below) necessary Breakeven	-50%	39%	140%	154%	139%

GSV will operate at a loss in its first year while it establishes its systems and begins execution of its marketing plan to attract new clients. The first and second year of operations will be crucial for GSV and it will be profitable starting in the second year of operations so long as GSV is able to attract the clients as projected. Successful market penetration is key to GSV's early and on-going success. If GSV is successful in its first 2 years, it will begin to benefit from network effects and through word of mouth advertising will continue to grow.

To help ensure a successful launch, the Executive team of GSV will invest a lot of sweat equity within the first 6 months of operations focused on promoting the website and building meaningful partnerships. In addition, GSV will invest over \$100K in marketing initiatives in the first year and then approximately 15% of sales thereafter in order to ensure the website receives the prominence it will need in order to survive.

## 6.2 Financial Projections

The purpose of the GSV financial projections is to determine the business' financial viability and to define a timetable within which the business would be profitable. To this end, detailed financial projections for GSV were prepared and are outlined in Appendix A. The

statements include annual pro forma financial for the first five years of operations, as well as detail monthly pro forma financial statements for the first two years of operations.

A number of assumptions were made in preparing these financial statements. The GSV market is assumed to be equal to the demographic size outlined for golf and ski enthusiasts in the U.S., based on the Lang Research outlined earlier in Tables 4.2 and 4.3. It is assumed that each of these potential customers takes .5 trips per year as the numbers given were based on trips taken within the previous two years. The average trip is designated as a 4 night stay at a total of \$600 assuming an average hotel cost of \$150 / night, also based on information from Lang Research discussed previously in section 4, on market analysis.

The initial \$200,000 inflow of cash is expected to come from a business loan or other funding raised to start the business, which will finance the first 12 months of operations as well as the initial purchase of reservation software and development of the website. Cash will be received through operational proceeds and is expected to grow significantly by the fourth and fifth years of operations.

The capital assets of the business reflect only the cost to purchase the reservation software and build the company website and supporting systems. This up front development work is expected to be completed by the 7<sup>th</sup> month of operations and the initial development cost is estimated to be \$60,000. However, depending on the reservation system selected the initial cost could be slightly higher and on-going systems costs slightly lower or vice versa. As shown in table 5.1, the various online reservation software systems available on the market have different pricing models, some with a higher up front purchase cost and lower monthly cost and some with a lower up front cost and higher monthly costs. Once the systems and website are operational, they will be depreciated on a straight-line basis over a 10 year time period.

Revenue generation is not expected to begin until the 7<sup>th</sup> month of the 1<sup>st</sup> year of operations when a .02% market penetration is expected after an initial product launch and advertising blitz. From that point forward, the projection is for a .01% growth per month into the 2<sup>nd</sup> year of operation and increasing in the second year as the service starts to receive some initial recognition.

GSV's biggest challenge will be to secure the funding required to sustain the business through its first year of operations.

### 6.2.1 Summary of Financial Statements

The projections for GSV are quite favourable assuming that the company is able to capture even a small portion of its target market. With a very conservative .18% market penetration rate projected in its second year of operations, the company would be profitable in that year with a net income of over \$460K. If the business continued with a very moderate growth rate to achieve a .5% market penetration by the end of the 3<sup>rd</sup> year of operations, the business would produce a net income of \$2.8M in its third year. As these penetration rates are very conservative, a good marketing strategy and execution, coupled with effective cost control management, has the potential to generate significantly higher income than these projections. The key to the business success will be in gaining recognition as “the” online golf and ski travel destination specialist.

The projections outlined in the financial plan provide both an indication of GSV’s expected performance as well as a barometer against which success can be measured. These monthly projections should be monitored by the executive team on a monthly basis, to assess actual performance against targeted projections. Significant variances can then be analyzed to determine the underlying cause(s), and to provide the management team with the means to adjust go-forward operations in order to mitigate newly assessed risks or incorporate newly assessed opportunities. If cost overruns are detected, GSV may need to scale back on its marketing efforts and possibly reduce the salaries paid to the management team, to counteract the situation.

## **7: Conclusion**

The OTA industry has been dominated by a few major players who have been able to extract higher than average rents from travel suppliers due to their favourable market position. However, opportunities exist for new entrants in this industry to target a specific market niche as the niche areas are not considered a threat by the large industry players.

The target market for GSV can be categorized by two customer groups, the first group being the travel accommodation supplier, and the second group being the end customer. By providing a better service to the end customer looking for travel accommodation services, and also by focusing on a specific market niche, a new entrant such as GSV can provide a viable distribution alternative for travel suppliers who are looking for alternative distribution methods at a lower cost.

Within the golf and ski activity travel market, there are very few true OTA competitors. Most companies are merely traditional travel agencies that specialize in golf and ski trip planning, rather than offering an online travel reservation service that can handle a large volume of customers at any given time. Given the size of the target market and the services those customers are seeking, GSV could successfully position itself as the online golf and ski reservation specialist. With effective positioning along with a good marketing plan and a market penetration entry strategy, GSV could capture a significant share of this niche market.

Given the size of the market niche, capturing only a small portion of the target market would result in a profitable business for GSV in less than two years of operation. From an initial investment of \$200K the company would be able to purchase and develop the required systems and processes and execute a marketing plan to begin to capture market share. By effectively monitoring costs and managing business growth, the company could generate an annual profit of over \$5M per year within five years. To operate successfully the company will require an effective management team, human resources, financial resources as well as automated systems and processes, and the risks of the venture need to be considered and mitigated.

## **Appendices**

## Appendix A – Financial Projections

### Annual Pro Forma 5 Year P&L

Proforma P&L	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues:</b>				8%	
Total Revenue	\$ 176,736	\$ 1,528,664	\$ 4,913,130.39	\$ 7,738,180	\$ 8,937,598
Cost of Sales	7,628	73,825	249,744	393,346	454,315
<b>Gross Margin</b>	<b>\$ 169,108</b>	<b>\$ 1,454,839</b>	<b>\$ 4,663,387</b>	<b>\$ 7,344,834</b>	<b>\$ 8,483,283</b>
<b>Expenses:</b>					
Advertising and Promotion	105,000	229,300	835,232	1,547,636	2,055,648
Bad Debt	846	7,274	23,317	36,724	42,416
Bank Charges	5,100	12,000	12,240	12,485	12,734
Depreciation	3,500	6,000	6,000	6,000	6,000
Donations	-	20,718	233,169	367,242	424,164
Insurance	5,833	10,000	10,200	15,000	16,500
Professional / Legal Fees	44,000	54,000	55,080	56,182	57,305
Travel	45,000	42,000	24,000	24,480	24,970
Rent	30,000	60,000	61,200	62,424	63,672
Salaries - Management	24,000	180,000	183,600	187,272	191,017
Salaries - IT	40,000	126,667	141,867	150,379	159,401
Staff Salaries	20,000	103,333	115,733	129,621	145,176
Call Centre	20,000	103,333	115,733	129,621	145,176
Internet, Telecommunications, Phones	4,000	8,000	8,160	8,323	8,490
Reservation Systems	6,000	24,000	24,480	24,970	25,469
Utilities	4,000	8,000	8,160	8,323	8,490
	\$ 357,279	\$ 994,625	\$ 1,858,172	\$ 2,766,682	\$ 3,386,629
	\$ -				
<b>Net Income</b>	<b>\$ (188,171)</b>	<b>\$ 460,214</b>	<b>\$ 2,805,215</b>	<b>\$ 4,578,152</b>	<b>\$ 5,096,654</b>

### Annual Pro Forma 5 Year Revenue Statement

Proforma Revenue Statements	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues:</b>					
Potential Accomodation Reservation Market	7,973,035	8,052,765	8,133,292	8,133,292	8,133,292
% Market Penetration	0.02%	0.18%	0.51%	0.77%	0.85%
Estimated Clients	1,860	14,350	41,769	62,654	68,920
Accommodation Reservation Fee	\$ 30	\$ 61	\$ 64	\$ 67	\$ 71
Sub-total Accomodation Reservation	\$ 111,622	\$ 878,233	\$ 2,684,103	\$ 4,227,462	\$ 4,882,719
Less: Cost of Sales	\$ 1,116	\$ 8,782	\$ 26,841	\$ 42,275	\$ 48,827
<b>Commission - Accomodation Reservations</b>	<b>\$ 110,506</b>	<b>\$ 869,451</b>	<b>\$ 2,657,262</b>	<b>\$ 4,185,187</b>	<b>\$ 4,833,891</b>
				54%	
Potential Related Services Market	7,973,035	8,052,765	8,133,292	8,133,292	8,133,292
% Market Penetration	0.01%	0.12%	0.34%	0.51%	0.56%
Estimated Clients	1,085	9,567	27,846	41,769	45,946
Relates Services Fee/Markup	\$ 30	\$ 61	\$ 64	\$ 67	\$ 71
Sub-total Related Services	\$ 65,113	\$ 585,489	\$ 1,789,402	\$ 2,818,308	\$ 3,255,146
Less: Cost of Sales	\$ 6,511	\$ 58,549	\$ 178,940	\$ 281,831	\$ 325,515
<b>Fee / Markup - Related Services Revenues</b>	<b>\$ 58,602</b>	<b>\$ 526,940</b>	<b>\$ 1,610,462</b>	<b>\$ 2,536,477</b>	<b>\$ 2,929,631</b>
				33%	
Potential Advertising Market	120,000	120,000	120,000	120,000	120,000
% Market Penetration	0.00%	0.05%	0.34%	0.51%	0.56%
Estimated Clients	-	64	410	616	677
Average Advertising Fee	\$ 500	\$ 1,020	\$ 1,071	\$ 1,125	\$ 1,181
Sub-total Advertising	\$ -	\$ 64,942	\$ 439,626	\$ 692,410	\$ 799,734
Less: Cost of Sales	-	6,494	43,963	69,241	79,973
<b>Advertising Revenues</b>	<b>\$ -</b>	<b>\$ 58,448</b>	<b>\$ 395,663</b>	<b>\$ 623,169</b>	<b>\$ 719,761</b>
				8%	
Total Revenue	\$ 176,736	\$ 1,528,664	\$ 4,913,130.39	\$ 7,738,180	\$ 8,937,598
Cost of Sales	7,628	73,825	249,744	393,346	454,315
<b>Gross Margin</b>	<b>\$ 169,108</b>	<b>\$ 1,454,839</b>	<b>\$ 4,663,387</b>	<b>\$ 7,344,834</b>	<b>\$ 8,483,283</b>

## Annual Pro Forma 5 Year Cash Flow Statement

Statement of Cash Flows	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Opening Cash Balance</b>	\$ -	\$ 76,461	\$ 486,862	\$ 3,160,778	\$ 7,634,306
<b>Cash Inflows</b>					
Receivables Current Month/Year	33,822	290,968	932,677	1,468,967	1,696,657
Receivables Prior Month/Year	94,720	1,050,367	3,573,888	5,697,104	6,710,730
Loan incoming	300,000	-	-	-	-
	-	-	-	-	-
	\$ 428,541	\$ 1,341,335	\$ 4,506,565	\$ 7,166,071	\$ 8,407,387
<b>Cash Outflows</b>					
Payables Current Month/Year	35,378	98,862	185,217	276,068	338,063
Payables Prior Month/Year	256,703	832,071	1,647,431	2,416,475	2,996,070
Web Development	60,000	-	-	-	-
Loan repayments	-	-	-	-	-
	-	-	-	-	-
	\$ 352,081	\$ 930,933	\$ 1,832,649	\$ 2,692,543	\$ 3,334,133
Net Cash Flows	\$ 76,461	\$ 410,401	\$ 2,673,916	\$ 4,473,527	\$ 5,073,254
<b>Closing Cash Balance</b>	\$ 76,461	\$ 486,862	\$ 3,160,778	\$ 7,634,306	\$ 12,707,559

## Annual Pro Forma 5 Year Balance Sheet

Proforma Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash and term deposits	\$76,461	\$486,862	\$3,160,778	\$7,634,306	\$12,707,559
Accounts receivable	\$40,567	\$154,071	\$310,892	\$489,656	\$565,552
<b>Current Assets</b>	\$117,027	\$640,933	\$3,471,671	\$8,123,961	\$13,273,111
<b>Capital Assets</b>	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Acc Depreciation	(\$3,500)	(\$9,500)	(\$15,500)	(\$21,500)	(\$27,500)
<b>Capital Assets, net</b>	\$56,500	\$50,500	\$44,500	\$38,500	\$32,500
<b>Total Assets</b>	<b>\$173,527</b>	<b>\$691,433</b>	<b>\$3,516,171</b>	<b>\$8,162,461</b>	<b>\$13,305,611</b>
<b>Liabilities and Equity</b>					
Accounts payable and accruals	\$61,698	\$119,390	\$138,913	\$207,051	\$253,547
<b>Current Liabilities</b>	\$61,698	\$119,390	\$138,913	\$207,051	\$253,547
<b>Financing Requirements</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>	<b>\$300,000</b>
Long term Liabilities	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
<b>Total Liabilities</b>	<b>\$361,698</b>	<b>\$419,390</b>	<b>\$438,913</b>	<b>\$507,051</b>	<b>\$553,547</b>
<b>Equity</b>					
Retained surplus (deficit)	(\$188,171)	\$272,043	\$3,077,258	\$7,655,410	\$12,752,064
<b>Total Liabilities and Equity</b>	<b>\$173,527</b>	<b>\$691,433</b>	<b>\$3,516,171</b>	<b>\$8,162,461</b>	<b>\$13,305,611</b>

## Detailed Pro Forma P & L – Year 1

<b>Proforma P&amp;L</b>	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Revenues:</b>												
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,959.55	\$ 17,939.33	\$ 23,919.10	\$ 29,898.88	\$ 39,865.17	\$ 53,153.56
Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478	\$ 718	\$ 957	\$ 1,196	\$ 1,834	\$ 2,445
<b>Gross Margin</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,481	\$ 17,222	\$ 22,962	\$ 28,703	\$ 38,031	\$ 50,708
<b>Expenses:</b>												
Advertising and Promotion	-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Bad Debt	-	-	-	-	-	-	57	86	115	144	190	254
Bank Charges	-	-	-	500	500	500	500	500	500	500	800	800
Depreciation	-	-	-	-	-	500	500	500	500	500	500	500
Donations	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	833	833	833	833	833	833	833
Professional / Legal Fees	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	22,000
Travel	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Rent	-	-	-	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000
Salaries - Management	-	-	-	-	-	-	4,000	4,000	4,000	4,000	4,000	4,000
Salaries - IT	-	-	-	-	-	-	6,667	6,667	6,667	6,667	6,667	6,667
Staff Salaries	-	-	-	-	-	-	3,333	3,333	3,333	3,333	3,333	3,333
Call Centre	-	-	-	-	-	-	3,333	3,333	3,333	3,333	3,333	3,333
Internet, Telecommunications, Phones	-	-	-	-	-	-	667	667	667	667	667	667
Reservation Systems	-	-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000
Utilities	-	-	-	-	-	-	667	667	667	667	667	667
	\$ 2,000	\$ 2,000	\$ 2,000	\$ 7,500	\$ 7,500	\$ 23,833	\$ 48,557	\$ 48,586	\$ 48,615	\$ 48,644	\$ 48,990	\$ 69,054
<b>Net Income</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>(23,833)</b>	<b>(37,076)</b>	<b>(31,364)</b>	<b>(25,652)</b>	<b>(19,941)</b>	<b>(10,959)</b>	<b>(18,345)</b>

## Detailed Pro Forma Revenue Statement – Year 1

<b>Proforma Revenue Statements</b>	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Revenues:</b>												
Potential Accomodation Reservation Market	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420
% Market Penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.03%	0.04%	0.05%	0.06%	0.08%
Estimated Clients	-	-	-	-	-	-	133	199	266	332	399	532
Accommodation Reservation Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60
Sub-total Accomodation Reservation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,973	\$ 11,960	\$ 15,946	\$ 19,933	\$ 23,919	\$ 31,892
Less: Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ 120	\$ 159	\$ 199	\$ 239	\$ 319
<b>Commission - Accomodation Reservations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,893	\$ 11,840	\$ 15,787	\$ 19,733	\$ 23,680	\$ 31,573
Potential Related Services Market	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420	664,420
% Market Penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.02%	0.02%	0.03%	0.04%	0.05%
Estimated Clients	-	-	-	-	-	-	66	100	133	166	266	354
Relates Services Fee/Markup	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60
Sub-total Related Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,987	\$ 5,980	\$ 7,973	\$ 9,966	\$ 15,946	\$ 21,261
Less: Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399	\$ 598	\$ 797	\$ 997	\$ 1,595	\$ 2,126
<b>Fee / Markup - Related Services Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,588	\$ 5,382	\$ 7,176	\$ 8,970	\$ 14,351	\$ 19,135
Potential Advertising Market	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
% Market Penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated Clients	-	-	-	-	-	-	-	-	-	-	-	-
Average Advertising Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Sub-total Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Advertising Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,959.55	\$ 17,939.33	\$ 23,919.10	\$ 29,898.88	\$ 39,865.17	\$ 53,153.56
Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478	\$ 718	\$ 957	\$ 1,196	\$ 1,834	\$ 2,445
<b>Gross Margin</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,481	\$ 17,222	\$ 22,962	\$ 28,703	\$ 38,031	\$ 50,708

## Detailed Pro Forma Cash Flow Statement – Year 1

<b>Statement of Cash Flows</b>	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Opening Cash Balance</b>	\$ -	\$ 299,800	\$ 287,800	\$ 265,800	\$ 243,250	\$ 225,750	\$ 216,667	\$ 193,157	\$ 157,726	\$ 128,007	\$ 104,000	\$ 86,390
<b>Cash Inflows</b>												
Receivables Current Month/Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,296	\$ 3,444	\$ 4,592	\$ 5,741	\$ 7,606	\$ 10,142
Receivables Prior Month/Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,185	\$ 13,777	\$ 18,370	\$ 22,962	\$ 30,425
Loan incoming	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,296	\$ 12,629	\$ 18,370	\$ 24,110	\$ 30,569	\$ 40,567
<b>Cash Outflows</b>												
Payables Current Month/Year	\$ 200	\$ 200	\$ 200	\$ 750	\$ 750	\$ 2,333	\$ 4,806	\$ 4,809	\$ 4,811	\$ 4,814	\$ 4,849	\$ 6,855
Payables Prior Month/Year	\$ -	\$ 1,800	\$ 1,800	\$ 1,800	\$ 6,750	\$ 6,750	\$ 21,000	\$ 43,252	\$ 43,277	\$ 43,303	\$ 43,329	\$ 43,641
Web Development	\$ -	\$ 10,000	\$ 20,000	\$ 20,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan repayments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 200	\$ 12,000	\$ 22,000	\$ 22,550	\$ 17,500	\$ 9,083	\$ 25,806	\$ 48,060	\$ 48,089	\$ 48,118	\$ 48,178	\$ 50,496
<b>Net Cash Flows</b>	\$ 299,800	\$ (12,000)	\$ (22,000)	\$ (22,550)	\$ (17,500)	\$ (9,083)	\$ (23,510)	\$ (35,431)	\$ (29,719)	\$ (24,007)	\$ (17,610)	\$ (9,930)
<b>Closing Cash Balance</b>	\$ 299,800	\$ 287,800	\$ 265,800	\$ 243,250	\$ 225,750	\$ 216,667	\$ 193,157	\$ 157,726	\$ 128,007	\$ 104,000	\$ 86,390	\$ 76,461

## Detailed Pro Forma Balance Sheet – Year 1

<b>Proforma Balance Sheet</b>	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Balance Sheet</b>												
Assets												
Cash and term deposits	\$299,800	\$287,800	\$265,800	\$243,250	\$225,750	\$216,667	\$193,157	\$157,726	\$128,007	\$104,000	\$86,390	\$76,461
Accounts receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$9,185	\$13,777	\$18,370	\$22,962	\$30,425	\$40,567
<b>Current Assets</b>	<b>\$299,800</b>	<b>\$287,800</b>	<b>\$265,800</b>	<b>\$243,250</b>	<b>\$225,750</b>	<b>\$216,667</b>	<b>\$202,342</b>	<b>\$171,504</b>	<b>\$146,377</b>	<b>\$126,962</b>	<b>\$116,815</b>	<b>\$117,027</b>
Capital Assets	\$0	\$10,000	\$30,000	\$50,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Acc Depreciation	\$0	\$0	\$0	\$0	\$0	(\$500)	(\$1,000)	(\$1,500)	(\$2,000)	(\$2,500)	(\$3,000)	(\$3,500)
Capital Assets, net	\$0	\$10,000	\$30,000	\$50,000	\$60,000	\$59,500	\$59,000	\$58,500	\$58,000	\$57,500	\$57,000	\$56,500
<b>Total Assets</b>	<b>\$299,800</b>	<b>\$297,800</b>	<b>\$295,800</b>	<b>\$293,250</b>	<b>\$285,750</b>	<b>\$276,167</b>	<b>\$261,342</b>	<b>\$230,004</b>	<b>\$204,377</b>	<b>\$184,462</b>	<b>\$173,815</b>	<b>\$173,527</b>
Liabilities and Equity												
Accounts payable and accruals	\$1,800	\$1,800	\$1,800	\$6,750	\$6,750	\$21,000	\$43,252	\$43,277	\$43,303	\$43,329	\$43,641	\$61,698
<b>Current Liabilities</b>	<b>\$1,800</b>	<b>\$1,800</b>	<b>\$1,800</b>	<b>\$6,750</b>	<b>\$6,750</b>	<b>\$21,000</b>	<b>\$43,252</b>	<b>\$43,277</b>	<b>\$43,303</b>	<b>\$43,329</b>	<b>\$43,641</b>	<b>\$61,698</b>
<b>Financing Requirements</b>	<b>\$300,000</b>											
Long term Liabilities	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
<b>Total Liabilities</b>	<b>\$301,800</b>	<b>\$301,800</b>	<b>\$301,800</b>	<b>\$306,750</b>	<b>\$306,750</b>	<b>\$321,000</b>	<b>\$343,252</b>	<b>\$343,277</b>	<b>\$343,303</b>	<b>\$343,329</b>	<b>\$343,641</b>	<b>\$361,698</b>
Equity												
Retained surplus (deficit)	(\$2,000)	(\$4,000)	(\$6,000)	(\$13,500)	(\$21,000)	(\$44,833)	(\$81,910)	(\$113,274)	(\$138,926)	(\$158,867)	(\$169,826)	(\$188,171)
<b>Total Liabilities and Equity</b>	<b>\$299,800</b>	<b>\$297,800</b>	<b>\$295,800</b>	<b>\$293,250</b>	<b>\$285,750</b>	<b>\$276,167</b>	<b>\$261,342</b>	<b>\$230,004</b>	<b>\$204,377</b>	<b>\$184,462</b>	<b>\$173,815</b>	<b>\$173,527</b>

## Detailed Pro Forma P & L – Year 2

Proforma P&L	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Revenues:</b>												
Total Revenue	\$ 72,528.50	\$ 79,577.35	\$ 87,320.89	\$ 95,828.07	\$ 105,174.72	\$ 115,444.22	\$ 126,728.29	\$ 139,127.73	\$ 152,753.46	\$ 167,727.40	\$ 184,183.67	\$ 202,269.75
Cost of Sales	\$ 3,557	\$ 3,892	\$ 4,260	\$ 4,663	\$ 5,106	\$ 5,592	\$ 6,125	\$ 6,710	\$ 7,352	\$ 8,057	\$ 8,831	\$ 9,681
<b>Gross Margin</b>	<b>\$ 68,972</b>	<b>\$ 75,685</b>	<b>\$ 83,061</b>	<b>\$ 91,165</b>	<b>\$ 100,069</b>	<b>\$ 109,853</b>	<b>\$ 120,604</b>	<b>\$ 132,418</b>	<b>\$ 145,401</b>	<b>\$ 159,670</b>	<b>\$ 175,352</b>	<b>\$ 192,589</b>
<b>Expenses:</b>												
Advertising and Promotion	10,879	11,937	13,098	14,374	15,776	17,317	19,009	20,869	22,913	25,159	27,628	30,340
Bad Debt	345	378	415	456	500	549	603	662	727	798	877	963
Bank Charges	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Depreciation	500	500	500	500	500	500	500	500	500	500	500	500
Donations						2,197	2,412	2,648	2,908	3,193	3,507	3,852
Insurance	833	833	833	833	833	833	833	833	833	833	833	833
Professional / Legal Fees	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	32,000
Travel	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Rent	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Salaries - Management	10,000	10,000	10,000	10,000	10,000	10,000	20,000	20,000	20,000	20,000	20,000	20,000
Salaries - IT	6,667	6,667	6,667	6,667	6,667	13,333	13,333	13,333	13,333	13,333	13,333	13,333
Staff Salaries	6,667	6,667	6,667	6,667	6,667	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Call Centre	6,667	6,667	6,667	6,667	6,667	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Internet, Telecommunications, Phones	667	667	667	667	667	667	667	667	667	667	667	667
Reservation Systems	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Utilities	667	667	667	667	667	667	667	667	667	667	667	667
	\$ 58,891	\$ 59,982	\$ 61,180	\$ 62,497	\$ 63,943	\$ 81,063	\$ 90,024	\$ 92,180	\$ 94,548	\$ 97,151	\$ 100,011	\$ 133,155
<b>Net Income</b>	<b>\$ 10,081</b>	<b>\$ 15,704</b>	<b>\$ 21,881</b>	<b>\$ 28,668</b>	<b>\$ 36,126</b>	<b>\$ 28,790</b>	<b>\$ 30,579</b>	<b>\$ 40,238</b>	<b>\$ 50,853</b>	<b>\$ 62,519</b>	<b>\$ 75,341</b>	<b>\$ 59,433</b>

## Detailed Pro Forma Revenue Statement – Year 2

Proforma Revenue Statements	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Revenues:</b>												
Potential Accommodation Reservation Market	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064
% Market Penetration	0.10%	0.11%	0.12%	0.13%	0.15%	0.16%	0.18%	0.19%	0.21%	0.24%	0.26%	0.29%
Estimated Clients	671	738	812	893	983	1,081	1,189	1,308	1,438	1,582	1,741	1,915
Accommodation Reservation Fee	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61
Sub-total Accommodation Reservation	\$ 41,069	\$ 45,176	\$ 49,694	\$ 54,663	\$ 60,129	\$ 66,142	\$ 72,756	\$ 80,032	\$ 88,035	\$ 96,839	\$ 106,523	\$ 117,175
Less: Cost of Sales	\$ 411	\$ 452	\$ 497	\$ 547	\$ 601	\$ 661	\$ 728	\$ 800	\$ 880	\$ 968	\$ 1,065	\$ 1,172
<b>Commission - Accommodation Reservations</b>	<b>\$ 40,658</b>	<b>\$ 44,724</b>	<b>\$ 49,197</b>	<b>\$ 54,116</b>	<b>\$ 59,528</b>	<b>\$ 65,481</b>	<b>\$ 72,029</b>	<b>\$ 79,232</b>	<b>\$ 87,155</b>	<b>\$ 95,870</b>	<b>\$ 105,457</b>	<b>\$ 116,003</b>
Potential Related Services Market	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064	671,064
% Market Penetration	0.07%	0.07%	0.08%	0.09%	0.10%	0.11%	0.12%	0.13%	0.14%	0.16%	0.17%	0.19%
Estimated Clients	447	492	541	595	655	721	793	872	959	1,055	1,160	1,276
Relates Services Fee/Markup	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61	\$ 61
Sub-total Related Services	\$ 27,379	\$ 30,117	\$ 33,129	\$ 36,442	\$ 40,086	\$ 44,095	\$ 48,504	\$ 53,355	\$ 58,690	\$ 64,559	\$ 71,015	\$ 78,117
Less: Cost of Sales	\$ 2,738	\$ 3,012	\$ 3,313	\$ 3,644	\$ 4,009	\$ 4,409	\$ 4,850	\$ 5,335	\$ 5,869	\$ 6,456	\$ 7,102	\$ 7,812
<b>Fee / Markup - Related Services Revenues</b>	<b>\$ 24,641</b>	<b>\$ 27,106</b>	<b>\$ 29,816</b>	<b>\$ 32,798</b>	<b>\$ 36,078</b>	<b>\$ 39,685</b>	<b>\$ 43,654</b>	<b>\$ 48,019</b>	<b>\$ 52,821</b>	<b>\$ 58,103</b>	<b>\$ 63,914</b>	<b>\$ 70,305</b>
Potential Advertising Market	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
% Market Penetration	0.04%	0.04%	0.04%	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%	0.06%	0.07%	0.07%
Estimated Clients	4	4	4	5	5	5	5	6	6	6	7	7
Average Advertising Fee	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020
Sub-total Advertising	\$ 4,080	\$ 4,284	\$ 4,498	\$ 4,723	\$ 4,959	\$ 5,207	\$ 5,468	\$ 5,741	\$ 6,028	\$ 6,329	\$ 6,646	\$ 6,978
Less: Cost of Sales	408	428	450	472	496	521	547	574	603	633	665	698
<b>Advertising Revenues</b>	<b>\$ 3,672</b>	<b>\$ 3,856</b>	<b>\$ 4,048</b>	<b>\$ 4,251</b>	<b>\$ 4,463</b>	<b>\$ 4,687</b>	<b>\$ 4,921</b>	<b>\$ 5,167</b>	<b>\$ 5,425</b>	<b>\$ 5,696</b>	<b>\$ 5,981</b>	<b>\$ 6,280</b>
Total Revenue	\$ 72,528.50	\$ 79,577.35	\$ 87,320.89	\$ 95,828.07	\$ 105,174.72	\$ 115,444.22	\$ 126,728.29	\$ 139,127.73	\$ 152,753.46	\$ 167,727.40	\$ 184,183.67	\$ 202,269.75
Cost of Sales	\$ 3,557	\$ 3,892	\$ 4,260	\$ 4,663	\$ 5,106	\$ 5,592	\$ 6,125	\$ 6,710	\$ 7,352	\$ 8,057	\$ 8,831	\$ 9,681
<b>Gross Margin</b>	<b>\$ 68,972</b>	<b>\$ 75,685</b>	<b>\$ 83,061</b>	<b>\$ 91,165</b>	<b>\$ 100,069</b>	<b>\$ 109,853</b>	<b>\$ 120,604</b>	<b>\$ 132,418</b>	<b>\$ 145,401</b>	<b>\$ 159,670</b>	<b>\$ 175,352</b>	<b>\$ 192,589</b>

## Detailed Pro Forma Cash Flow Statement – Year 2

Statement of Cash Flows	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Opening Cash Balance</b>	\$ 76,461	\$ 63,284	\$ 75,099	\$ 92,658	\$ 116,528	\$ 147,333	\$ 184,203	\$ 214,747	\$ 247,973	\$ 291,072	\$ 345,018	\$ 410,888
<b>Cash Inflows</b>												
Receivables Current Month/Year	13,794	15,137	16,612	18,233	20,014	21,971	24,121	26,484	29,080	31,934	35,070	38,518
Receivables Prior Month/Year	40,567	55,177	60,548	66,449	72,932	80,055	87,882	96,483	105,934	116,321	127,736	140,282
Loan incoming	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 54,361	\$ 70,315	\$ 77,161	\$ 84,682	\$ 92,946	\$ 102,026	\$ 112,003	\$ 122,966	\$ 135,015	\$ 148,255	\$ 162,807	\$ 178,800
<b>Cash Outflows</b>												
Payables Current Month/Year	5,839	5,948	6,068	6,200	6,344	8,056	8,952	9,168	9,405	9,665	9,951	13,266
Payables Prior Month/Year	61,698	52,552	53,534	54,612	55,797	57,099	72,507	80,572	82,512	84,643	86,986	89,560
Web Development	-	-	-	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 67,537	\$ 58,500	\$ 59,602	\$ 60,812	\$ 62,141	\$ 65,155	\$ 81,459	\$ 89,740	\$ 91,916	\$ 94,308	\$ 96,937	\$ 102,826
<b>Net Cash Flows</b>	\$ (13,176)	\$ 11,815	\$ 17,559	\$ 23,870	\$ 30,804	\$ 36,870	\$ 30,544	\$ 33,227	\$ 43,098	\$ 53,947	\$ 65,870	\$ 75,974
<b>Closing Cash Balance</b>	\$ 63,284	\$ 75,099	\$ 92,658	\$ 116,528	\$ 147,333	\$ 184,203	\$ 214,747	\$ 247,973	\$ 291,072	\$ 345,018	\$ 410,888	\$ 486,862

## Detailed Pro Forma Balance Sheet – Year 2

Proforma Balance Sheet	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12
<b>Balance Sheet</b>												
<b>Assets</b>												
Cash and term deposits	\$63,284	\$75,099	\$92,658	\$116,528	\$147,333	\$184,203	\$214,747	\$247,973	\$291,072	\$345,018	\$410,888	\$486,862
Accounts receivable	\$55,177	\$60,548	\$66,449	\$72,932	\$80,055	\$87,882	\$96,483	\$105,934	\$116,321	\$127,736	\$140,282	\$154,071
<b>Current Assets</b>	\$118,462	\$135,648	\$159,107	\$189,460	\$227,388	\$272,085	\$311,230	\$353,908	\$407,393	\$472,754	\$551,170	\$640,933
<b>Capital Assets</b>	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Acc Depreciation	(\$4,000)	(\$4,500)	(\$5,000)	(\$5,500)	(\$6,000)	(\$6,500)	(\$7,000)	(\$7,500)	(\$8,000)	(\$8,500)	(\$9,000)	(\$9,500)
<b>Capital Assets, net</b>	\$56,000	\$55,500	\$55,000	\$54,500	\$54,000	\$53,500	\$53,000	\$52,500	\$52,000	\$51,500	\$51,000	\$50,500
<b>Total Assets</b>	\$174,462	\$191,148	\$214,107	\$243,960	\$281,388	\$325,585	\$364,230	\$406,408	\$459,393	\$524,254	\$602,170	\$691,433
<b>Liabilities and Equity</b>												
Accounts payable and accruals	\$52,552	\$53,534	\$54,612	\$55,797	\$57,099	\$72,507	\$80,572	\$82,512	\$84,643	\$86,986	\$89,560	\$119,390
<b>Current Liabilities</b>	\$52,552	\$53,534	\$54,612	\$55,797	\$57,099	\$72,507	\$80,572	\$82,512	\$84,643	\$86,986	\$89,560	\$119,390
<b>Financing Requirements</b>	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Long term Liabilities	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
<b>Total Liabilities</b>	\$352,552	\$353,534	\$354,612	\$355,797	\$357,099	\$372,507	\$380,572	\$382,512	\$384,643	\$386,986	\$389,560	\$419,390
<b>Equity</b>												
Retained surplus (deficit)	(\$178,090)	(\$162,386)	(\$140,505)	(\$111,837)	(\$75,711)	(\$46,921)	(\$16,342)	\$23,896	\$74,749	\$137,269	\$212,610	\$272,043
<b>Total Liabilities and Equity</b>	\$174,462	\$191,148	\$214,107	\$243,960	\$281,388	\$325,585	\$364,230	\$406,408	\$459,393	\$524,254	\$602,170	\$691,433

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