

**BUSINESS PLAN FOR LAUNCHING A LUXURY ADVENTURE TOUR
OPERATOR BASED IN CANADA**

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Abstract

MOT Elite Travel Experiences (METE) is a tour operator and online travel agent start-up company based in Vancouver, British Columbia. METE is faced with the challenge of establishing itself as a business in the travel industry. However, recent advances in technology such as an increase in the number of broadband Internet users, search engine optimization, and the advent of smartphones have created an opportunity to capitalize on the growing popularity of online travel booking services. This trend towards online travel sales is stimulating new growth in the tourism industry and providing exciting opportunities for new entrants like METE. Analysis of current statistics and penetration rates for broadband internet and smartphone for countries travelling to Canada in the 25-44 year old age segment indicates that the United States, the United Kingdom (UK), Germany and France are the primary target markets for METE.

Luxury travel has recovered from the recession of 2008-2009, and a growing, younger upper middle class and large proportion of High Net Worth Individuals (HNWI) in the under 45 year old segment in China are supporting a market for unique travel experience that METE plans to offer. The travel cycle introduces the inspiration, research, booking, experience, and sharing phases that comprise a framework to understand the relationship between travel and technology. METE plans to develop into competitive business as an on-line travel agent and tour operator that is able to deliver a comprehensive on-line and offline experience throughout the travel cycle.

Keywords: travel, luxury adventure tours; METE; travel cycle; technology and tourism.

Dedication

This paper is dedicated to my loving family that have supported me on my journey from Johannesburg, South Africa with our many stops in Canada to our second home in Vancouver, British Columbia. From my father Edward I have learned integrity, resiliency, independence, and fittingly, a thirst for knowledge and continuous learning that have led to me writing this paper. From my mother I have learned generosity, a curiosity for the world, and heart. To my sisters Candice and Sanya thank you for your support and I hope you find the success that you desire. I want to thank CORIX for providing an opportunity to see where my passion could take my career.

Thanks to the support from Simon Fraser University and the Beedie School of business and the friends, colleagues and professors for providing an innovative academic environment and the opportunities that lead to where I am today. I want to thank Nikolai Khlystov for being a good friend, and believing in and supporting me during the program and the birth of METE. I remember attending an information session for the MBA Management of Technology Program in 2000 and I never would have imagined that now, 11 years later, I would be writing a final thesis paper to complete my MBA for a company that saw its creation during this program.

Greg Hung

I would like to thank my family for the support during the MBA program. I thank my mother Tatiana and my brother Konstantin for the kind attention and support that made it possible for me to successfully combine work, study and private life and complete the degree. I thank my father Vladimir for unconditional support during the most important part of my life; without him I would not be able to find my dream home in Canada. I also want to express appreciation to all my friends for patience and support, as they understood my challenges during the program and forgave the unfortunate lack of attention on my part. I also want to thank my friend and classmate Greg Hung for his friendship and support during the last two years.

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Nikolai Khlystov

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Glossary

Domestic tourism

The activities of a resident visitor within his or her country of reference during a domestic tourism trip or an outbound tourism trip.

Dual access subscribers

User having access to fixed broadband Internet access and mobile broadband access

Inbound tourism

Comprise the activities of a non-resident visitor within the country of reference on an inbound tourism trip.

Internal tourism

Internal tourism comprises domestic tourism plus inbound tourism, that is to say, the activities of resident and non-resident visitors within the country of reference as part of domestic or international tourism trips.

Search engine optimization (SEO)

Is the process of improving the volume and quality of traffic to a website from search engines through organic results.

Executive Summary

The Company

MOT Elite Travel Experiences (METE) is a travel business that assembles and delivers premium luxury adventure experiences to groups of 15-20 people in the 25-44 year old demographic. In industry terms, METE is classified as an online travel agent and luxury adventure tour operator based in Vancouver, British Columbia, Canada established in April 2011. METE's mission is to become one of British Columbia's most successful companies. In addition to this, METE aims to be a global luxury brand and a worldwide leader in creating opportunities to enjoy, meet, share and discover the world with other passionate travellers through stylish experiences.

Market Opportunity

The travel industry is steadily increasing with 2010 worldwide arrivals reaching 940 million in 2010 and expected to reach 1.6 billion arrivals by 2020. The luxury travel segment of the tourism industry recovered in late 2009 and is operating in an environment with a growing middle class of 2 billion who are influencing changes with their demand for luxury travel.

Travellers are changing the way they research, book and purchase their vacations. Internet search engines such as Google have become a primary source of travel information for 66% of leisure travellers and 59% of business travellers. 52% of leisure travellers and 42% of business travellers are now booking travel on-line. The total potential on-line market for METE for United States, United Kingdom, France, and Germany exceeds 300 million. This provides an opportunity for an on-line travel business like METE to attract and reach overseas travellers. By 2013, the combined installed base of smartphones will exceed 1.82 billion units and will be greater than the installed base for PCs going forward. The mobile device will be a significant distribution channel as penetration rates across the world increase. As of 2011 the smartphone potential market for METE is half (100 million) of the broadband market (200 million).

Product Offering

METE aims to assemble and deliver unique Chic travel experiences to travellers. A Chic experience is a combination of accommodation, transportation, entertainment, and adventure activities.

Value Proposition for the Traveller

METE delivers a positive experience for on-line travellers from the beginning of their journey to the end. As an on-line travel agent and tour operator METE seeks to save travellers time and frustration by being a single source for an original vacation experience. METE seeks to build a community of travellers who share their Chic-experiences with fellow, future travellers. METE aims to be a global, credible, and trusted brand.

Revenue Model

METE receives revenue on margin of the wholesale tour packages that it assembles. METE has access to wholesale rates for accommodation and will negotiate with preferred suppliers for group rates. METE will assemble the consolidated accommodation and activities and include an overall mark-up of 26%. Based on the sample Whistler package, anticipated margin per traveller is \$460.39.

Management

Greg Hung, MBA (Founder) will be receiving his Management in Technology MBA from SFU Segal Graduate school of Business in October 2011. Greg has 11 years of combined professional experience from Federal Government, Private Software Industry, and Utilities sector in the Technology field. He has 3.5 years of leadership experience in a management role directing 14 reports across US and Canada.

1: Introduction

METE is a travel business that assembles and delivers premium luxury adventure experiences to groups of 15-20 people in the 25-44 year old demographic. In industry terms, METE is classified as an online travel agent and luxury adventure tour operator. For today's young modern luxury traveller, METE is a one-stop shop for unique experience aimed at delivering a complete positive travel experience.

As Internet penetration and mobile penetration rates increase travellers are increasingly turning to the Internet for inspiration, doing their research and purchasing for their trips. Thus, the website is integral for METE to provide service to these travellers. The website is the heart of METE enabling like-minded travellers to enjoy and share authentic inspirational experiences.

Currently operating as a Vancouver, B.C. based tour operator and online travel agent start-up, the company's original plan was to rapidly enter the travel market in early summer of 2011. The company's goal was to establish itself as a leader in luxury travel group buying. The founder, Greg Hung attempted to execute the group buying business model in the local luxury hotel industry without much success, but much experience gained. Similar companies such as Living Social Escapes and Jetsetter have proven that the model works. The advantages these companies have over start-ups like METE are the resources and scale in place that permit them to negotiate the rates required for the group-buying model to work.

In order to distinguish itself from established competitors like Living Social Escapes and Jetsetter, METE has revised its business model to closely emulate phases of the travel cycle. This framework consists of the following phases: inspiration, research, booking, experience, and sharing. Whereas, the previous business model was primarily concentrated in the inspiration and booking phases (with its main value proposition to offer volume discount rates based on collective buying power) the revised METE business model is more comprehensive and focused on attracting business through an overall improved online travel experience at each phase. METE's revised business model integrates numerous strategic options to ensure its development into a leading travel business. One of METE's key inspiration phase strategies is to become a leader at search engine optimization. The use of search engine optimization has become the primary tool for travellers for conducting travel research. METE's strategy to effectively deliver at each phase is a key competitive advantage over travel agents who only excel in the booking phase.

METE and its founder continue to be driven to fulfil the company's long-term vision to become one of British Columbia's most successful companies and a worldwide leader at creating opportunities to enjoy, meet, share and discover the world with other passionate travellers. In

June 2011, the e-travel industry changed dramatically with the Groupon-Expedia partnership. This deal enabled Expedia to create a website called “Getaways” which offers travellers discounted travel deals (Reuters, 2011). This development underscores the purpose of this paper, which is to develop a long term strategic business plan based on capitalizing opportunities for technology in today’s tourism industry allowing a Canadian travel business like METE to achieve its vision.

In the following chapter, this paper will provide a general industry overview of the tourism industry and the specific niche of the luxury travel industry. This chapter also introduces the Travel Cycle framework and covers the key aspects of each cycle. This chapter concludes by outlining key opportunities between Technology and Tourism.

Chapter three provides analysis of the online luxury travel industry. It uses Porter’s sources of “horizontal” competition to understand competition in the industry, and concludes by presenting a competition map for the online luxury travel industry.

Chapter four presents METE’s business strategy. It describes in detail market segments for METE, the product, and the growth strategy. It explains how METE will use all phases of Travel Cycle model in order to provide high quality unique services and achieve profitability. This chapter also presents SWOT analysis, which helps better understand strengths and weaknesses of METE and identify its competitive advantages, which in turn will assist the company to become the leader in luxury travel industry.

Chapter five describes the company operating strategy. It focuses on activities required in order to achieve strategic goals described in the previous chapter. It explains in detail technological aspects of METE web site and mobile applications as well as accreditations and licenses needed for operation. Chapter five concludes by reviewing viable web development options available to METE.

Chapter six focuses on marketing by examining e-marketing techniques and best practices from the United Nations World Tourism Organization (UNWTO) e-marketing handbook. Furthermore, this paper discusses content requirements for the website and covers search engine optimization with best practices.

Chapter seven reviews financing options for METE. There are number of options to apply for financing from government, non-government, and Angel programs. This chapter examines

anticipated expenditures and usage of funding for the first year, provides break-even analysis and projected 3-year financials.

Chapter eight presents an analysis of human resources that METE needs to secure in order to successfully adhere to planned growth rate. It provides detailed plans for short-term pre- and post-go live phases, as well as a long-term phase that takes into account plans for global expansion to several countries.

Chapter nine presents METE's implementation schedule. This schedule summarizes major milestones that are necessary to successfully launch the company. A number of presented milestones are already completed or currently being worked on.

Chapter ten provides a conclusion. It summarises the main aspects of the luxury travel industry, the challenges that METE will encounter, and what needs to be done to build a successful luxury adventure tour operator in Canada.

2: Industry Overview

The industry section provides a high level introduction to the tourism industry and highlights key trends through key statistics for the past 3 years. The next section takes a closer look at the luxury travel market that METE aligns itself with to understand the current state of luxury travel and key trends. The following section focuses on statistics and characteristics of the Canadian travel market to understand the national market and as a basis for informed decisions. The section concludes with an attempt to estimate the size of the on-line travel market in Canada.

2.1 Travel Industry Overview

The World Tourism Organization (UNWTO) is a United Nations agency that deals with the collection of statistical information using international arrival and international tourism receipts as two key tourism indicators. According to a 2011 UNWTO publication, since 1990 the international tourism arrivals (countries visited by international travellers) have been steadily increasing with the exception of the setback in late 2008 and 2009 due to the global financial crisis and economic recession. The following year marked a recovery with a 6.6% increase with 2010 worldwide international tourist arrivals reaching 940 million in 2010 (World Tourism Organization, 2011). International tourism receipts are growing at a slower rate than arrivals, at 4.7%, and reached 919 billion USD. See Figure 1 for international tourist receipts.

Figure 1: International tourism receipts

	International Tourism Receipts Local currencies, constant prices				US\$ Receipts			Euro Receipts		
	change (%)			Share (%)	(billion)		per arrival	(billion)		per arrival
	08/07	09/08	10/09	2010	2009	2010	2010	2009	2010	2010
World	1.70	-5.60	4.70	100.00	851.00	919.00	980.00	610.00	693.00	740.00
Advanced economies	1.80	-6.50	4.40	63.10	547.00	580.00	1160.00	392.00	437.00	880.00
Emerging economies	1.50	-3.80	5.10	36.90	304.00	339.00	770.00	218.00	256.00	580.00
By UNWTO regions:										
Europe	-0.90	-6.70	-0.40	44.20	410.90	406.20	850.00	294.60	306.40	640.00
Northern Europe	-2.50	-4	-1.30	6.40	58.6	59.20	1.01	42	44.6	760.00
Western Europe	-2.20	-7.1	1.50	15.50	143.80	142	920.00	103.10	107.10	700.00
Central/Eastern Europe	4.30	-8	-2.80	5.20	47.40	47.70	500.00	34	36	380.00
Southern/Mediter. Europe	-0.60	-6,9	-1.1	17.10	161.3	157.40	930.00	115.60	118.70	700.00
Asia and the Pacific	4.60	-0.70	12.8	27.10	203.10	248.70	1,220	145.60	187.60	920.00
North-Eastern Asia	8.2	1.90	15.90	13.30	101.20	122.40	1,110	72.50	92.3	830.00
South-Eastern Asia	-0.80	-7.4	14.40	7.40	53.5	68	980.00	38.40	51.3	740.00
Oceania	3.20	5.30	-0.60	4.30	33.5	39.4	3,400	24	29.7	2,570
South Asia	7.7	-4.9	16.50	2.10	14.90	18.90	1,710	10.7	14.20	1,290
Americas	4.90	-9.90	5	19.8	166.20	182.20	1,220	119.10	137.40	920.00
North America	6.9	-12.40	6.20	14.30	119.2	131.20	1,340	85.40	98.90	1010.00
Caribbean	-3.20	-5.3	2.10	2.60	22.6	23.60	1,180	16.20	17.80	890.00
Central America	0.30	-3.40	4.10	0.7	6.10	6.80	850.00	4.40	5.10	640.00
South America	3.10	-0.3	1.20	2.20	18.30	20.60	880.00	13.10	15.50	660.00
Africa	-2.50	-4.10	4	3.40	28.80	31.60	640.00	20.60	23.90	480.00
North Africa	-3.90	-4.7	3.60	1.10	9.90	10	540.00	7.10	7.50	400.00
Subsaharan Africa	-1.80	-3.80	4.2	2.40	18.90	21.60	710.00	13.50	16.3	530
Middle East	5.50	0.80	14.40	5.50	42	50.30	830.00	30.10	37.90	630.00

Source: World Tourism Organization (UNWTO). Data as collected by UNWTO, June 2011. (World Tourism Organization, 2011)

Euromonitor International, a market research firm and partner of World Travel Market, noted that arrivals in the emerging markets of China, India, and Russia are catching up to those of developed countries (EuroMonitor International, 2011). This being said, the UNWTO's latest figures indicate that developed economies still make up the majority of international tourist arrival with 498 million or 53% market share compared with emerging economies at 442 million or 47% market share. Europe has been the dominant region for international tourist arrivals for 2010 (476.6 million arrivals and 50.7% market share) since 1990. The other top regions include Asian and Pacific with 203.8 million or 21.7% market share and the Americas with 149.8 million or 15.9 % market share (World Tourism Organization, 2011). UNWTO's Tourism 2020 Vision forecasts that international arrivals are expected to reach 1.6 billion by the year 2020. By 2020, the top regions for tourist arrivals are estimated to be Europe (717 million tourists), East Asia and

the Pacific (397 million) and the Americas with 282 million (World Tourism Organization, 2011). See Figure 2 for details on International Tourist Arrivals.

Figure 2: International tourist arrival

	International Tourist Arrival (million)							Market share (%)	Change (%)		Avg. annual growth (%)
	1990	1995	2000	2005	2008	2009	2010	2010	09-Aug	10-Sep	00-10
World	435	528	675	798	917	882	940	100	-3.8	6.6	3.4
Advanced economies	296	334	417	453	495	474	498	53	-4.3	5.1	1.8
Emerging economies	139	193	257	345	421	408	442	41	-3.2	8.3	5.6
By UNWTO regions:											
Europe	261.5	304.1	385.6	439.4	485.2	461.5	476.6	50.7	-4.9	3.3	2.1
Northern Europe	28.6	35.8	43.7	57.3	60.8	57.7	58.1	6.2	-5.1	0.8	2.9
Western Europe	108.6	112.2	139.7	141.7	153.2	148.6	153.7	16.3	-3	3.4	1
Central/Eastern Europe	33.9	58.1	69.3	8.5	100	90.2	95.1	10.1	-9.9	5.4	3.2
Southern/Mediterranean Europe	90.3	98	133	153	171.2	165.1	169.7	18.1	-3.6	2.8	2.5
Asia and the Pacific	55.8	82	110.1	153.6	184.1	180.9	203.8	21.7	-1.7	12.7	6.3
North-Eastern Asia	26.4	41.3	58.3	85.9	100.9	98	111.6	11.9	-2.9	13.8	6.1
South-Eastern Asia	21.2	28.4	36.1	48.5	61.8	62.1	69.6	7.4	0.5	12.1	6.8
Oceania	5.2	8.1	9.6	11	11.1	10.9	11.6	1.2	-1.7	6.1	1.9
South Asia	3.2	4.2	6.1	8.1	10.3	9.9	11.1	1.2	-3.6	11.9	6.2
Americas	92.8	109	128.2	133.3	147.8	140.6	149.8	15.9	-4.9	6.4	1.6
North America	71.7	80.7	91.5	89.9	97.7	92.2	98.2	10.5	-5.7	6.6	0.7
Caribbean	11.4	14	17.1	18.8	20.1	19.5	20.1	2.1	-2.8	3	1.6
Central America	1.9	2.6	4.3	6.3	8.2	7.6	7.9	0.8	-7.4	3.8	6.2
South America	7.1	11.7	15.3	18.3	21.8	21.3	23.5	2.5	-2.3	9.7	4.4
Africa	14.8	18.9	26.5	35.4	44.4	46	49.4	5.2	3.7	7.3	6.4
North Africa	8.4	7.3	10.2	13.9	17.1	17.6	18.7	2	2.5	6.1	6.2
Subsaharan Africa	6.4	11.6	16.2	21.5	27.2	28.4	30.7	3.3	4.4	8	6.6
Middle East	9.6	13.7	24.1	36.3	55.2	52.9	60.3	6.4	-4.3	14.1	9.6

Source: World Tourism Organization (UNWTO). Data as collected by UNWTO, June 2011. (World Tourism Organization, 2011)

2.2 Top Tourism Destinations

Based on data collected by the UNWTO, France received the highest number of international tourist arrivals in 2010 with 76.8 million followed by the United States at 59.7 million. In 2010, China moved up the ranks past Spain to third place at 55.7 million (see Figure 3). In terms of receipts, the United States retain its top position with an expenditure of 103.5 million USD in 2010 followed by Spain (52.5 million USD), France in third (46.3 million USD), and China rounding out the fourth place (45.8 million US).

Figure 3: International tourist receipts and arrival ranking

International Tourist Arrivals						
Rank	Series	million		Change (%)		
		2009	2010	09/08	10/09	
		1	France	TF	76.8	76.8
2	United States	1F	55.0	59.7	-5.1	8.7
3	China	TF	50.9	55.7	-4.1	9.4
4	Spain	TF	52.2	52.7	-8.8	1.0
5	Italy	TF	43.2	43.6	1.2	0.9
6	United Kingdom	TF	28.2	28.1	-6.4	-0.2
7	Turkey	TF	25.5	27.0	2.0	5.9
8	Germany	TCE	24.2	26.9	-2.7	10.9
9	Malaysia	TF	23.6	24.6	7.2	3.9
10	Mexico	TF	21.5	22.4	-5.2	4.4

International Tourist Receipts							
Rank	US\$				Local currencies		
	billion		Change (%)		Change (%)		
	2009	2010	09/08	10/09	09/08	10/09	
1	United States	94.2	103.5	-14.7	9.9	-14.7	9.9
2	Spain	53.2	52.5	-13.7	-1.2	-9.0	3.9
3	France	49.4	46.3	-12.7	-6.2	-7.9	-1.3
4	China	39.7	45.8	-2.9	15.5	-2.9(\$)	15.5(\$)
5	Italy	40.2	38.8	-12.0	-3.6	-7.2	1.4
6	Germany	34.6	34.7	-13.2	0.1	-8.5	5.3
7	United Kingdom	30.1	30.4	-16.3	0.8	-1.3	1.7
8	Australia	25.4	30.1	2.5	18.6	10.3	0.8
9	Hong Kong (China)	16.4	23.0	7.5	39.5	7.0	39.8
10	Turkey	21.3	20.8	-3.2	-2.1	-3.2(\$)	-2.1(\$)

(\$) = Percentage derived from series in USD instead of local currency.

Source: World Tourism Organization (UNWTO). Data as collected by UNWTO, June 2011. (World Tourism Organization, 2011)

2.3 Luxury Travel Overview

A November 2009 report from EuroMonitor International claims that the 2008 and 2009 economic downturn impacted sales of luxury travel worldwide. First and business class flight demand decreased by 18.8% worldwide. However, a more recent March 2011 luxury travel report from EuroMonitor international claims a recovery in luxury travel and service in the second half of 2009.

The 2010 Tourism, Trends and policies report by the OECD outlines the tourism industry as operating in an environment of strong globalisation under a growing middle class of approximately 2 billion people who are steadily influencing changes in tourism demand. The OECD report also highlights the existence of the emerging niche market of luxury travel, which is defined as a search for unique experience as well as a demand for authenticity. Furthermore, the report describes customers that are more willing to try new products, attractions, adventure, and higher involvement (Organisation for Economic Co-operation and Development, 2010).

EuroMonitor's 2011 report outlines changes in luxury travel stemming from a younger consumer base that seeks rare experiences and quality at the best value. According to this report, luxury travel has been redefined and is now based on experiences rather than brand-consciousness.

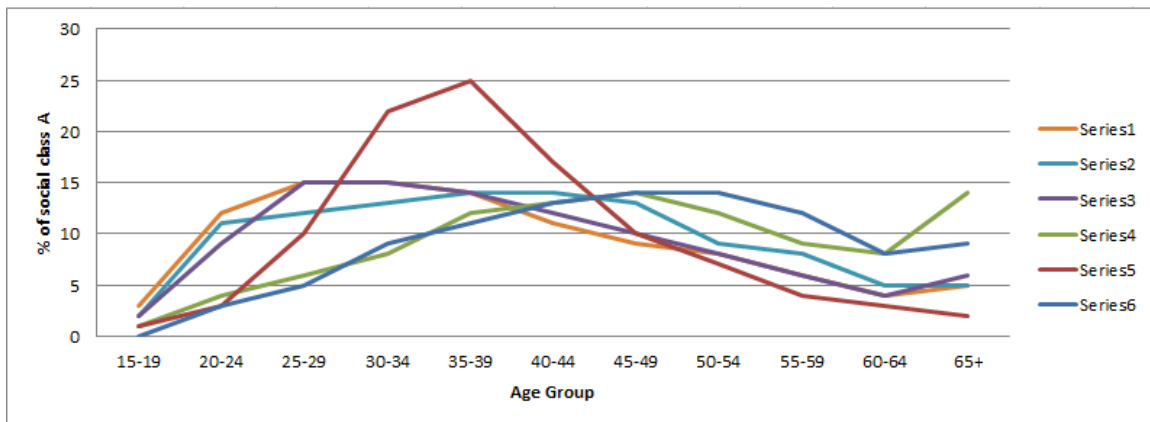
According to the report, an imminent power shift has occurred from the luxury brand to the luxury traveller.

Another perspective to note about luxury travel is that its consumption varies by region. In more developed markets such as the United States, Japan and the UK, the emphasis is on experiences and value with less focus on eye-catching spending. The emerging markets are more interested in consumption that is flashy and related to status. An example of this is wealthy Chinese consumers who are very brand conscious and look for the best a product or service can offer. (EuroMonitor International, 2011)

According to an estimate from a Price Water Cooper report, the UK’s luxury travel market has grown historically at a compound annual growth rate (CAGR) of 10% to 2007 with the UK expenditure on luxury holidays reaching 5 billion annually (PricewaterhouseCoopers, 2008). The report infers that this growth in spending is due to a rising number of High Net Worth Individuals (HNWI), defined as people with an excess of USD1 million in liquid assets. A report in 2011 by EuroMonitor International further supports the correlation between the growth of the HNWI population and an increase in luxury travel sales.

EuroMonitor 2011 Luxury Travel report also introduces a socio-economical group called “social class A” for the purpose of illustrating a shift in luxury travel patterns. EuroMonitor describes these individuals as having incomes over 200% higher than the average gross income of individuals ages 15 and above. They note that, in emerging economies, the 30-45 year old age segment accounts for a larger than average share of social class A (see Figure 4).

Figure 4: Social class A distribution by age in selected countries in 2015



Source: EuroMonitor International, 2011. (EuroMonitor International, 2011)

According to EuroMonitor International, the luxury travel goods market is forecasted to grow in real terms by 15% over five years to 2015. Figure 5 illustrates the fastest growing countries for luxury goods in 2010-2015. The US is the top country for luxury goods spending and is expected

to have the highest absolute growth in 2015 by 8,054 M USD followed by China at 6,771 M USD. (EuroMonitor International, 2011)

Figure 5: Fastest growing countries for luxury goods in 2010-2015

Country	US\$ million 2010	US\$ million absolute growth 2010-2015
US	68,556	8,054
China	12,007	6,771
Italy	15,463	2,932
India	1,647	2,616
France	12,049	1,956
Russia	4,559	1,923
UK	13,367	1,437
Brazil	7,022	1,420
South Korea	2,909	1,416

Source: EuroMonitor International, 2011. (EuroMonitor International, 2011)

2.4 Market Segment and Estimated Size for Canada

This section outlines the criteria used to segment the potential market for METE. First, this report used statistic data provided by the CTC to determine the geography of the countries with the most overnight trips to Canada. Second, we segmented the travellers journeying to Canada in the 24-44 year old niche group that METE is interested in profiting upon. Fixed broadband rates were another criterion that was applied to further segment travellers in this category in order to determine the number of on-line travellers available. Dual access subscription information was also applied to estimate the number of potential travellers likely to book travel on-line via mobile devices.

METE plans to concentrate business in the Canadian market for the initial three years. The criteria to segment the Canadian market are based on several factors:

- **Geography** – For this report the top countries were the Americas, the United Kingdom, Germany, and Japan.
- **Age Bracket** – METE plans to create experiences and connect travellers. Travel packages are designed to appeal to a younger consumer base within the 25-44 year old age bracket.

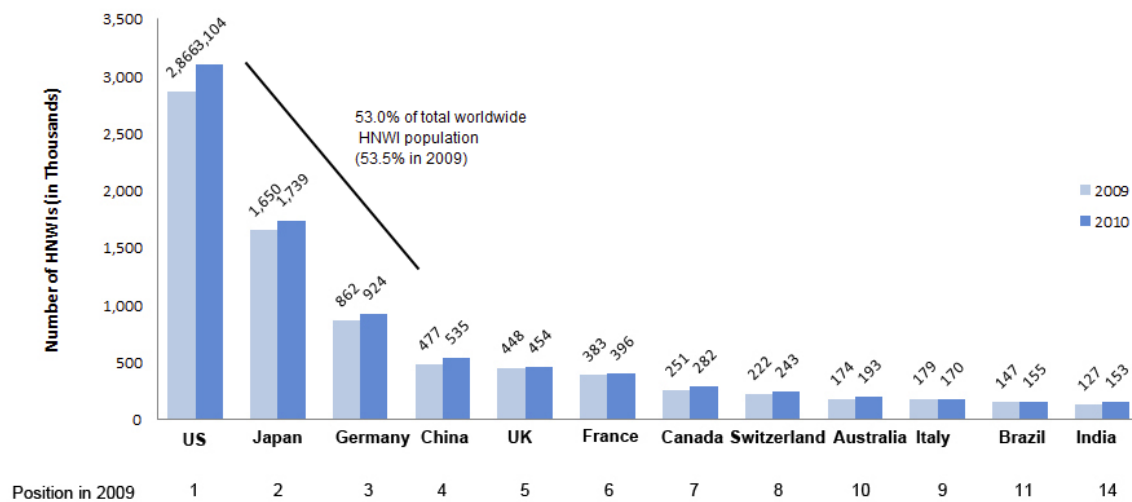
- **Internet Broadband Penetration Rates** – As METE is an on-line company, Internet access is required to reach its target market.
- **Dual Access Subscriber and Mobile Only Segments** – Two categories to more accurately distinguish the emerging Mobile Internet Only generation from the people that enjoy mobile broadband and traditional fixed broadband.
- **HNWI's** – These are individuals that are the least price sensitive with the highest disposable income to spend on the unique travel experiences METE plans on offering.

2.4.1 Size and Characteristics of Market

HNWI's

A Cap Gemini Report for 2010 lists the number of HNWI's at 10.9 million individuals worldwide. North America had the largest number of HNWI's at 3.4 million, followed by Asia-Pacific at 3.3 million, and Europe at 3.1 million (Capgemini, 2011). As shown in Figure 6, the United States, Japan and Germany present the highest number of HNWI with 3.1 M, 1.739 M and 924,000 respectively.

Figure 6: High Net Worth Individuals worldwide

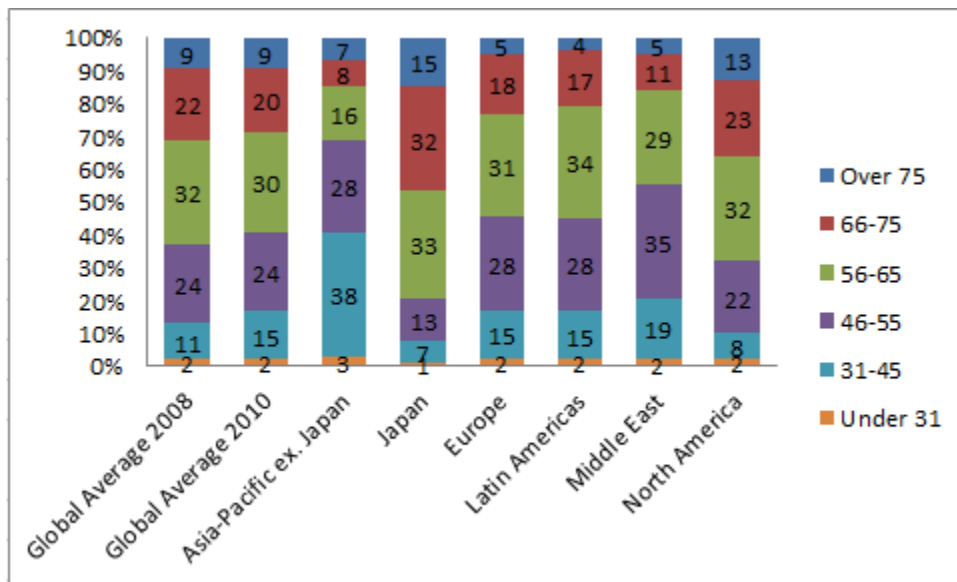


Note: percentages may not add up to 100% due to rounding.

Source: Capgemini Loreriz Curve Analysis, 2011. (Capgemini, 2011)

According to the Cap Gemini's report the HNWI demographic is becoming more diverse over time with 17% of that population ages 45 and younger in 2010 up from 13% in 2009. Within that under 45 years old HNWI group the Asia-Pacific (excluding Japan) represents the highest growth at 41% or approximately 71,791. In North America, 32% of HNWI's are under 55 years old and in Japan only 8% of HNWI's are 45 and younger (see Figure 7). The estimated number of HNWI's fewer than 45 based on 17% of a population of 10.9 million is 1.85 million people for METE.

Figure 7: Age breakdown of HNWI population, 2010 (by region)



Note: percentages may not add up to 100% due to rounding.

Source: Capgemini/Merril Lynch Global Wealth Management Advisor Surveys 2009, 2011. (Capgemini, 2011)

Geography – Travellers to Canada

To estimate the initial market size for Canadian travellers aged 24-44 years old we refer to market intelligence figures provided by the 2010 tourism report generated by the Canada Tourism Commission. In 2010, the total number of international visitor trips to Canada across all age groups was approximately 15.9 million, made up of 11.8 million US residents and 4.1 million international arrivals. The United States makes up 74.1% of all countries travelling to Canada with an expenditure of \$6.3 billion overall. The international travel market is made up of the core

and emerging markets. The core markets are from the United Kingdom, Germany, and Australia and together amount to 1,585,000 arrivals with an expenditure of \$2.1 billion.

The emerging markets consist of Japan, South Korea, Mexico, Brazil, China, and India for a total of 900,000 arrivals and 1.3 billion USD spent. China's growth rate from 2009 to 2010 show a 21.2% increase from 159,000 to 193,000 for all inbound travel to Canada from China. The remaining amount falls into the other overseas countries category, which is not a key focus (Canada Tourism Commission, 2010). In the first half of 2011, Chinese overnight trips to Canada increased 20% over Canada. (Canadian Tourism Commission, 2011). In 2010 149,900 Indians took trips to Canada, which represents an increase of 16.5% from 2009. Between 2004 and 2008, Brazil travel to Canada grew 9% each year from 50,000 travellers in 2004 to 70,000 in 2008. In 2009 Canada experienced a 19% decline, but forecasted a rebound with 12% growth in 2010.(Canadian Tourism Commission, 2011)

In Figure 8 we can see that the 25-44 year old age bracket is made up of 3,108,100 travellers from all markets. The average trip duration is 7.5 nights, with China (27.6) and South Korea (26.4) leading the category. In Canada, the top provinces visited from this group are Ontario (7,402,000) British Columbia (4,359,000), Quebec (2,845,000), and Alberta (1,516,000).

Further Segmentation by Broadband Internet Connection

Internet World Stats report the overall world Internet usage at over 2 billion as of March 31 2011. The Asia region makes up the largest Internet user base with 44% or 922 million users. Other significant regions include Europe with 476 million users, North America with 272 million, Latin America / Caribbean with 215 million and Africa with 118 million. Within these regions Africa has experienced the greatest growth at 2.527.4%, followed Latin America/ Caribbean at 1037.4%, and Asia with 706.9% growth. (Internet World Stats, 2011)

As METE is an online travel agent we referred to current percentages of fixed broadband penetration provided by Internet World Stats to provide our estimates for our fixed broadband Canadian travel market demographic. The estimated fixed broadband travel market size for METE in the 25-44 years old demographic travelling to Canada totals to approximately 2.3 million Internet users, this is led by the United States with 1.9 million (see Figure 8), and followed by the United Kingdom with 151,700, France with approximately 80,730, and Germany with approximately 73,470.

Dual Access Subscriber and Mobile Only Segments

To estimate the potential smartphone segment for METE this report first considered smartphone penetration rates . However, the smartphone penetration rates provided do not distinguish between dual access or Mobile Only categories and risk double counting.

According to Michael Philpot, independent telecom analyst research for Ovum, by 2015 there will be 1.4 billion people globally who will have access to both fixed and mobile broadband. Dual access subscribers will primarily be based in developed markets of North America, Western Europe and Asia Pacific with an 84% representation. The article also claims that rapidly growing urban areas in emerging markets will see growth in this area (Ovum, 2011).

A Mobile Only category is used to describe people that use mobile as their primary form of Internet access. Research by Ovum indicates that by 2015 1 billion people will use it as their only form of Internet access. This research indicates that the growth will be coming from emerging markets in Eastern Europe 38%, South and Central America 35%, and Asia Pacific 34% (Ovum, 2011). This report utilized mobile only statistics that were available for specific countries to estimate the online mobile only market size for METE. This report used the percentages that were available and applied them to the total 25-44 year old inbound travellers. The results indicated that the US has the largest market with 622,250 estimated users, the UK with 40,700 estimated users, China with 22,500 users, and India with 31,860 users (On Device Research, 2010). The total 2010 mobile only market for arrivals to Canada in the 25-44 year old segment is 717,310. This is still an emerging category and at the time of this report there was insufficient information available for France, Germany, Japan, and Brazil.

Estimated On-line Travel Market Key points

This report uses the 2011 fixed broadband total of 2.3 million users provided by Internet World Stats for travellers to Canada in the 25-44 year old segment from the top 12 countries to Canada.

For 2015, global figures for dual access and mobile only access were available, but there forecasted penetration rates were not available. As a result travellers to Canada do not present these estimates by age segment. The report uses the Ovum global estimate of 1.4 billion dual access subscribers with access to fixed broadband and mobile broadband in 2015. 84% or 1.1 billion of these dual access subscribers are from North America, Western Europe, and the Asia Pacific. This report also uses the Ovum estimate for 2015 mobile only access of 1 billion users. We assume that mobile only and dual access subscribers to be separate groups to provide us with

an estimate of 2.4 billion estimate global online users. Figure 8 is a customized table created to summarize the key figures from the previous four sections.

Figure 8: Estimated size of on-line travel market to Canada 25-44 year old segment

Categories	United States	UK	France	Germany	Japan	Brazil	China	India	Totals
* 25-34 Inbound Travellers to Canada	1030000	95000	61000	51,000	46,000	11,000	38,000	24,000	1,356,000
* 35-44 Inbound Travellers to Canada	1459000	90000	56000	42,000	24,300	13,800	37,000	30,000	1,752,100
* Total 25-44 Inbound Travellers to Canada	2,489,000	185,000	117,000	93,000	70,300	24,800	75,000	54,000	3,108,100
Rank	1	2	3	4	8	11	5	7	
** Fixed Broadband %	0.78	0.82	0.69	0.79	0.78	0.37	0.36	0.084	
**** Estimated Global 2015 Dual Access Subscribers	1,400,000,000								
*** 2010 Mobile Only %	0.25	0.22					0.3	0.59	
2011 Fixed Broadband Market	1,941,420	151,700	80,730	73,470	54834	9176	27000	4536	2,342,866
*** 2010 Mobile Only Market	622,250	40,700					22,500	31,860	717,310
**** 2015 Dual Access (N.America, W. Europe, Asia Pacific 84%)	1,176,000,000								1,176,000,000
*** Estimated Total 2010 Mobile Only Market	717,310								
*** Estimated Global 2015 Mobile only Market	1,000,000,000								
Estimated 2015 METE Online Travel Market to Canada	2,400,000,000.00								

*Source: 2010 Canada Tourism Commission Highlights

**Source: March 2011 InternetWorldStats. Internet data supplied from International Telecommunications Union

*** Source: Mobile only % provided by On Device Research July – November 2010

**** Source: Data Monitor published by Ovum January 2011

2.4.2 Summary of Key Findings

- The United States is the largest geographical market for METE in terms of the number of inbound travellers to Canada in the 25-44 year old age segment with Internet access at 1.74 million.
- The United Kingdom is the second largest overseas market in the 24-44 year old age segment for METE with 185,000 travellers. There are 129,000 Internet users that make up just 7.4% of the US Internet users who travel to Canada.
- France is the third largest overseas market in the 24-44 year old segment for METE with 117,000 travellers. There are approximately 80,000 travellers to Canada with Internet access.
- The Mobile Only category substantiates an online mobile strategy for METE with a future estimate of one billion users by 2015. The largest 2010 market of inbound travellers for METE are from the United States with 622,250 users.

- HNWI's represent just 17% of the overall market or 1,751,000 individuals that are potential consumers for luxury travel. However, there is potential to tap into the 41% of HNWI's aged 45 and under in the Asia-pacific region.
- The United States, United Kingdom, France, and Germany represent the largest potential smartphone market for METE. The United Kingdom, which is the second largest market, only makes up 4% of the United States.
- China represents the largest market potential for METE from the emerging market, but does not represent a significant market yet for the METE segment in terms of arrivals, broadband penetration, or smartphone penetration.

2.5 Travel Cycle and Technology

Javier González-Soria y Moreno de la Santa, Managing Director of Google Travel Spain and member of the Global Travel Ads Advisory Committee introduced the concept of the travel cycle (Figure 9). The travel cycle is a framework that describes the processes of stages that a traveller will usually take when booking a vacation experience online. The value of the travel cycle for METE is that each step of the cycle is analysed for how effectively technology is generally applied. The analysis will incorporate current and emerging research and identify key opportunities for METE to incorporate as part of its business model and is the key to the company's competitive strategy.

Figure 9 Javier González-Soria y Moreno de la Santa's Concept of the Travel Cycle



Source: World Tourism Organization (UNWTO) (World Tourism Organization Affiliate Members , 2011)

2.5.1 Phase 1: Dreaming/Inspiration

Online search, also known as search engine optimization, is the main and primary source of inspiration for travel according to González. Other online channels that are available to companies include digital marketing, mobile and location based marketing, and social media. Travelport’s survey findings support this as online search engines such as Google and Yahoo are used by 66% of leisure travellers and 59% of business travellers. METE is a travel business that provides destination and online travel agent services. In Figure 10 as an online travel agency and destination website we estimate that 25-40% of travellers could find METE web site in leading online search engines. (Travelport, 2010)

Figure 10: Type of web sites used for research of the recent trip

Country	Business	Leisure
Search engine (eg Google)	59%	66%
Airline website	40%	40%
Hotel website	36%	36%
Websites of the destination visiting	32%	40%
Travel websites	29%	31%
Online travel agency	26%	25%
Web site of a high street travel agent	16%	15%
Car rental website	14%	11%
Social networking website	11%	10%

Source: The Futures Company/Lightspeed Research-Travelport Consumer Segmentation Survey 2010. (Travelport, 2010)

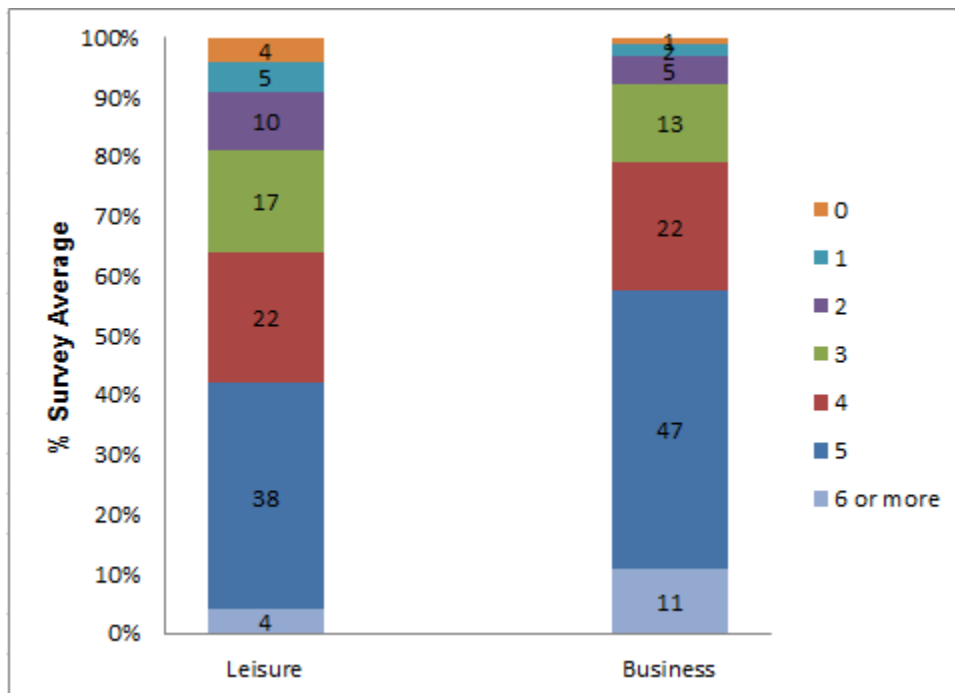
Javier outlines that the opportunity is to be present on the “upper funnel” of relevant search terms that fit the company’s brand. Search operates as the bait for the website, and once travellers come to your site, what becomes important is the content to attract travellers and engage them long enough to proceed to the booking stage of the cycle. Apichai Sekulsureeyadej, CEO and Founder of the Tourism Technology, says the early stages of Dreaming/Researching and experiencing states are have been under-utilized and present major opportunities to influence decisions and build loyalty. One of the primary implications for METE at this stage is to be

effective at search engine optimization with Google and Yahoo searches. METE also has to maintain a competitive advantage by delivering premium service and experience rather than competing purely on price.

2.5.2 Phase 2: Research

After the traveller has been inspired by the showcase experience it is important to provide solid details to satisfy their need for information. González introduces the research stage as the next phase that a consumer decides to move to beyond the dreaming phase to booking. In this phase, consumers spend extensive time narrowing down their options. Travelport, a leading provider of critical transactions in the global travel industry, claims that more than 25% of leisure travellers use more than four websites to plan and book trips. For business travellers, 42% of them are looking at three or more sources (see Figure 11).

Figure 11: How many sources did you use to research your travel plans?



Source: The Futures Company/Lightspeed Research-Travelport Consumer Travel Trends Survey 2010. (Travelport, 2010)

In a recent survey by Bing Travel, 42% of travelers spend between one and four weeks weighing their travel options and 17% spend over a month (NewMedia TrendWatch, 2011). The Internet

has provided choice and information to the consumer, but according to Travelport, the amount of time required for research is the most frustrating part to the consumer.

Travelport reports that many websites focus on selling air and accommodation, but their research indicates that travellers like to book ancillary services such as insurance and activities simultaneously. This information clearly identifies another opportunity for a travel business like METE to capitalize on. Sekulsureeyadej provides a hint when he says “The online user absorbs information from a variety of sources, it is usually the site or information source that can best stimulate the viewer to travel that will be remembered by the user “ (World Tourism Organization, 2011).

Another challenge and opportunity for METE is to become a trusted source of information for travellers with hopes that doing so will boost consumer confidence in the company and motivate customers to finalize their purchases at the booking stage. Travelport claims that the Internet is the first source of information (75% of leisure travellers and 60% of business travellers), but also emphasizes that friends, family, and colleagues are important sources of information. According to Travelport there is a changing view of trust where a person’s close social network is trusted over professional advice. The report asserts that professionals are not mistrusted, but advice from people that are more likeminded is viewed as more genuine and highly valued (Travelport, 2010). METE plans on capitalizing on this finding on trust by providing sufficient travel information from multiple sources on a regular basis to develop consumer confidence in the company. In order to leverage the influence of personal networks it is necessary for the METE’s website to be compatible with social networks and allow reviews from friends and family.

Javier describes the mobile device as a significant distribution channel in the research phase since mobile travel queries and mobile usage by travellers has doubled in growth. Travelport says that sites designed for mobile devices are the next stage in travel services. Underscoring this point according to research by advisory firm Gartner, the total number of PCs in use will reach 1.78 billion units in 2013. By 2013, the combined installed base of smartphones will exceed 1.82 billion units and will be greater than the installed base for PCs going forward (Gartner, 2010). Data traffic is growing faster than voice traffic; 4g networks, 50 times faster than 3g networks are being rolled out in the United States and Japan. Javier’s critical advice is to tap into this opportunity by setting up a mobile campaign that is separate from the desktop. This success of this separate campaign is based on the fact that it is a different experience. One example is that mobile users are making fewer clicks on a site than PC users (Gartner, 2010).

2.5.3 Phase 3: Booking

In Travelport’s survey of more than 12,000 people in 12 countries around the world, 52% of leisure travellers and 42% of business traveller’s research and book travel online. According to 75% of leisure travellers and 64% of business travellers in the survey, the largest single factor influencing a consumer’s online book purchase is a less expensive price. Other important factors according to 61% of travellers include a simple online booking process, and 58% request a faster booking process. 66% of leisure travellers would also like a price comparison feature also known as a metasearch engine (Travelport, 2010).

Another important factor in online transactions is the payment type that is most widely accepted. Figure 12 reflects primary personal preferences for payment transactions and illustrates that credit cards overall at 46% internationally are the most widely accepted form of payment. Following credit card usage are cash at 27% and debit card at 12%. The report suggests that adoption of online travel booking will remain low in emerging countries until online payments become more common. Currently, online transfer methods such as PayPal are notably higher in China (14%) and South Africa (11%) (Travelport, 2010). New travel businesses interested in expanding to the online domain in Canada can send an application to an online payment gateway such as PayPal Pro or Moneris for the capability to accept online credit card payments.

Electronic cash payment via mobile device, also known as contactless payment, is an emerging payment option now being offered by Telecom companies also known at contactless payment. Current usage is limited for low-value items, but Travelport believes that electronic cash payment holds potential for managing payments during travel. Figure 12 illustrates the preferred booking method.

Figure 12: Percentage of payment transactions by payment type.

	Total	Aus	Brasil	China	Hong Kong	India	Italy	Japan	Russia	South Africa	UAE	UK	USA
Credit card	46%	52%	50%	32%	60%	33%	40%	57%	10%	53%	60%	40%	65%
Cash	27%	17%	24%	46%	30%	30%	18%	37%	72%	14%	26%	8%	6%
Debit card	12%	17%	12%	1%	2%	17%	4%	0%	7%	15%	5%	40%	22%
Online payment transfer system	4%	4%	2%	14%	2%	6%	4%	2%	3%	11%	2%	2%	1%

Source: The Futures Company/Lightspeed Research-Travelport Consumer Segmentation Survey 2010. (Travelport, 2010)

Rob Torres, Head of Travel, Google reports that the number of customers booking travel through a mobile device has increased from \$20 million in 2008 to over \$200 million in 2010. Torres projects eight percent of mobile users will be booking travel from their smartphones (EyeForTravel, 2011). These statistics show how the mobile domain in the travel market is clearly promising. The technologies available from these devices provide opportunities to reach a new market of travellers who may not have been accessed through their PCs. One example that Google is capitalizing on is their click-to-call ads. According to Javier, adding the phone number was found to improve overall click through rates on the ads, which in turn led to an increase in bookings (World Tourism Organization, 2011).

According to Sekulsureeyadej, customer relationship management and information management systems are described as key areas for growth. These systems provide the capability to monitor the needs of the customers and provide the advantage of being able to personalize products and thus build higher customer loyalty (World Tourism Organization, 2011).

2.5.4 Phase 4: Experiencing

This phase emphasizes that travellers continue to research and book while they are at their destination thanks to the portability and availability of Internet access. From a METE perspective, the Chic experience continues on after the post-booking phase unlike other travel companies. Canada Tourism Commission says that the reaction to a tourism experience is based on two factors: what travellers expect the experience to be and their enjoyment of the actual experience. (Canada Tourism Commission, 2009). The topic of experience development will be covered later in the report. From a technological perspective, there are factors that can improve the overall experience such as providing accessibility and reliable access to the Internet during one's trip. Once the Internet factor is in place, the focus shifts to providing valuable online content and information to help improve the overall travel experience.

2.5.5 Phase 5: Sharing

In the sharing phase a traveller's post-trip experience is shared, becoming the travel inspiration for another customer. Through participation in the sharing phase the travel cycle is completed. Coincidentally, sharing is one of the core company values of METE. Sharing can be facilitated using Web 2.0 platforms and social media distribution channels such as Facebook and Twitter. The factors to consider include the format, quality and content of the shared experience. Javier's article refers to the shared experience as "traveller's reviews". Experiences can also be shared via

film footage of the destination; customer testimonials and/or specific authentic experiences captured using various types of media during the trip. For example, high quality photos can convey a moment or allow an individual to imagine him or herself at the destination of choice.

2.6 Key Opportunities Between Technology and Tourism

The table below has been developed to summarize the relevant opportunities between technology and tourism from section 2.5 for METE. The column on the left indicates the phase of the travel cycle and corresponds with the column on the right that indicates the key lessons.

Summary of keys lessons from the Travel Cycle for METE

Phase of Travel Cycle	Key Lessons
Phase 1 Inspiration	<ul style="list-style-type: none"> • Online search is the first point of inspiration for travel. Google is the top search engine for the website. • This phase is currently underserved by the market where there are major opportunities to build customer loyalty and influence
Phase 2 Research	<ul style="list-style-type: none"> • Providing trusted and credible information to travellers will help travellers from being overwhelmed • Providing price comparison features and information aggregation features could satisfy frustrations felt during the research phase • Mobile phones will outnumber pcs in two years and have a significant opportunity to play in the research phase
Phase 3 Booking	<ul style="list-style-type: none"> • Based on survey results there is an opportunity to improve customer satisfaction by delivering a fast and simple booking process • Credit card is the primary form of payment accepted online in Canada and in key markets in the US and the UK • More than half of leisure travellers and 42% of business travellers are booking on-line. On-line bookings in emerging markets remain low
Phase 4: Experiencing	<ul style="list-style-type: none"> • A travellers experience continues off-line during the trip where mobile internet plays a key role in this phase • There is opportunity to continue the experience after the booking by delivering on the promised experience offline
Phase 5: Sharing	<ul style="list-style-type: none"> • A platform for travellers can be provided to capture their experiences and testimonials to assist inspiring future customers in the inspirational and research phases of the travel cycle

These opportunities are important as they highlight best practices to incorporate into the business model and business strategy for METE. At the beginning phases of the travel cycle, search engine

optimization is the primary method that travellers use to find the travel websites. This report will analyse search engine optimization and how it may be best applied to marketing METE.

The topic of content and trust will be discussed in the Operational Strategy section of the paper. In chapter 2.5.2 (Research Phase) information was presented that outlined the value of providing metasearch capabilities and aggregating useful information from multiple credible sources in one website. This report will cover the subject of a content management system in the Technology section to discuss platform metasearch possibilities and a content management system that will host and deliver information such as maps and information from other sources. The mobile platform analysis and strategy is provided in the technology area of the report.

3: Industry Analysis

This chapter provides analysis of the online luxury travel industry. Companies in this segment provide travel booking to luxurious destinations through company web sites. In order to access industry attractiveness and risks, Porter's three sources of "horizontal" competition will be used: Threat of Entry, Industry Rivalry and Treat of Substitutes.



3.1 Industry Rivalry

Currently, concentration in this category is not high. It is represented by two categories of companies: traditional suppliers of luxury travel and online luxurious destination providers.

Traditional Suppliers of Luxury Travel

This group consists of luxury travel retailers worldwide that have expanded operations to online sales from traditional sales. They comprise a network of state-of-the-art travel agencies with knowledgeable advisors focused on providing tailor-made package holidays to luxury travellers. Some of the largest travel retailers include Cox & Kings, Abercrombie & Kent and Virtuoso. (EuroMonitor International, 2011) These companies have multiple offices and agencies worldwide, and offer the ability to book travel packages from their web sites.

Online Luxurious Destination Providers

Companies in this group provide access to luxurious destinations for a discounted price without utilizing a group-buying model. Some companies, such as Jetsetter, SniqueAway and Voyage Privé, require membership to gain access to their offers (membership is free and easily obtained), whereas others, such as Kiwi Collection, offer deals to all visitors. These sites carefully evaluate destinations prior to offering them to their clients in order to ensure high standards of offered products.

Companies established in this industry haven't yet entered the state of aggressive competition. Due to specifics of the luxury travel consumption, they mostly compete on offering different

travel experiences rather than price. This presents an opportunity for METE to earn high profit immediately upon entering the market as long as it can offer attractive, luxurious, travel packages.

3.2 Threat of Entry

Due to low entry barriers, multiple types of competitors may enter the online luxury travel industry. This chapter will separate all potential entrants into two groups: those that are new to the industry, and generic online retailers.

Companies New to the Travel Industry and Online Sales

This category combines all companies that do not have significant experience in online sales of travel-related products, including new start-ups. They lack the experience in assembling attractive travel packages and performing online marketing and sales. METE belongs to this category.

Generic Online Retailers

This segment consists of hundreds of companies around the world that offer a vast variety of products including travel-related services, and also have a large customer base. It includes web sites that utilize group-buying power, but don't focus on specific type of business. The examples are Groupon, Living Social, Social Shopper, BuyWithMe, DealFind, etc. They offer large variety of offers at discounted prices including restaurant coupons, adventure activities, health promotions and hotel stays.

Threat of entry to the online luxury travel industry is very high. As all sales are concluded through the Internet and no physical product is being offered, capital requirements for new entrants are very low. Distribution channels are easily accessible through online marketing. Governmental and legal barriers are also low as in many countries new entrants will only be required to obtain a travel agent licence. The most significant barrier is company reputation that is needed in order to secure attractive deals with suppliers of luxurious services, such as hotels and resorts. In this area well-known companies such as Groupon and Living Social have significant advantage over start-ups due to their brand awareness and established client base.

3.3 Threat of Substitute

There are large number of companies that offer travel services and accommodations online. These companies do not specialize in luxury travel. Most of their revenue comes from sales of budget and regular priced accommodations and transportation sales, with only a small part coming from sales of luxury hotels and resorts. The majority of these companies belong to the following categories: traditional online booking of hotel and resort and travel-oriented group-buying web sites.

Traditional Online Booking of Hotel and Resort

This group is represented by large numbers of companies such as Expedia, Kayak, and Escapes. These companies offer various types of accommodations and provide options to purchase packaged deals for a discounted price, such as airfare, resort booking, car rental, tour packages, etc. in one package. These companies use their ability to access vendor's directly eliminating the majority of re-sellers ("middle men") in order to secure low prices.

Travel Oriented Group Buying Web Sites

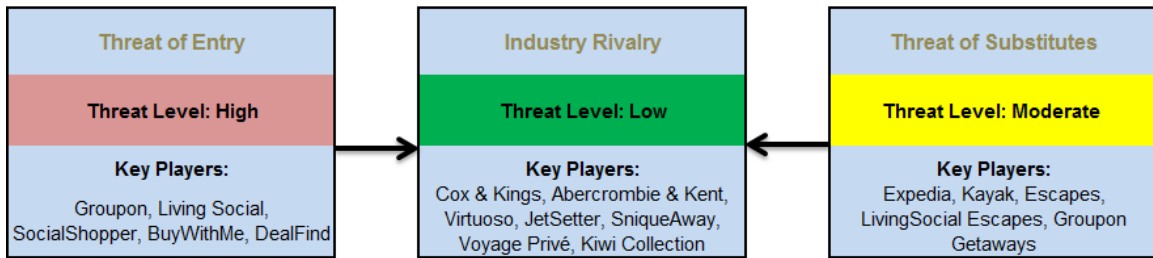
Companies in this segment, such as LivingSocial Escapes, specialize in offering travel experiences at a discounted price by utilizing the group-buying model. The most recent entrant to this segment is "Groupon Getaways" (a joint effort of Groupon and Expedia). The strength of these companies lies in the fact that most of them evolved from successful general group buying web sites bringing vast resources, an experienced and successful team, and a solid customer base.

Threat of substitute is estimated as moderate. Companies in this segment offer a number of luxurious travel products, but the majority of their offers are aimed at business and common leisure travellers. Consumers of luxury travel are less sensitive to price competition but more aware of the quality of travel. However, if substitutes increase number and marketing of luxury offers, the threat level that they represent may increase.

3.4 Industry Attractiveness and Risks

Based on the analysis of Porter's three sources of "horizontal" competition, a competition map for the online luxury travel industry has been developed. It represents level of threat and key players for each source of competition (see Figure 13).

Figure 13: Online luxury travel industry competition map



4: Business Strategy

In this section this report will introduce how METE plans to establish itself based on target market information and available opportunities between tourism and technology. Next, this report will describe the product and services that METE will offer to its travellers. The business model will be described in the following section. The business strategy section will conclude by discussing plans of METE's growth strategy.

4.1 Market Entry

There are numerous advantages that support METE entering the market in British Columbia (BC) in 2011. The business licenses and pre-requisites required to conduct business as a travel agent in BC are defined and it is realistic for METE to obtain them by the end of summer 2011. There are benefits and existing networks that the owner brings living in Vancouver for 16 years. Furthermore, there will be realized cost savings as a result of reduced travel.

The first step for METE would be to receive a British Columbia travel agent license and the relevant municipal licenses to conduct business. METE would begin to showcase high profile locations such as Vancouver and Whistler that are internationally recognized attractive destinations.

METE would conduct research and build relationships with relevant tour activity operators and transport suppliers to assemble a first package.

METE would have to make a decision on a reliable technology platform to provide a foundation to take online bookings and sales for the first tour. METE plans to emphasize manual payments taken over the phone and automated online payment bookings. For on-line bookings METE would be set up with a payment gateway provider such as PayPal that would allow the tour operator system (Rezgo) to accept PayPal, MasterCard, and Visa payments and would incur a 5% transaction fee. Manual payments taken on the backend over the phone would incur a lower transaction fee and a higher touch customer service. The technology options and choices are explored in detail in chapter 4. Selecting a reliable tour operator system such as Resmark that has

provided system for established tour operators can be set up within 30 days and provides limited customization options.

METE will contract some help with preparing marketing content and to deliver the actual tour. The planned hires include a travel show host, professional photographer and videographer, and tour guide.

METE will also begin building marketing material for a summer Vancouver and Whistler 2011 tour. Marketing efforts will be targeted primarily on key broadband and mobile markets in the United States, United Kingdom, France, and Germany.

To continue the momentum of the launch METE would capture professional picture and video footage of the experience and repurpose this material for a second tour. METE could then plan for a winter luxury adventure tour in 2011 and develop marketing collateral material to showcase at the World Travel Mart event held in the United Kingdom in November 2011.

4.2 Featured Products and Services

The featured product that METE will deliver to its customer is a unique Chic Experience in top Canadian cities. A Chic Experience is a combination of accommodation, transportation, entertainment, and activities. METE will contribute towards a unique experience by centering tours on special events that the accommodation and other activities can complement. This will help differentiate the experience and help attain a premium price for the tour. As of July 2011, METE has been accepted as a travel agent for JacTravel allowing it to sell four and five star hotels at net rates at over 550 locations.

METE will need to partner with suppliers for transportation and activities to complete the tour. The criteria to select suppliers include excellent customer service and professionalism. Each supplier is carefully reviewed in order to protect METE brand reputation. To describe the service and product that METE offers to its travellers this report will reference the travel cycle introduced in Chapter 2.

4.2.1 Product and Service: Inspirational Phase

METE will be easily found from an Internet engine search and as soon as the travellers visit the website the experience will begin. METE will attempt to establish trust and inspire travellers to participate by offering a premium original authentic experience. METE will offer a premium

combination of photography, high quality high definition video, and inspiration music to attempt to capture and deliver authentic and fun experiences.

4.2.2 Product and Service: Research Phase

METE will deliver content and factual information that travellers seek. METE will provide the current and relevant information such as cultural advice, weather forecasts, and currency that are described in detail in Chapter 7.

4.2.3 Product and Service: Booking




METE will provide a trip planner with an easy to understand itinerary with transparent costs of the entire trip. The website will offer a secure, fast, and reliable online shopping cart for the traveller that provides them with confirmation of the trip.

4.2.4 Product and Service: Experience

The experience begins during the inspirational phase while visiting the website, continues off-line during the tour, and continues after the trip when travellers have an opportunity to share their experiences. This section specifically refers to the off-line experience of the tour that begins as soon as a traveller arrives at the airport. The core experience includes transportation, accommodation, entertainment, dining, adventure, networking and concierge service executed by METE. METE plans to provide temporary mobile phones with Internet connectivity (if needed) to arm users with trip itinerary and enhance the experience.

In the image below is a sample itinerary of the Chic Whistler trip that might be offered to a METE customer. The intention is to provide some examples of the partners and more specific ideas of the activities to help develop a clearer understanding of what a tour might consist of.

METE Vancouver/ Whistler trip (sample only)

<u>Day One August 26th</u>	<u>Day Two</u>	<u>Day Three</u>
<ul style="list-style-type: none">•Morning Train to Whistler - 3 hour•Golf at Chateau Whistler or afternoon free•Wine four course dinner See Ya Later Ranch at 6000ft. (optional)•Overnight stay at Fairmont Chateau Whistler	<ul style="list-style-type: none">•ZipTreking Adventure•Araxi – exclusive dinner at North Ant Farm•Night Life Pub Crawl – Live Music/Dancing Overnight stay at Fairmont Chateau Whistler.	<ul style="list-style-type: none">•Floatplane Ride back to Vancouver 30 minutes Check-in Fairmont Airport for 1 night stay <ul style="list-style-type: none">•Optional Chinese Night Market Cultural Tour•Closing – Shanghai River Dinner
		

4.2.5 Product and Service: Sharing

METE will focus on capturing high quality highlights and testimonials of their experience during the trip. METE will provide professional photos and videos for the travellers to stimulate the sharing process. The website will also allow travellers to share special experiences that they have captured on their trip themselves. The METE technology platform will allow travellers to post commentary onto the website with strong social media integration to encourage sharing.

4.3 SWOT Analysis

In order to better understand strengths and weaknesses of METE and identify competitive advantage, strengths, weaknesses, opportunities and threats need to be analysed.

4.3.1 Strengths

Low Initial Costs

As METE acts as an intermediary between customers and suppliers and does not offer physical products, initial financial investments are minimal. The major investment is attributed to the

development of a web site. Due to negotiating first deals with local hotels and adventure companies, business travel expenses and time are insignificant.

Crowdsourcing

METE utilizes crowdsourcing to involve customers in building travel packages that include transportation, accommodation, activities, dining, etc. This will help in the development of more attractive travel experiences, secure customer involvement and emotional investment in the company, and provide leverage (based on number of customers expressing interest in the package) in negotiating best value deals with suppliers.

4.3.2 Weaknesses

Limited Starting Capital

METE is utilizing a lean start-up model that will help keep costs to a minimum. However, in order to increase the rate of market penetration and brand development, additional capital will be needed. By not being able to secure significant investments from third party investors, METE's ability to aggressively enter the market may be delayed or limited, which is important due to low entry barriers and continuing market saturation with large players entering the online travel market industry.

Lack of Professional Input in Several Key Areas

Presently, METE is unable to offer paid positions to knowledgeable travel industry professionals in areas such as marketing, sales, etc. The METE founder performs many of these business functions and activities. It results in the "learn-on-the-job" approach, which in turn leads to longer decision making processes and longer execution time for a number of tasks. Also there is potential for a lower standard of work than may be achieved by experienced professionals. This may slow or impair the swift development of METE.

4.3.3 Opportunities

A strong understanding of the travel cycle provides METE with the opportunity to become one of the first travel providers to offer complete travel experiences to its customers. Currently, the majority of companies concentrate their efforts in parts of the travel cycle related to offered products and services, such as accommodation booking or transportation. By addressing all areas

of travel cycle, METE has the opportunity to build customer loyalty and differentiate itself from the rest of travel providers.

A strong focus on crowdsourcing provides METE with the opportunity to attract customers that enjoy actively contributing to the online community. The number of people worldwide actively involved in various Internet activities and spending large amount of time online is rapidly increasing. METE has the opportunity to exploit benefits by allowing these users to contribute to the development of future travel packages and from a free marketing tool via social media.

4.3.4 Threats

One of the threats faced by METE is the potential loss of its competitive advantage due to increased use of crowdsourcing and customer involvement by competitors. As an example, Escapes allows customer to post reviews and rate hotels, as well as provides link to Trip Advisor to access hotel's reviews and evaluations. A recent joint effort of Groupon and Escapes, the Groupon Getaways, can use this information to select and offer hotels that have highest customer rating, and easily incorporate customer hotel evaluation model into its offers.

Another threat is related to very low entry barriers for online luxury travel industry. There is a possibility that more companies will enter this market segment. If new entrants possess larger initial capital or expert knowledge and business connections in key business areas, they may outpace METE in growth speed and take significant market shares.

4.4 Business Model

A key aspect of the business model for METE is its portability to other destinations when METE decides to expand beyond Vancouver and Whistler. The business model begins with developing a product that we covered in the previous section. When a product has been developed the business model closely follows the path of the travel cycle. The business model is based on the travel cycle and its purpose is to deliver an overall exceptional experience to the traveller through execution at each phase of the travel cycle. At each phase, METE will have realistic objectives to meet. This business model incorporates elements of the group-buying model, but it plays a minor role.

Phase of Travel Cycle	Objective
Key Business Partnerships	METE will partner with quality suppliers to assemble unique experiences.
Inspiration	METE will utilize search and online marketing channels to draw traffic to the website.
Research	METE will provide valuable on-line content that a traveller needs to satisfy research requirements and inspiration for luxury adventure tours.
Booking	Small Group experiences or tours of 10 to 15 people will be offered for purchase online via the website and smartphone applications.
Experience	METE will deliver a premium unique experience and capture highlights of the tour.
Sharing	Post-trip travellers are encouraged to share pictures, stories, videos, and testimonials during and after the trip to inspire future travellers and build community.

4.5 Other Elements of the Business Model

Group Buying

METE plans to incorporate elements of the group-buying model, but the business model is not centred on group buying. METE plans to schedule the unique Chic Experiences a limited number of times during the year. The size of the group will be between 10 to 15 travellers. The group buying model will indicate how many spots are left on the trip, the amount of time it is available, and offer incentives for travellers for encouraging their friends to book the trip. The fact that tours are designed to be delivered to groups may qualify METE for discounts from suppliers further increasing margins.

Crowd Sourcing

METE plans to leverage crowdsourcing to help identify and validate potential experiences in the pre-inspiration phases. Crowdsourcing can also be combined with social networks to allow people that design the trips to gather momentum from their friends to join the trip in exchange for discount incentives. Another benefit of crowdsourcing is that it facilitates engagement from the traveller by allowing having an input into future trips for other travellers through reviews and

ratings. Destinations that receive high ratings will be highly considered by METE for future trips and provide METE with negotiating leverage.

4.6 Growth Strategy

METE's strategic growth plan is comprised of three components that will enable the company to reach its goal as a leading online supplier of luxury travel experiences.

The first component is extensive use of technology paired with aggressive sales and marketing. METE will rely heavily on geographical location-specific Internet, e-mail, and smartphone advertising in order to reach potential customers. Smartphone technology is considered a major component of successful marketing and sales and an area of competitive advantage as METE's competitors do not currently have a high level of presence in Smartphone media. As well, use of social networking through METE's web site, mobile applications, Facebook and Twitter will help to build a METE online community.

The second component is a heavy focus on brand development. In order to convey a premium brand-image to customers, METE will work closely with service providers in order to solely offer high-quality resorts and experiences. Local presence is the key in verifying the quality of potential offers and building long-lasting relationships with business clients.

The third component is an aggressive expansion to the international tourism markets. METE has a well-defined expansion strategy. In the first year, the company presence will remain within British Columbia, Alberta and Quebec provinces. British Columbia and Alberta have been chosen for multiple reasons including geographical proximity to the company's headquarters in Vancouver which will help to minimize travel expenses; familiarity to the METE's owner, and well known touristic attractions such as Whistler resort and Jasper and Banff national parks. Quebec has been chosen for the popularity of Quebec City and Montreal due to their unique culture and history (old Québec is a UNESCO world heritage treasure) and internationally renowned festivals and events. In the second year, METE will expand its operations to Ontario and the US. While additional expenses will be required to obtain accreditation to run a travel company in the US, the business and operation models will stay the same. In order to minimize risks and expenses associated with hiring new staff for assembling US travel packages, METE will send existing employees such as photographers and sales negotiators to the US. It will also allow the company to keep experience in the house, reuse developed techniques between multiple travel packages, and offer more attractive full time positions to employees instead of having

larger number of part time staff members. The cost increases will mostly be associated with transportation and accommodation of the traveling staff and will be financed from funds initially provided by company's owner, and company profits. As METE sells travel packages through the Internet, a second operation center will not be required for the US expansion. In the third year, METE intends to enter the Chinese tourism industry in order to capitalize on the increasing popularity of Canada as a touristic destination among Asian travelers. While the fast growth rate of middle and upper class among the Chinese population presents a great opportunity for METE, it will not be able to enter the Chinese market earlier than in the third year, as Chinese regulation requires that in order to be allowed to operate a travel service in China, the company must be operational for at least two years. Upon entering the Chinese market, METE plans to open an operational center in Beijing. This is required in order to overcome cultural and language differences between North America and China. The expansion to China will be financed from profits received during the second year of operations and from potential investments by outside investors.

In order to speed up its growth, METE plans to sign strategic partnership agreements with Fairmont Hotels, Marriot Hotels, Hilton Hotels and Resorts and Carlson Hotel who will provide consistent, reliable access to luxury hotels in North America and Asia. Both long and short-term agreements will be considered, however, longer-term agreements with the above hotel chains will provide a reliable long-term source of hotel rooms throughout the North America and Asia.

5: Operating Strategy

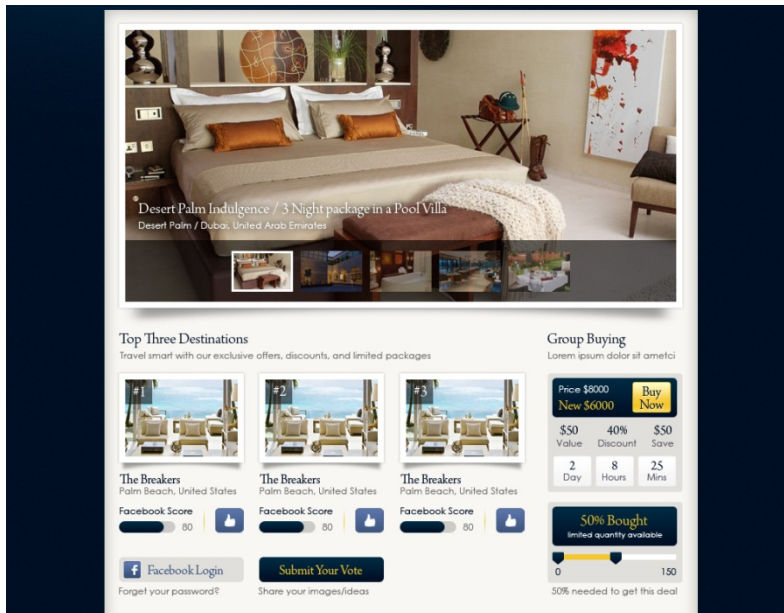
5.1 METE Website Objectives

Being an Internet based travel business, the website is critical for the success of METE. According to the Wanderlust report, a publication for travel and destination brands, marketers used websites as brochures. The report believes that content becomes crucial in the early travel cycle where it becomes important to provide content that is compelling to humans seeking travel information and search engines on a quest for relevance (Wanderlust, 2011). This section describes the main objectives of the website and provides recommendations about how METE can meet those objectives. This chapter then moves on to provide some web development options that METE could use to develop the website.

5.1.1 Providing Value

The website can provide value by being a source of inspiration, offering extensive content, and having useful services. It should be able to inspire a traveler at the early phases of the travel cycle while also selling an experience. METE plans to deliver inspiration by delivering an appropriate mix of information and media. On the main page the website will showcase large, high-quality images and video clips taken during METE's own tours that convey an accurate depiction of what METE can offer. Each feature on the website will have a specific purpose. For example, in Figure 14 the large window frame and the video frame are both designed to encourage inspiration of the most popular tours using pictures and video. Another specific feature is the buy button that allows travelers to purchase on-line and will take them to a booking page. In the middle of the page the top three destinations provide information on other tours made popular through user scores.

Figure 14: Mockup image of METE web site



Source: Image provided as courtesy of METE.

The website provides value by providing relevant and timely content that the user can rely on, such as peer reviews. The Wanderlust report recommends developing a content strategy that equates to the process of identifying the type of content to convince a traveler to choose the particular location and then focusing on resources to build the content (Wanderlust, 2010). The recommendation on what type of content to include is covered in Chapter 7.5.

This section also discusses our Content Management System (CMS) which is a website management system that separates website content from presentation. The presentation is managed by templates, which will allow METE to maintain a consistent look and feel throughout the website. Furthermore, a CMS would reduce the technical complexity of adding and maintaining content allowing contribution from multiple authors.

METE also plans to add value by offering useful services during the entire travel cycle. In the early phases of the travel cycle services such as trip planning, weather, and trusted, user generated reviews to will be available. In the post-trip Chic experience, services will encourage the traveler's active engagement through media and review sharing which in turn is valuable to new travelers in the inspirational and research stages of the travel cycle.

METE also plans to design the website with accessibility and ease of use principles from The UNWTO e-marketing handbook. Some of the principles that METE plans to implement are:

- Provide text alternatives for all non-text content including images and multimedia. For example, text should appear when you move your mouse over an image
- Navigating the website should be intuitive
- Fonts to scale and user-control of distracting audio or visual features
- Pages need a consistent layout and content should be consistently organized
- Allow users to avoid content that could cause photosensitive epileptic reactions
- Provide a multi-language option to convert the language of the content

5.1.2 Promote the Brand

The website can help to establish brand identity and trust with the travelers that will help develop customer loyalty. The look and feel of the website should be authentic and consistent with the luxury brand of the company. The UNWTO E-marketing handbook makes a point that some destination websites focus on building an attractive image but that they fail to project their trustworthiness as an official organization. The key ideas from the handbook that are applicable to METE are:

- Use the official logo prominently on every page so that users see consistently throughout the site
- Have a clear statement of the company mission on the site
- Use METE's own travel photos. Users may distrust stock photos with models
- Keep the site accurate and up to date.
- Advertisements placed by third parties should be clearly marked [Advertisement] to avoid mistaking it for content
- Refusing to link to sites or advertisements that do not align with the purpose of the organization and its brand values
- Show the source of all third-party content such as weather forecasts and don't pass it off as your own 'About Us' page with background information about the company, its mission and vision

- A ‘Contact Us’ page with address, and contact information with key people
- A privacy policy and terms of use of the site that provides the reason for personal data collection.

5.1.3 Increase Sales

The website is the primary sales channel and should guide the traveler from the inspirational and research phases onto a safe, fast and reliable travel booking experience. The website can also increase consumer confidence by displaying recognized logos of trusted providers such as PayPal and badges that display the security encryption to protect their confidential information.

5.2 Website Development Options

5.2.1 Outsourcing

Outsourcing IT services is an option for METE. Using small businesses to contract our work to geographical areas such as India, China, and Eastern Europe offer lower labor costs than the local market. In 2010, the number of Web users surpassed 2 billion, of which 1.2 billion were in the developing world, according to the ITU, the U.N.'s agency for information and communications technology.

According to BusinessWeek, the first wave of IT outsourcing happened in the late 1990s, but began to take off after the dot-com meltdown a few years later. The idea of breaking up a job into small pieces and then leveraging the Internet to find people to do those tasks was pioneered by LiveOps about ten years ago and Amazon’s Mechanical Turk in 2005. The concept is known by many names including crowdsourcing, the human cloud, or microwork. The idea is to leverage the Internet to access human resources around the world for a project that pays a few dollars to hundreds of dollars per hour. The benefits to companies include finding niche expertise, saving money, and visibility into work in progress. Large companies such as Microsoft have used outsourcing when it turned to uTest in 2009 when it needed more than 100 testers around the world to find bugs in its security software and see how it would fare in places like China, India, Brazil, and Russia prior to being released (Rachael King, 2011)

Recently global micro work sites have emerged in the past several years that provide an electronic marketplace that match employers with contractors. Odesk is an example, founded in 2003 in California by Gary Stewart and featured on Deloitte’s 2007 Technology Fast 500. Odesk

is a global marketplace that lets employers hire and manage technical workers such as software developers, technical writers, and virtual assistants. Employers can search for workers based on skills, work history, and employer ratings (Red Herring, 2007). A competitor to Odesk is Elance, which was founded in 1999 and based in Mountain View, California. Elance completed about \$100 million worth of work in 2010. Of that amount, \$24.5 million was made in the third quarter of 2010. India had the largest share of the total; followed by workers in the U.S., Ukraine, Pakistan, and Russia. METE originally outsourced their website in February 2011 using Odesk to a company based in India. The graphic design of the website was satisfactory, but the development of the website did not adhere to the plan due to communication issues. For smaller project work such as the design of the logo METE had success through companies such as Hatchwise. For METE and smaller businesses, the communication, geographical distance, and cultural issues of outsourcing present a high risk to the company. As the website is the central foundation of the company, outsourcing a large project such as the website may not be the appropriate choice to save costs. Based on previous quotes through Elance the estimated budget to complete the website through outsourcing is approximately \$3,500 to \$4,000.

5.2.2 Hosted Services

There are options to select Tour operator software that is developed with all features and delivered as a service and charged a monthly fee. The advantage of this Tour operator Software for METE is that there is increased reliability of the software functioning with common features required from tour operator software. Another advantage is that METE can begin running the tour and marketing related side of the business in about 30 days. The disadvantage is that METE incurs an ongoing cost to use the service and the hosted software minimizes the capability to customize the software to incorporate innovative business models in into the technology platform. Common features with hosted services include:

- Secure Online booking system that accepts credit card payments
- Social Media integration and support for video and pictures
- Comprehensive reporting system
- Multi-language support
- Contact management system
- Marketing related services such as direct email campaigns

A company such as Rezgo, established in Canada in 2005 is a cloud based software service reservation system designed for small business tour and activity operators. It offers a booking engine, point of sale, and distribution system. Rezgo is a member of the Open Travel Alliance, a non-profit organization that develops open data standards for exchange of information for the travel industry. Their CEO is the chair of the board of directors and is based on North Vancouver, British Columbia. Their payment structure is based on a 5% fee on web bookings. (Rezgo, 2011)

TourCMS started at the end of 2003 and is based in Southampton, United Kingdom. In early 2006 it became a web-based software-as-a-service model. It is designed for small to medium tour operators, activity organizers, and travel agents. It provides online booking, content management system, and specializes in travel technology consulting and project management. TourCMS offers a free evaluation trial for up to 25 bookings and then introduces a monthly pricing structure starting at \$26. They provide real-time statistics with the number of tour operators using TourCMS (120) and the number of bookings per month (12, 000) (TourCMS, 2011).

Resmark system is tour operator software developed out of a need for a new business, Moab Adventure Center about two years ago in the United States. The software is designed for companies from 2 to 50 users and has 18-featured clients include Sandals, which offers luxury vacations in the Caribbean.

5.2.3 Vancouver based Web Development Firms

Professional web development firms significantly reduce the risk for companies looking to develop a website. “Graphically Speaking” is a Vancouver based web development company that claims to have created more than 1500 corporate websites and to be the second largest firm in the city. Graphically Speaking was the first organic result when typing in “Vancouver web developer services”, which demonstrated their search engine optimization. Graphically Speaking provides a portfolio of websites over and under \$10,000. Its portfolio includes well-known corporate clients such as Concord Pacific, The Jim Pattison Group, the City of Richmond, and an existing travel tour website. For METE, working with Graphically Speaking would be an opportunity to work with a credible firm with well-known clients and fifteen years of experience. In addition, cultural and language differences will no longer be an issue and METE will be supporting a local firm (Graphically speaking, 2011). Based on discussion with account director, it is difficult to accurately estimate website price without specific and detailed requirements, which is out of the scope of this report. For the purposes of the report we assume an estimate of \$15,000 as an approximate cost.

5.2.4 Hybrid Solutions

The hybrid option would combine the flexibility of a custom designed website with the services integrated from other established companies. One of the key benefits to the hybrid solution as a business is cost savings. For example, an airline comparison search engine may be a cost intensive and complicated service for a new company to develop. Another benefit is that a business can learn what features they would be interested in for their custom website through their experience of an established industry product. METE could integrate this service by importing code onto a portion of the METE website. METE is planning to hire a professional web firm to customize a website that incorporates the functionality of Rezgo's tour operator booking service.

5.3 Smartphone Technology

The smartphone sector around the world saw robust growth rates over the last several years. In many countries the smartphone market has been in the hottest consumer product category. Smartphone sales in the US accounted for approximately 30% of all mobile phone sales in the second quarter of 2009, up from less than 10% in the same quarter of 2008. (EuroMonitor International, 2011)

Penetration of smartphones stands at more than 40 percent in Western Europe and 38 percent in the U.S. as consumers snap up the latest models and download applications. While fewer than 20 percent of Asia Pacific mobile users currently have smartphones, interest in upgrading is high: nearly half of consumers intend on buying a smartphone in 2011, according to Nielsen research. (Harun, 2011)

Higher smartphone ownership will drastically change how mobile users around the world consume mobile data. Nielsen data from the United States show that smartphone users are typically three times more likely to access the Internet (86% vs. 30%), and four times more likely to access their e-mails (80% vs. 21%) via their handsets, compared to non-smartphone users. They are also much more likely to download applications onto their handsets; with iPhones users averaging 48 apps on their handsets and Android phone users 35 apps. Some smartphone users spend a quarter of their time with their mobile phones simply accessing Facebook. (Harun, 2011)

This can clearly demonstrate opportunities that smartphones present to the travel industry. Easy access to information allows consumers to make informative decisions on the go. As mobile customers access the Internet and check e-mails much more often than non-mobile users, it

increases the speed in which travel companies can reach potential customers with attractive offers. If interested, customers can purchase travel packages and book trips through mobile applications any time without the need to wait until they can access the Internet from a computer.

METE views smartphone technology as a platform that it will utilize to create increased customer convenience and competitive advantage. The following chapters demonstrate the strategy of using smartphones in several key areas prior, during and after travellers.

5.3.1 Booking

METE is planning to develop mobile applications for the three most common smartphone operating systems: iOS, Android and Blackberry. Mobile applications will be used to inform smartphone users about current deals and offer ability to instantly purchase chosen travel packages. The ability to purchase the deal on the go will significantly increase the number of sales due to improved convenience and through eliminating the delay caused by the need for a customer to access a computer to complete the purchase, during which a potential client may change his mind.

5.3.2 Social Networking

Social networking is one of the core values of METE. In particular it is an important component of the Dreaming/Inspiration and sharing phases of the Travel Cycle. METE will use smartphone technology to further promote and simplify experience sharing among users. Its mobile applications will allow easy access to user posts and photos from METE's web site, as well as access to its blogs and pages on Twitter and Facebook. As METE customers will be able to post their experiences and photos during travel, they will be able to pass their bright and vivid experiences to others. Such real-time networking will reinforce the high standard METE offers contribute to future increase in sales.

5.3.3 Access to Information During Travel

METE will rigorously promote the use of smartphones during travel. While traveling in unfamiliar territory, access to information such as restaurants, transportation, local laws, activities, etc. is extremely important and may play a crucial role between having a positive or negative experience. As part of its travel packages, METE will provide a collection of web sites containing such information. METE will also make this information accessible through its mobile

applications. Mobile applications and e-mail will also be used to provide a number of handpicked and high- quality offers to METE customers during a trip.

5.4 Accreditations and Licenses

5.4.1 IATA

The International Air Transport Association (IATA) is an international industry trade group of airlines headquartered in Montreal, Canada. They offer different accreditation programs that would be relevant to METE if it chooses to sell airline tickets and establish credibility through IATA affiliation.

5.4.2 Full Accreditation

The full IATA accreditation would authorize METE to sell international, domestic airfare and other benefits. Another relevant benefit to joining the IATA accreditation would be receiving commission from a hotel if it chooses to re-sell directly from a Canadian hotel. METE could also receive visibility and credibility by displaying IATA logo on its website.

5.4.3 Travel Industry Designator Service

The Travel Industry Designator Service (TIDS) is an IATA program which provides a unique identification code for travel agents and sales intermediaries such as meeting planners, event organizers who are not currently IATA-Accredited Agents and located outside of the USA. This designation cannot be used to sell international flights. For Travel and Tourism Industry Suppliers, TIDS speeds up and simplifies reservation processing, as it identifies the agent as a booking source from the very first reservation.

5.4.4 Electronic Registration Service Provider (ERSP)

The ERSP is an accreditation for businesses outside of the USA that is required if the business includes electronic reservation of airline tickets through a website. There is a \$200 application fee and a \$200 annual fee. (IATA, 2011)

5.4.5 Municipal and Provincial Travel Agent Tour Operator License

To operate as a travel agent, travel wholesaler, or tour operator in Vancouver, there are several pre-requisites to be met. The first requirement is a municipal City of Vancouver business license

and an extra provincial registration. Once these requirements have been met the next step is to acquire a travel agent license from Consumer Protection BC, a non-for-profit corporation that protects consumers in British Columbia.

5.4.6 Canada-China Inbound Tour Operator Accreditation

On June 24th 2010 Canadian Prime Minister Harper and Chinese President Hu Jintao to grant Canadian Tour operators reached an agreement the ability to allow Chinese nationals into Canada. The agreement is called Approved Destination Status (ADS) and is administered by the China Inbound Tour Operator Accreditation Program (ITOAP). China has restrictions on the promotion of tourism of group travel of Chinese citizens to other countries. Without ADS, Chinese nationals are generally only permitted to travel to destination countries for business, study or visiting friends and relatives' purposes. This program provides a significant opportunity for Canadian tour operators to differentiate from other tour operators in Canada that choose not to apply. As of July 2011 the TIAC website has 36 published operators in Canada (Tourism Industry Association of Canada , 2010). In 2008, there were approximately 23 million outbound travelers from China with estimated tourism expenditures of USD 41 billion. The World Tourism Organization (UNWTO) forecasts that outbound travel from China will reach 100 million visitors by 2020. The ADS allows Canada to be promoted as a leisure destination to Beijing, Shanghai, and Guangzhou (Tourism Industry Association of Canada , 2010) The July 2011 Economist Intelligence Unit report on China lists the total population of China at 1.34 billion and Shanghai at 15.6 million, Beijing at 13.1 million, and Guangzhou at 11 million (Economist Intelligence Unit, 2011).

To receive approval into this program there are some relevant considerations for METE. In the first year there is a one-time application fee of \$5000 with a \$3,500 renewal fee each year. Elements that are required and could prevent METE from applying include a requirement of having been in business in Canada for a minimum of two years. This would mean the soonest opportunity to apply is July 2013. Other requirements that would have to be met include obtaining a relevant business license(s), occupancy permits, and tour operator/travel agent's license.

6: Marketing

The marketing section of this report begins by discussing the keys to successful e- marketing in the travel industry followed by its benefits. The travel cycle is used again to introduce e- marketing techniques that are applicable to each phase. The report then focuses on content and begins by summarizing the objectives of travel content. The section on content provides categories of information with specific examples. Search engine optimization (SEO) is a key for METE, especially at the beginning of the travel cycle. In this section, an introduction followed by a description of SEO best practices is provided. The marketing section then concludes with a discussion on mobile marketing and a description of the key trade events that METE plans to attend and our marketing activities around these events.

6.1 Keys to Successful Marketing

Reach as Many Potential Customers as Possible

METE can attempt to utilize Search Engine Optimization, (which will be covered in depth later in this chapter), reciprocal links to partner sites, and establishing distribution partnerships with intermediaries such as Expedia and Trip Advisor that can display METE's packaged tours to larger number of potential customers.

Maximize the Lifetime Value of Customers by Maintaining the Relationship through CRM

Customer Relationship Management (CRM) is critical for METE to understand the needs of the target markets in order to meet them, and to engage customers through the travel cycle from early phases (Dreaming) through to Booking. Another goal is to develop customer loyalty by encouraging other METE customers to leave recommendations from on the company website.

Utilize Social Media Marketing tools

METE plans to develop and maintain a presence on the main social media channels such as Facebook, Twitter, YouTube and LinkedIn.

Facebook advertising is a low cost and potential form of advertising that METE can use to target specific people to a potential community of over 500 million users. Of that 500 million there is strong representation in the countries that METE is interested in targeting. METE can leverage Facebook in the early stages of the travel cycle by posting exclusive content in the form of pictures and videos. Rezgo also offers Facebook integration allowing listing of tours, booking, and the ability to track bookings from Facebook. The Facebook channel also facilitates user-generated commentary that provides useful feedback and dialogue with users.

Twitter provides a social networking and micro blogging channel with 200 million users as of 2011 (Wikipedia, 2011). As discussed earlier in the report there are early opportunities to capture website traffic in the earlier stages of the Travel Cycle and SEO particularly with the Google search engine is a key factor. As Google indexes Twitter feeds this channel can provide another method to improve organic SEO results and drive traffic to the website. Twitter can be used to monitor dialogue with competitors and their followers. Twitter is also another channel to provide rich content to drive traffic to the website.

YouTube is a video-sharing website that allows user to upload, share, and view videos. The YouTube website claims that over two billion videos are streamed daily with over a hundred unique users visit the site in the US. For the travel business YouTube offers METE a platform to increase inspiration and advertising by delivering video content and target advertising based on gender, age, language, and geography. In addition, METE can also use the interest category marketing to target users based on past video viewing behaviour and luxury travel interests. (YouTube, 2011)

LinkedIn is a professional social networking site with customers in the METE demographic and potential secondary customers such as affluent professionals between 25 and 45 that are interested in travel. LinkedIn advertising offers options that Facebook advertising does not such as such as job function, industry, and Seniority. These options will allow effective reach of professionals in a particular company, gender, geography or industry.

Maintain High Quality Content

The content for a destination is a core asset where value can be provided with credible information at the right time. Keys to maintain high quality content include a plan to obtain content rather than reinvent it, leveraging user generated content, and implementing a good content management system.

Create a Compelling Website Experience

The WTO recommends that a primary consideration for a destination website should be to strike a balance between motivational and practical information. Wanderlust, an online publication specializing in creating desire for travel and destination brands re-iterates similar goals. First, a successful travel site provides content that answers the visitors' need for information. Second, websites need to deliver content that motivates them to take action. (Wanderlust, 2010). Other key considerations include the look and feel, the usability, and site functionality and how identity and trust are conveyed. (World Tourism Organization and European Travel Commission, 2008)

Deliver Sales

One of the primary purposes for destination marketing organizations (DMO) is to lead them through to point of sale. According to the WTO the need to offer comparison engines driving business to commercial booking engines.

Offer Customised Packaging

Offering customizable packages makes a travel provider more attractive to customers. As people have different travel needs and finances, ability to provide customizable packages significantly increases possibility to secure business with large number of buyers.

Evaluate and Benchmark Performance

This describes methods for measuring the effectiveness of the website and online marketing efforts using website analytics and metrics, expert audit, and key performance indicators.

Provide Effective Electronic Distribution of Information to Visitors While At Their Destination

This provides convenience and a high-level of satisfaction level to travellers. It contributes to the overall positive travel experience and in turn leads to an increase in brand reputation, positive reviews and customer loyalty.

6.2 Benefits of E-marketing

According to the UNWTO E-marketing handbook some of the benefits are:

- Delivery of massive amount of information in a user-friendly way

- Brand building – made possible through wide adoption of broadband connections, allowing users to experience dramatic imagery and animation.
- Cost-effective in distributing information about products on sale directly, and at short notice through the web, email, and mobiles
- The capability to engage with a customer individually and on a one to many basis

6.3 E-marketing Techniques

Dream Phase

In this phase the goal of marketing is to creating awareness of travel options, create inspiration, and arouse an emotion connection between traveller and travel experiences.

- Projecting the brand and providing motivational content (reviews, photos, videos, etc.)
- Email and viral promotion
- Distribution of information through high profile intermediaries such as Expedia and Travelocity
- Search engine the optimization for key terms involving travel experiences

Researching

During the research phase we are providing the specific facts and information of the trip. Digital marketing activities during this stage will include:

- Information on accommodation, transportation, and events
- Itinerary planners
- Social networking
- Special offers by email

Booking

Our goal is to provide the traveller with accessible and easy to use booking service. Marketing activities would include:

- Booking capability provided directly through the METE website; booking through third parties; or integrating a third party booking engine in the METE website
- Comparison search engines that provide aggregating pricing and availability

Visit

- Interactive digital and traditional itinerary planner
- Use of media to tell stories
- Location based offers delivered to mobile devices through email or SMS texting
- Distribution to hotel and reception areas

Post-visit Recollection and Recommendation

Our goal in this phase is to maintain the relationship through research and follow up actions.

- Online survey research on customers visit, satisfaction and potential for repeat visit
- Encourage user generated content and engagement with the travellers
- Email marketing. Encourage recollection by allowing users to upload pictures and add reviews and providing stimuli for recommendations.

6.4 Content

Content has been described by the WTO as a “king” for tourism destinations. Content means information about the destination irrespective of its medium or format. Content is particularly critical during the inspiration and research phases leading up to booking.

According to the WTO these are the objectives of destination content:

- Support the customer journey before, during, and after the trip by providing the necessary information in each phase of the travel cycle
- Providing information that is as comprehensive as possible
- Support specific marketing campaigns
- Provide the destination’s tourism suppliers and resellers with content they can repurpose to enhance their own sale’s propositions

Formats and Media

Content can be stored in formats such as text, static images, audio, and video. Content can be delivered through a wide range of media including websites that includes electronic documents such as PDF’s, through a person, radio, TV, MP3, and streaming video. The WTO states that, as a

rule of thumb, it should be possible to format content for any need that is required (World Tourism Organization and European Travel Commission, 2008).

Information Important for Customers

To achieve the goal of delivering comprehensive information we refer you to Figure 15 to outline the categories of information and provide specific examples in each category that would be applicable to METE.

Figure 15: Categories of Content Information with examples

Inbound travel	<ul style="list-style-type: none"> • Air, rail, and sea carriers • Visa and passport requirements • Customs regulations • Currency exchange rates and where to exchange • Local time zone
Local travel	<ul style="list-style-type: none"> • Air, rail, bus and taxis: routes, prices, timetables • Advice on use of own car, rented car or car with driver
Local and current real time conditions	<ul style="list-style-type: none"> • Price guide to bargains • Cultural advise: mode of dress, greetings and customs • Public holidays • Weather forecasts
Themes that reflect your brand	<ul style="list-style-type: none"> • Luxury • Adventure • Cultural
What to do	<ul style="list-style-type: none"> • Highlights of the destination • Attractions to visit • Sporting activities • Culture • Wellness • Events • Entertainment • Nightlife • Theme Tours
Accommodations	<ul style="list-style-type: none"> • Hotels • Guest Accommodation

6.5 Search Engine Optimization

According to the European Travel Commission's New Media TrendWatch online Travel Market report, 60% of the travel industry-marketing experts rank search as the primary way to capture traffic (NewMedia TrendWatch, 2011). Search engine optimization (SEO) is the process of improving the volume and quality of traffic to a website from search engines through organic results (World Tourism Organization and European Travel Commission, 2008). Organic search is the unpaid version of search and according to New Media Trend Watch is also the most influential marketing channel for online travel marketing. As of April 2011, Google is the top search engine worldwide with 83.82% market share followed by 5.88% from Yahoo, and 4.38% with China's Baidu. It is important to note that Google has withdrawn its service from China in March 2010 leaving Baidu as the top search engine in China with 61.6% as of 2009. (Gross, 2010). An article from Inc. magazine explains that the Web is home to 120 million Internet domains and a company's web traffic is directly related to its site's rank among Google's search results. The specific formulas that Google uses to rank websites are not disclosed, but the best practices for tailoring your website to satisfy the ranking criteria are publicly available.

6.5.1 How Crawler Based Search Engines Work

A crawler starts from an origin point and follows links between webpages and caches page text and other HTML information as it moves across the web to create an index. When an Internet user searches for a word or a phrase, the pages containing the word or phrase will be returned in an order determined by the algorithm. The first two pages of results are view most by the user (World Tourism Organization and European Travel Commission, 2008).

6.5.2 Best Practices for SEO

- METE plans to use HTML content with Flash introduction and navigation kept to a minimum
- Frame construction is a way to divide HTML content. They may create a barrier for the search engine crawlers
- Discover search terms people use with sites such as www.keyworddiscovery.com or www.wordtracker.com and check their link popularity on www.linkpopularity.com or the www.toolbar.google.com
- Select two or three relevant search terms per page that are geographically specific and likely to result in site visitors who will turn into destination visitors.

- Utilize text based links in menus and don't rely just on graphic buttons and using sitemaps
- Select a content management system (CMS) that produces simple URLs with page titles, add text to images, update the HTML Title tag, meta tag description, and meta tag keywords
- Update the site frequently
- Develop links, with keyword-rich anchor text, from other high ranking sites

6.6 Mobile Marketing

METE will use email messages, mobile advertisements and METE mobile applications in order to reach smartphone users. Luxury travel providers do not currently heavily use mobile marketing. Due to the large penetration of smartphones in the areas of the prime interest of METE (North America, Europe and Asia), heavy focus of mobile marketing may be a source of differentiation and a temporary competitive advantage for METE over these competitors.

6.7 Trade Events

There are key networking events that could benefit METE in 2011 to build industry experience, connections, and publicity on the international level.

World Travel Mart

The World Travel Mart (WTM), held in London on Nov 7, is administrated by Reed Exhibitions and is the leading global event for the travel industry. 2011 will be the WTM's 15th year anniversary and is a significant opportunity to negotiate business contracts (Wikipedia, 2010).

In 2010, the WTM had a total of 47,432 industry participants and 26,795 visitors. The WTM website claims a 13% increase in the Technology Online Travel. It claims that an exhibitor will generate more than £158,000 of business. The WTM provides exhibitors an opportunity to display their logo on the METE website, presentation, brochures, and at point of sale. Usage of this logo could provide credibility with international travellers and industry sector (World Travel Market, 2011).

International Luxury Travel Market (ILTM)

The International Luxury Travel market is organized by Reed Exhibitions and held December 5-8 2011 at Cannes. The 2010 ILTM attracted over 1,200 exhibitors from 90 countries from airline and private jet, beach resort, extreme adventure, and luxury hotels industries. It is an opportunity

for METE to meet luxury travel suppliers and professionals at one location. Another ILTM is held June 2012 in Shanghai and may represent an opportunity for METE to connect with luxury outbound tour operators and HNWI buyers. (International Luxury Travel Market Asia, 2011).

7: Finance

7.1 Funding Options

METE has a number of options to apply for financing from government, non-government, and Angel programs. For the first year of METE Inc.'s operation it has secured approximately \$52,194 in assets primarily from the founder. METE is forecasted to spend approximately \$33,000 for the remainder of 2011, which will be broken down later in this chapter.

Friends and Family

To put this funding option into perspective, friends and family can purchase publically traded equity securities that offer higher returns than what METE could potentially propose. METE does not yet have existing sales and presents a higher risk. Furthermore these investments may offer better liquidity as they could be cashed at any time (Klein, 2007). In an article on Venture Alberta's website they describe the significant risk of losing valued relationships with friends and family by using their finances as a source of funding for a start-up company. The founder of METE would prefer to explore other options before considering this option for funding. The article goes on to say that inviting investment from people who may not understand or afford the investment may be asking for trouble (Weingberg, 2010).

Business Development Bank of Canada (BDC)

The BDC is a crown corporation institution owned by the government of Canada that provides financing to small business in Canada. To METE the BDC represents a dependable and credible source of funding for working capital and marketing and start-up fees. BDC's website claims to have extensive experience with start-ups and flexibility with financing. METE meets the majority of criteria required by the BDC. (Business Development Canada, 2011)

Seed-Stage Funding Firms

Seed-stage funding firms such as Y Combinator, started in 2005, and provide seed money, advice, and connections. Seed money is a term used to describe funds that are used to fund early product development and market research costs until a company is able to sustain itself. Sequoia Capital has been described by the Wall Street Journal as "one of the Silicon's Valley's most influential capital firms". Sequoia partnered with Y Combinator in 2009 to provide increased funding for

young start-ups (Wikipedia, 2011). Y Combinator contributes amounts that their website describes as rarely more than \$20,000 in return for a 2 to 10% stake in the company they fund. The application process is described as completing an application form. An invitation is given for the most promising groups to meet in person to attend one of their 2 batches, each 3 months in duration. There is an expectation that founders relocate to San Francisco during the 3-month period (YCombinator, 2011). For METE, there is adequate funding for the first year and the company wouldn't necessarily require the \$20,000 funding; however the network support, relationships, and mentorship in the Silicon Valley area could provide the environment for the company to thrive.

A company called GrowLab, which is providing access up to \$25,000 in seed funding and office space, is delivering a variation of seed funding program. However the program caters more to Vancouver entrepreneurs in that it is primarily based in Vancouver for 3 months and 1 month in San Francisco. The Grow lab is attempting to reach Vancouver start-ups and creating a bridge between the resources, experience, and community of Silicon Valley. For METE, this program offers similar benefits, but is a better fit because it is based in Vancouver for 3 out of the 4 months where the founder of METE is located. The program does not specify how many applications they accept, but it is expected that the process will be competitive.

Angels

Steven Rogers, author of *Entrepreneurial Finance* describes Angel investors as sophisticated and different from family and friends as there was no previous relationship (Rogers, 2009). Tanner Philp, an Investment Counsellor at RBC PH&N Investment Counsel advises that Angels and Venture Capitalists (VC's) invest in early stages, while banks invest in the later stages. BCIC (British Columbia Innovation Council) is the organization that develops entrepreneurial talent describes Angel investors as bridging the financial gap between the companies being self-funded to the venture capitalist round. BCIC describes individual contributions that can range from \$5,000 to \$25,000. (British Columbia Innovation Council, 2011). Tanner advises that Angels are often their own bosses and tend to provide faster access to finances. BCIC supports this point and describes Angels as individuals who invest in their own business with their own money, and are interested in supporting other entrepreneurs to grow their business. An important point to note that is unlike Venture Capitalists; Angels are not solely focused on their return on investment. Angels are interested in building the relationships and participating in the company. According to

Tanner, Angel investors may have strong local networks or provide mentorship that a founder or start-up can leverage.

Tanner states that banks are more conservative and recommends for start-ups to avoid borrowing funds from banks. Rogers says a positive aspect about receiving funding from an Angel is their terms for lending can be more flexible than the banks'. For example, an Angel would be more likely to provide a 10-year loan; whereas Rogers believes a commercial bank loan would have a 5 to 7 year maximum. Rogers also provides the negative side of debt capital from angels, which Rogers describes can reach up to 24 percent compared to bank that provides 2 to 3 percent over prime. Rogers also suggests that that Angels interest in the business can extend to interference with the business operations and the strategy of the business.

For METE matching with an Angel in the tourism industry with experience of running an online travel website would be the ideal situation. A starting point would be to apply for membership with a more prominent local Vancouver angel networks such as the Vancouver Angel Technology Network. Another tourism related lead could be to contact angel investors Anita and Goron Roddick mentioned in the Angel Investor magazine for funding a travel website that has emphasizes the natural environment and local culture. Interestingly, the Body Shop is one of the more prominent examples that received Angel funding. (Rogers, 2009)

MITACS

MITACS is a non-government Canadian organization that offers a research internship designed for mutual benefit of a profit company and an intern. MITACS offers a suite of programs, and specifically the accelerate program provides \$7,500 to the company and \$7500 to the intern for a 4 month research internship. METE qualifies as a Canadian profit company and the MITACS website explains that applications are accepted throughout the year for up to 25 internships before MITACS would need to be further reviewed. There are also travel subsidies if an intern would need to travel to another location to complete their research. METE could leverage this program to accumulate intelligence for strategic purposes through research internships (Mitacs, 2011). An example of a possible project could be researching the feasibility of the Canada-China Inbound Tour Operator Accreditation Program. This program is the accreditation METE would need to provide tourism services to Chinese travellers.

SRED

The Scientific Research and Experimental Development (SR&ED) is a federal tax incentive program that is available to Canadian business. SRED has been designed to encourage research and development (R&D) in Canada that the CRA says will lead to new and improved technologically advanced products or processes. Mike Volker, a director of Simon Fraser University's Innovation office, believes that British Columbia in particular may be one of the best regions in the world for high technology companies to setup a technology venture because of the generous R&D tax credits.

Based on the CRA website a Canadian controlled private corporation such as METE can qualify for a tax credit of 35% up to the first \$ 3million of expenditures that qualify under the program. Mike Volker explains on his website that if a company has no revenue yet that the company can receive the credit back in cash. Also, Volker says that British Columbia qualifies for an additional 10% credit (Volker, 2006).

CRA explains the projects that qualify. Their qualification criteria are not entirely specific and there may be an opportunity to meet the criteria for METE based on the definitions for experimental development and support work. (Canada Revenue Agency, 2009)

The SRED program has potential to provide significant financial support to METE with minimal risk. Based on review of the website the application process appears to be an extensive one. Outsourcing the SRED application process may be an option to METE to leverage their expertise of the SRED program and help identify eligible SRED credit activities. An outsourced company named Alma consulting is one option that has been recommended to the owner of METE from an individual that has successfully received funding through SRED.

Government Programs Endorsed by the Canada Tourism

The Canada Tourism Commission (CTC) is a crown corporation owned by the Government of Canada that has responsibility to market Canada to the world. The CTC provides several government agencies on their website that could provide funding for a tourism business such as METE. (Canada Tourism Commission, 2011)

Export Development Canada (EDC)

EDC is a federal Crown corporation that operates as a Canadian financial institution. It provides financing services to support Canadian exporters and investors, and offers a range of services

including accounts receivable insurance for tourism operators, so that they can grow their in-bound business and increase their access to working capital.

Canada Small Business Financing Program (CSBP)

The CSBF Program can assist Canadian businesses in obtaining term loans and capital leases of up to \$500,000 to help finance fixed asset needs. It does so by encouraging financial institutions and leasing companies to make their financing available to small businesses.

Venture Capital Corporation Program (VCC)

The VCC is a British Columbia (BC) funded program that provides a 30 percent refundable tax credit with cash back to investors. The program is designed to encourage investors to make equity capital investment in BC small business. Tanner says if a business fails, there is no money owed to the government. One caveat is that investors will only get a tax credit if they file their taxes within BC. The VCC defines destination tourism as a qualifying activity, which means METE is eligible. (Province of British Columbia, 2011)

7.2 Financing Plan

In order for METE to continue operating and expand the company the founder will try to secure funding in 2011 to provide working capital for 2012. METE plans to submit an application for the BDC program by Fall 2011 to request additional working capital to prepare for growth in 2012 period. Seed-Stage Funding Firms are not a viable part of the plan as they offer relatively low capital and are extremely competitive. In addition, both Growlab and Y Combinator require relocation to San Francisco for minimum of 1 month, which would not be a wise decision when operations starting out will be based in Canada. METE will also follow up with Anita and Goron Roddick in Fall 2011 and will continue to seek other Angels in the travel industry. METE plans to contact Alma in Summer 2011 to begin preparing an application to the SRED program. It is expected that there will be a minimum investment of time due to outsourcing, but potentially large monetary benefits for METE. Ongoing market related research and on-location research for experience development would help support strategic decisions to minimize risk and increase competitiveness for METE. METE can apply to the MITACS accelerate programs throughout the year, but will prioritize an application for the 4th quarter to refresh the company intelligence for Q1/Q2 2012 timeframe. METE will review finance options endorsed by the CTC in Q1/Q2 2012 timeframe.

7.3 Anticipated Margins

To accurately forecast the margins for this report a sample METE experience to Whistler was developed. METE has access to wholesale rates for accommodation and will negotiate with preferred suppliers for group rates. METE will assemble the consolidated accommodation and activities and include their own individual mark-up. Using the Whistler sample experience an overall mark-up of 26% was applied for a total package price for the traveller calculated as \$2,686.25. The total Cost of Goods Sold (COGS) from third party suppliers such as PayPal (2.9% + .30 cents per transaction) and Rezgo (5% per transaction) work out to \$202.41 per traveller or 17% margin of the total retail price. The projected average revenue per traveller is \$2,483.84. The wholesale rate or net retail rate on the package for METE is \$2,023.45, which provides us with an anticipated contribution margin per traveller of \$460.39. Figure 16 provides the full breakdown of the financial numbers that lead to the individual contribution margin per person.

Figure 16: Forecasted financial breakdown of the Whistler travel package

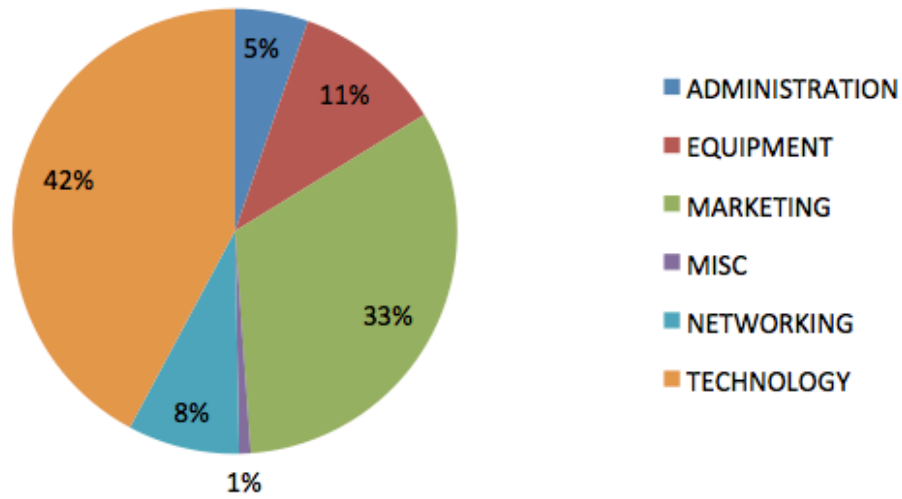
METE Estimated Margins with Financial breakdown	
Total Retail per person	\$ 2,686
Total COGS per person	\$ 202
Net retail per person	\$ 2,484
Base Price	\$ 2,023
Contribution Margin per person	\$ 460
Overall % markup	\$ 26
Number of people	\$ 20
Net profit per trip	\$ 9,208

Source: Information provided as courtesy of METE.

7.4 Anticipated Expenditures

As of July 2011 in Figure 17, METE has spent a total of \$5,968.42. These expenditures include start-up costs to incorporate the company and early stage legal costs. The highest expenditure category to date is technology followed by marketing costs. The anticipated expenditures seen in Figure 18 consist of resourcing, marketing, equipment, and technology for a projected total of approximately \$33,000 for the fiscal year ending Dec. 31, 2011.

Figure 17: Total Expenditures as of July 2011



Expenditure Categories	Subtotal		
Administration	\$318		
Equipment	\$650		
Marketing	\$1,948		
Miscellaneous	\$50		
Networking	\$485		
Technology	\$2,517		
Grand Total	\$5,968		

Source: Information provided as courtesy of METE.

Figure 18: Forecasted Expenditures for the fiscal year ending Dec. 31, 2011

Equipment	\$4,667
Technology	\$10,000
Resourcing	\$15,000
Marketing	\$3,505
Total	\$33,172

Source: Information provided as courtesy of METE.

Equipment

METE plans to convey inspiration and experiences through professional photography and video. METE can outsource these services to freelance professionals or purchase the equipment to bring it in-house. METE forecasts approximately \$4,667 for professional camera, video-editing software, and computer for the first year equipment costs.

Marketing

The forecasted marketing budget for the remainder of 2011, which includes branded water bottles, umbrellas, smartphone cases, golf shirts and a social network-advertising budget. The total marketing budget is approximately estimated as \$3,505.

Resourcing

METE anticipates resourcing contractors and interns to assist with providing tours, online marketing, and general administrative assistance for 2011. Total resourcing costs for a search engine optimization specialist, administrative assistance, and free-lance tour guides are \$15,000.

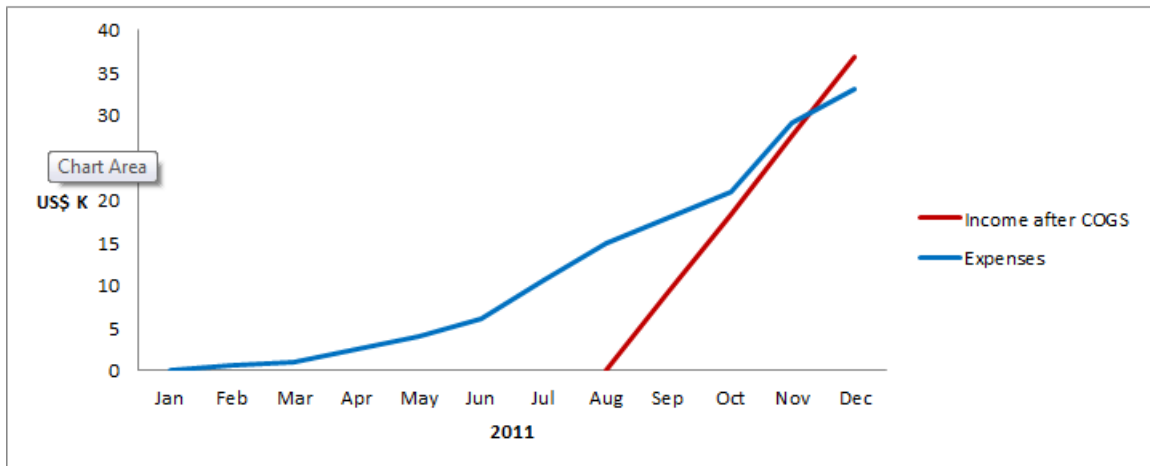
Technology

METE plans to outsource server infrastructure and host web site using a hosted service provider Go daddy. For 2011, based on discussions to date one of the most viable possibilities is for METE to use Rezgo's hosted tour operator service and partner with Graphically Speaking to design a hybrid solution. The hybrid solution would allow METE to test the business model and save on early phase costs of the website. The hybrid solution would combine the look and feel of METE with a proven tour operator service and allow METE to remain within a \$10,000 budget. The mobile application is estimated at \$8,000 and is prioritized for 2012.

7.5 Break-Even

Break-even calculations are based on estimated monthly income after COGS of \$9,200 (based on the Whistler package described above). Since estimated costs for Year 1 are equal to \$33,000, breakeven will be reached in the third month after company starts operations. Figure 19 displays break-even chart for METE estimated based on the Whistler package.

Figure 19: Break-even for METE based on the Whistler package.



7.6 Projected 3 Year Financials

As METE has not yet started operations, the sample Whistler package was used to project financials for the first 3 years in Figure 20. Assuming that 20 travellers join the tour and multiplying it by the anticipated contributed margin of \$460.39, we receive profit of \$9207.77 per tour. For 2011, we assumed that METE would average 1 tour per month for the remaining 4 months, which resulted in a 2011 forecast of \$36,861.07

In 2012, we assumed that METE would have twelve months to conduct business and begin offering 4 tours a month to follow the strategy of expanding offerings to main markets in Canada. The result for 2012 is \$441,972.89 in profit for the year. In 2013, we assumed that METE would continue to expand and increase the number of packages offered to 6 a month to reach annual profit of \$662,959.34.

Figure 20: 3 Year METE Sales Forecast

2011		Assumptions
Packages a month	1	Focus on BC
Monthly Sales	\$ 9,208	all based on sample Whistler Package
Months	4	Assume 1 sale per month beginning Aug 2011
Annual Sales	\$ 36,831	Assumes groups of 20
2012		
Packages a month	4	Assumes a full year
Monthly Sales	\$ 9,208	2 packages a month
Months	12	expansion to BC, Quebec, Ontario
Annual Sales	\$ 441,973	
2013		
Packages a month	6	Assumes a full year
Monthly Sales	\$ 9,208	6 packages a month
Months Remaining	12	eligible to apply for China travellers
Annual Sales	\$ 662,976	

Source: Information provided as courtesy of METE.

8: Human Resources

In order to successfully enter the market and succeed in a long run, METE needs to secure human resources with a variety of skills and experiences. Type of resources and amount of workload will vary between stages of the company life cycle. This chapter describes required resources separated by following phases of the company: Pre-launch; Post-launch short term, and Post-launch long term.

8.1 Pre-launch

During the Pre-launch phase, company has to involve resources necessary for performing market research, analysis of supply and demand, design and development of a prototype and production version of a web site, online and offline marketing, legal assistance, and sales. Resource requirements are provided in full time employee (FTE) units. Measurements of Performance (MOP) are specified in order to evaluate and measure performance of employees. Following resources are required to successfully complete Pre-launch phase:

Resource	FTEs	Responsibilities	MOP
Online marketing specialist	1.0	Research and analysis of factors critical for online marketing. Development of awareness of online community. Perform marketing in popular online social media environments such as Facebook and Twitter. Develop and execute online activities designed to attract potential customers to the METE web site (such as online competitions, etc.). Advertise METE in most popular search engines and banner advertising systems. Search engine optimization.	No. of visits on METE web site No. of followers and “likes” in Facebook and Twitter Rating in leading search engines
Business Analyst – Software Development	0.5	Produce Business Requirements Document that describes in details design and business logic of the METE web site. Work with software developers and business users/user groups to document change requests to the web site during development process. Present pilot version of a web site to user groups and gather, analyse and document changes resulting from pilot demonstration. Identify web-hosting provider.	Development of a Business Requirements Document.
Project Manager	0.5	Oversee all phases of development and implementation of a web site. Ensure that project is completed on time and on budget. Act as an intermediary between multiple stakeholders.	Completing development of a web site on time and on budget.
Web Developer	2	Develop METE web site according to Business Requirements Document.	Development and deployment of a web site

		Implement changes according to submitted change requests. Perform deployment of a web site to specified web hosting provider.	according to Business Requirements Document and change requests.
Business Analyst – Market Research	0.5	Research and analyse market supply and demand. Conduct interviews with suppliers and consumers. Identify major competitors and differentiation. Identify Barriers to Entry. Provide Business Analyst – Software Development with user groups for gathering requirements.	Report specifying areas as described in job description.
Writer	0.2	Create attractive and informative articles for METE web site and marketing materials.	Level of satisfaction for articles as indicated by group of test users.
Photographer	0.1	Take photographs of resorts and activities promoted by METE	Level of satisfaction for photographs as indicated by group of test users.
Marketing Designer	0.2	Design online and physical marketing materials, such as pictures for web site, online advertisements, and posters.	Level of satisfaction for photographs as indicated by group of test users.
Local marketing specialist	0.4	Identify opportunities to market METE in local communities in Greater Vancouver and adjacent areas. Perform marketing campaigns. Follow-up with potential customers.	No. of marketing campaigns No. of new customers resulting from marketing campaigns.
Sales Specialist	0.5	Identify and approach potential suppliers. Perform presentations to potential suppliers, outline benefits of doing business with METE, and differentiate METE from competitors. Secure contracts with	No. of contracts with suppliers Profit from sales.

		suppliers on best interest terms for METE.	
Lawyer	0.1	Provide legal advice to METE. Write contracts, disclaimers and other legal documents. Represent METE in court if needed.	No. of agreements.
Total number of FTE's: 6			

8.2 Post-launch Short Term

During the Post-launch short-term phase company has to prove capable of surviving immediately after launch for a one-year period. During this period it has to establish brand name and brand recognition, differentiate it from competitors, establish loyal customer base both in supply and demand segments, and conclude a number of successful sales. At this stage operating losses are anticipated, as revenues will not offset the company's fixed costs.

Resources required for this phase will be used to improve and expand ways for customers to access METE products, such as improvements in web site and development of smartphone applications, execute online and offline marketing, develop relationships with potential suppliers and increase customer base through buyers involvement in promotional activities and opportunities to interact with company business team and other customers.

The following resources are required to successfully complete Post-launch short-term phase:

Resource name	FTEs	Responsibilities	MOP
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Online marketing specialist	2.0	Research and analysis of factors critical for online marketing. Increase of awareness of online community. Perform marketing in popular online social media environments. Develop and execute online activities designed to attract potential customers to METE web site. Advertise METE in most popular search engines and banner advertising systems. Search engine optimization.	No. Of visits on METE web site No. Of followers and “likes” in Facebook and Twitter Rating on leading search engines.
Business Analyst – Software Development	0.1	Produce Change Request documents describing modifications of the METE web site based of customer feedback. Produce Business Requirements Document for development of smartphone applications for Apple iOS and Android OS.	Development of a Business Requirements and Change Request documents.
Project Manager	0.2	Oversee all phases of development and implementation of a web site and smartphone applications. Ensure that project is completed on time and on budget. Act as an intermediary between multiple stakeholders.	Completing development of a web site on time and on budget.
Web Developer	0.3	Develop changes to the METE web site according to Change Request documents. Perform deployment of a web site to specified web hosting provider. On-going web site maintenance.	Development and deployment of a web site according to Change Request documents.
Smartphone Application Developer	0.3	Develop METE smartphone applications for iOS and Android OS according to Business Requirements Document. Implement changes according to submitted change requests. Perform deployment of a web site to specified web hosting provider. On-going application maintenance.	Development and deployment of smartphone applications according to Business Requirements Document and change

			requests.
Writer	0.2	Create attractive and informative articles for METE web site and marketing materials.	Level of satisfaction for articles as indicated by group of test users.
Photographer	0.2	Take photographs of resorts and activities promoted by METE	Level of satisfaction for photographs as indicated by group of test users.
Marketing Designer	0.2	Design online and physical marketing materials, such as pictures for web site, online advertisements, and posters.	Level of satisfaction for photographs as indicated by group of test users.
Marketing Specialist	2.0	Identify opportunities to market METE in Canada. Perform marketing campaigns. Follow-up with potential customers.	No. of marketing campaigns No. Of new customers resulting from marketing campaigns.
Sales Specialist	3.0	Identify and approach potential suppliers. Perform presentations to potential suppliers and outline benefits of doing business with METE. Secure contracts with suppliers on best interest terms for METE.	No. of contracts with suppliers Profit from sales.
Local social concierge /tour guide	1.0	Help to design events and activities. Work with local businesses to ensure appropriate level of service. Accompany METE travellers. Represent METE during organized travel.	Level of satisfaction of METE customers.
Total number of FTE's: 9.5			

8.3 Post-launch Long Term

During the Post-launch long-term phase the company concentrates on expanding to global markets and achieving high revenues. During this period, it has to straighten and promote brand name, try to increase barriers to entry into its segment, and develop dominant position in global market. Resources required for this phase will be used to increase company presence and efforts in online and offline marketing, develop relationships with suppliers around the world, including high end hotel brands, and increase international customer base.

The following resources are required to successfully complete Post-launch long-term phase:

Resource name	FTEs	Responsibilities	MOP
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Online marketing specialist	2.0	Research and analysis of factors critical for online marketing. Increase of awareness of online community. Perform marketing in popular online social media. Develop and execute online activities designed to attract potential customers to METE web site. Advertise METE in most popular search engines and banner advertising systems. Search engine optimization.	No. Of visits on METE web site No. Of followers and “likes” in Facebook and Twitter Rating in leading search engines.
Business Analyst – Software Development	0.2	Document change requests for modifications of the METE web site and smartphone applications based of customer feedback.	Generation of Change Request Documents.
Project Manager	0.2	Oversee all phases of development and implementation modifications to a web site and smartphone applications. Ensure that changes are completed on time and on budget. Act as an intermediary between multiple stakeholders.	Completing development of a web site and smartphone applications on time and on budget.
Web Developer	0.3	Develop changes to the METE web site according to Change Request documents. Perform deployment of a web site to specified web hosting provider. On-going web site maintenance.	Development and deployment of a web site according to Change Request documents.
Smartphone Application Developer	0.3	Develop changes to METE smartphone applications according to Change Request documents. Perform application deployment. On-going application maintenance.	Development and deployment of smartphone applications according to Change Request documents.
Writer	3.0	Create attractive and informative articles for METE web site and marketing materials in different languages.	Level of satisfaction for articles as indicated by group of test users.

Photographer	2.0	Take photographs of resorts and activities promoted by METE.	Level of satisfaction for photographs as indicated by group of test users.
Marketing Designer	2.0	Design online and physical marketing materials, such as pictures for web site, online advertisements, and posters.	Level of satisfaction for photographs as indicated by group of test users.
Marketing Specialist	6	Identify opportunities to market METE in multiple countries. Perform marketing campaigns. Follow-up with potential customers.	No. Of marketing campaigns No. Of new customers resulting from marketing campaigns.
Sales Specialist	20.0	Identify and approach potential suppliers. Perform presentations to potential suppliers and outline benefits of doing business with METE. Secure contracts with suppliers on best interest terms for METE.	No. Of contracts with suppliers Profit from sales.
Local social concierge /tour guide	5.0	Fluency in local and English languages. Help to design events and activities. Work with local businesses to ensure appropriate level of service. Accompany METE travellers. Represent METE during organized travel.	Level of satisfaction of METE customers.
Total number of FTE's: 41			

In Figure 21 an implementation schedule with the major milestones for METE to successfully launch are provided. A more detailed project 2011 Launch Plan for METE is provided in Appendix 1. This schedule summarizes milestones that are currently in progress or planned and are based on the company's progress as of August 2011.

9: Implementation Schedule

The milestone for receiving travel pre-requisites was completed as of August 9th when METE received their BC travel agent license from Consumer Protection BC. This milestone also includes a payment gateway and web platform to sell bookings. In this report we assume that METE has selected the Rezgo as the web platform to sell and book trips for 2011.

For Finance, the milestone for receiving an initial contribution from the owner was received in June 2011. METE is hiring for a Tour Guide/ Concierge and Photographer/Videographer that is currently underway to assist with the Whistler Pre-Launch. The tour package for the pre-launch is scheduled to complete August 17th and pre-launch at Whistler is schedule for September 11th. The pre-launch will be aimed at a smaller group and will serve as a test prior to the launch scheduled 45 days after on October 21st 2011.

Figure 21: METE launch schedule as of August 2011

METE 2011 Launch Schedule	Duration	Start	Finish
Received all BC business and travel pre-requisites	116 days	Tue 3/1/11	Tue 8/9/11
Initial funding from founder	54 days	Thu 3/24/11	Tue 6/7/11
Photographer	5 days	Thu 8/11/11	Wed 8/17/11
Tour Guide / Concierge	10 days	Mon 8/8/11	Fri 8/19/11
Finalize Tour Packages	1 day	Wed 8/17/11	Wed 8/17/11
Pre-Launch Whistler 10 people	17 days	Sat 8/20/11	Sun 9/11/11
Launch	45 days	Mon 8/22/11	Fri 10/21/11

Source: Data provided as courtesy of METE.

10: Conclusion

The travel industry reached 940 million arrivals worldwide in 2010 and is expected to reach 1.6 billion arrivals in 10 years. The luxury travel segment that METE is a part of recovered in late 2009. Technology is playing a major factor in the travel industry for both the business and the consumer. Widespread adoption of high speed Internet connectivity in developed countries has led to increasing rate of research of purchasing for travel occurring on-line. Internet search engines such as Google have become the main source of travel information for business and leisure travellers. The projected 1.4 billion in dual access subscribers and 1 billion in mobile only access substantiate the need for mobile strategic planning soon to capitalize.

METE is a Canadian based travel business that is operating amongst these aforementioned developments and has entered the growing, but competitive travel industry. Initially the company began as an idea to implement the group-buying model as an on-line travel agent, but METE has decided to also operate as a luxury adventure tour operator to provide a more comprehensive offering. The purpose of this report was to develop a long-term strategic business plan for METE to increase its chances of success.

The founder of MET decided to focus on the younger luxury travel niche (25 to 44 years old) as he wanted to develop a luxury travel product for a market he could better relate to and understand. Travel packages will be offered in major Canadian cities during the first three years and will begin in British Columbia to test the business model. The most viable geographical market for METE is the United States in terms of number of arrivals to Canada with a target customer segment of 2,4M travellers, fixed broadband market size of 1.9M, 2010 Mobile Only market of 622,250 users and estimated 2015 online market of 2.4 billion people. Other significant geographical markets for METE are the UK, Germany, and France. As of 2011, China is the most promising of the emerging markets for METE, but due to smaller pool of travellers to Canada and lower fixed broadband rates.

To launch, METE will need to acquire the necessary licenses and accreditations. The website is also an integral component since METE is primarily an Internet-based business. The company faces challenges in selecting the appropriate option to develop the website within a budget that corresponds to the company's financing position and stage of growth. Another critical step for

METE is to develop the company by recruiting people who hold the appropriate skillsets and whose salaries' fit within the available budget, or who are prepared to work to earn equity or stock options.

Javier González-Soria y Moreno de la Santa, Managing Director of Google Travel Spain introduced the concept of the Travel Cycle. Chic Voyage's business model emulates the logical flow of the Travel Cycle and we utilize it as a means to understand the relationship and opportunities between travel, technology and travellers. A key opportunity for METE's website will be to master Search Engine Optimization (SEO) for the Google search engine as it is a major starting point for attracting visitors to our site. A major challenge in SEO for METE will be the competition with the same set of key words to the major target markets.

METE has received an initial round of funding from the owner of \$52,194 with anticipated expenditures for 2011 of \$33,000. Based on a sample Whistler trip, the company should break even in the third month of operation. Another challenge and critical step for METE to achieve its vision is to secure additional funding to fuel the company's growth in the near future.

Appendix

Appendix 1

Percentage Complete	METE 2011 Launch Schedule	Duration	Start	Finish	Resource
84%	Operating Strategy	117 days	Tue 3/1/11	Thu 8/11/11	
63%	Received all BC business and travel pre-requisites	116 days	Tue 3/1/11	Tue 8/9/11	
100%	Federal and Provincial Incorporation	37 days	Tue 3/1/11	Wed 4/20/11	Greg Hung
4%	BC Travel Agent and Tour Operator License	28 days	Fri 7/1/11	Tue 8/9/11	Greg Hung
100%	Vancouver Municipal License	3 days	Wed 7/20/11	Fri 7/22/11	Greg Hung
100%	Whistler Municipal License	5 days	Wed 7/27/11	Tue 8/2/11	Greg Hung
100%	Business bank account	31 days	Wed 4/20/11	Wed 6/1/11	Greg Hung
100%	Payment Gateway to accept online payment	67 days	Wed 4/20/11	Thu 7/21/11	Greg Hung
75%	Web platform to sell bookings	53 days	Wed 5/10/11	Thu 8/11/11	Greg Hung
2%	Funding	158 days	Thu 3/24/11	Mon 10/31/11	
0%	Initial funding from founder	54 days	Thu 3/24/11	Tue 6/7/11	Greg Hung
12%	Secure funding from BDC	57 days	Sun 8/14/11	Mon 10/31/11	Greg Hung
0%	Seek Angel in Travel	57 days	Thu 3/24/11	Fri 6/10/11	Greg Hung
0%	Outsource SRED to Alma	26 days	Thu 3/24/11	Thu 4/28/11	Greg Hung
0%	CTC endorsed funding options	123 days	Thu 3/24/11	Mon 9/12/11	Greg Hung
0%	MITAC application	80 days	Thu 3/24/11	Wed 7/13/11	
44%	Team Development	137 days	Thu 3/24/11	Fri 9/30/11	
100%	Legal firm	31 days	Wed 4/20/11	Wed 6/1/11	Greg Hung
35%	Photographer/ Videographer	5 days	Thu 8/11/11	Wed 8/17/11	Greg Hung
50%	Travel Show host	5 days	Thu 8/11/11	Wed 8/17/11	Greg Hung
0%	Online Marketer/Administration	5 days	Thu 3/24/11	Wed 3/30/11	Greg Hung
25%	Event Planner	32 days	Thu 8/11/11	Fri 9/23/11	Greg Hung
25%	Firm for website and mobile	118 days	Wed 4/20/11	Fri 9/30/11	Greg Hung
25%	Tour Guide / Concierge	10 days	Mon 8/8/11	Fri 8/19/11	Greg Hung
100%	Finance Accounting Advisor	31 days	Wed 4/20/11	Wed 6/1/11	Greg Hung
0%	SEO specialist	3 days	Thu 3/24/11	Mon 3/28/11	Greg Hung
72%	Expeirience/Tour development	18 days	Mon 7/25/11	Wed 8/17/11	
75%	Research and Event Planning	16 days	Mon 7/25/11	Mon 8/15/11	Greg Hung
25%	Finalize Tour Packages	17 days	Wed 8/01/11	Wed 8/17/11	Team
4%	Marketing	61 days	Thu 8/18/11	Thu 11/10/11	
25%	Implement SEO for Vancouver Whistler Summer Tour	1 day?	Thu 8/18/11	Thu 8/18/11	SEO
0%	Online Marketing of Tour	1 day?	Thu 8/18/11	Thu 8/18/11	Marketing
0%	World Travel Mart	4 days	Mon 11/7/11	Thu 11/10/11	Greg Hung
9%	Launch	90 days	Mon 6/20/11	Fri 10/21/11	
25%	Firsthand Visit to Whistler	46 days	Mon 6/20/11	Sat 8/20/11	Team
0%	Sell Package to 10 people	18 days	Thu 8/18/11	Sun 9/11/11	Team
0%	Pre-Launch Whistler 10 people	17 days	Sat 8/20/11	Sun 9/11/11	Team
0%	Launch	45 days	Mon 8/22/11	Fri 10/21/11	Team

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