



INVESTMENT PROJECT

online travel platform

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The purpose of the project is to develop the complete infrastructure of online buy/sales system for the consumers of tourist services. The system should provide a possibility to compose, calculate the price, search and purchase tour packages and to quickly yield any important information. Tourism is a complex industry where end product may cover the whole country. Today the necessary and decisive condition of competitiveness and success for a tourism enterprise is its online presence which is not just about marketing but rather exercising its day-to-day business activities online.

The system will provide the following features:

- incoming tour operator will be able to compose a tour and calculate its price in a quick and flexible way
- tourist or a travel agency will be able to find a tour matching the required parameters – tour date, tour guide language, service level, price, visiting targeted places of interest, etc.
- finding additional hotels and most affordable air tickets – the system will provide the best flight dates
- getting information on the availability of hotel rooms
- possibility to put together your own tour with your own itinerary
- handy comparison table
- standardized way of tour description
- visualization of the tour itinerary on the map
- conducting market research
- tracking travelers preferences, their interests
- adjusting the feedback mechanism
- internet branding activities
- credit card payment system

At first the idea was to implement the system in Armenia, but considering that tourism industry growth rate in Armenia is quite low even in regional scope, it was deemed reasonable to create Armenia-Georgia regional online platform. Within the scope of the proposed project the global web resources will allow to join tour operators, travel agencies, airlines, as well as accommodation facilities under a single network which will make it possible to directly book accommodation in Armenia and Georgia. In a regional scale the project implementation will ensure dynamic and sustainable development – growth of the number of tourists, recurring visits, extended tours, equal distribution of the tourist flows throughout the region.

The estimated investments required to implement the project comprise \$1.151.000.

The project will require to implement a set of activities such as database creation, development of air ticket, railway travel documents, hotels and additional services booking automated system. Additional services include transportation services, visa arrangement, insurance, visiting museums, conferences, entertainment and fun events, etc. Further, the discussed product will be developed and implemented, including actions regarding product features maintenance, keeping and managing record of business activities accounting.

Investment project expenses

Expenses for estimation and purchase of the required equipment

N	Direction of work	Unit	Cost of unit of works (\$)	Scope of work	Cost of work (\$)
1	Payment of the contract of design of the system of automation				500 000,00
2	Acquisition server Database	Piece	25 000,00	2	50 000,00
3	Acquisition server Web	Piece	20 000,00	1	20 000,00
4	Acquisition server Sip	Piece	20 000,00	1	20 000,00
5	Acquisition of computers	Piece	700,00	6	4 200,00
6	Acquisition of multifunction printers	Piece	1 000,00	2	2 000,00
7	Acquisition of video cameras HD	Piece	1 500,00	2	3 000,00
8	Acquisition of IT-phones	Piece	200,00	6	1 200,00
9	Purchase of cupboard	Piece	1 000,00	6	6 000,00
10	Purchase of tables	Piece	500,00	16	8 000,00
11	Purchase of chairs	Piece	200,00	16	3 200,00
12	Contingencies				10 000,00
TOTAL					627 600,00

Product promotion and advertising expenses

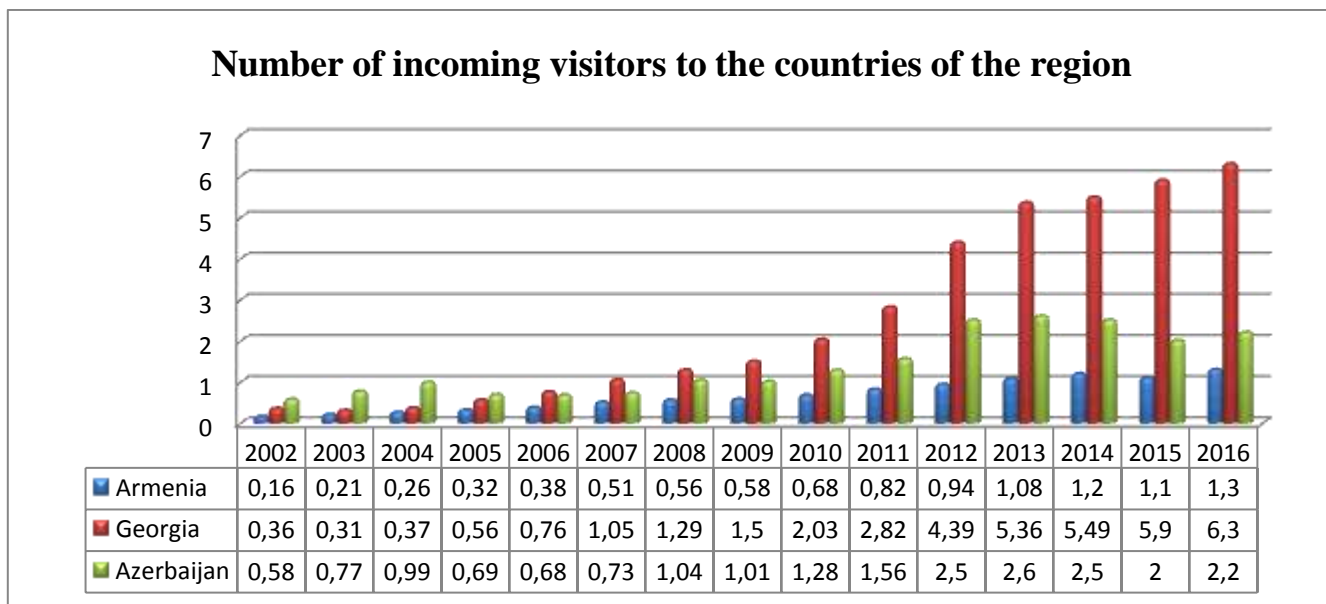
N	Direction of work	Quantity	Scope of work	Cost of unit of works (\$)	Cost of works (\$)	Cost of works per year (\$)
1	Area Rent	Piece	2	2 000,00	4 000,00	48 000,00
2	Advertising and promotions tours	Person	80	1 800,00	144 000,00	144 000,00
3	Travel expenses	Piece	5	500,00	2 500,00	30 000,00
4	Stationery and other expenses	Piece	10	200,00	2 000,00	24 000,00
TOTAL					152 500,00	246 000,00

Remuneration/salary expenses

Position	Quantity (person)	The actual regular payment in a month (\$)	Charges on incoming tax and social payment (\$)	Assessments to the wage bill per month (\$)	Total assessments to the wage bill per month (\$)	Total assessments to the wage bill per year (\$)
Director	2	1 800,00	450,00	2 250,00	4 500,00	54 000,00
Accountant	2	1 200,00	300,00	1 500,00	3 000,00	36 000,00
Operator of Database	6	900,00	225,00	1 125,00	6 750,00	81 000,00
Operator of Automation System	6	900,00	225,00	1 125,00	6 750,00	81 000,00
Office secretary	2	500,00	125,00	625,00	1 250,00	15 000,00
Cleaner	2	350,00	87,50	437,50	875,00	10 500,00
TOTAL					23 125,00	277 500,00

COMPANY TARGET MARKET

Despite having large development capabilities in tourism industry, Armenia's position in the market is quite modest while Georgia has been recording a steady dynamic growth of the number of tourists for the last few years.



The market accessible for the company comprises at least 20% a year of the tourist total growth number. Despite the decline of the growth rate of the number of tourists in Armenia in 2015, the regional growth rate in 2015 compared to that in 2014 was 510.000 persons. Twenty percent of this number makes 102.000 persons. Hence, the current business plan considers that within a year after the creation of the online system minimum of 102.000 persons will use its services with 20% / year further growth rate of the system consumers. Later, after 6 years from the website creation, the market will get stabilized and the growth will comprise 5% a year.

The average sum spent by the tourist for the relevant services is \$400-600. The company's commission fee will make 5% of the total sum. The market available for the company will yield \$2.240.000 (20.000per x 30\$, 82.000per x 20\$) within a year after launching the investment project. After that the market will grow for 6 years at a 20% / year growth rate. As mentioned, the market growth will stabilize later to make 5% a year. The company's earnings will be evaluated after subtracting annual expenses comprising \$523.500.

N	Year	Market available for the company in Armenia \$	Market available for the company in Georgia\$	Company revenue \$	Company earnings (EBIDTA) \$
1	2018	600 000	1 640 000	2 240 000	1 716 500
2	2019	720 000	1 968 000	2 688 000	2 164 500
3	2020	864 000	2 361 600	3 225 600	2 702 100
4	2021	1 036 800	2 833 920	3 870 720	3 347 220
5	2022	1 244 160	3 400 704	4 644 864	4 121 364
6	2023	1 492 992	4 080 845	5 573 837	5 050 337
7	2024	1 791 590	4 897 014	6 688 604	6 165 104

Company and project SWOT analysis

Strengths (S) <ul style="list-style-type: none">- availability of sufficient natural resources- availability of personnel capable to carry out large-scale projects- absence of direct competitors	Weaknesses (W) <ul style="list-style-type: none">- lack of sufficient financing- absence of experience in estimation of marketing expenses efficiency
Opportunities (O) <ul style="list-style-type: none">- entering new tourist markets or market segments (Iran)- expansion of services provided	Threats (T) <ul style="list-style-type: none">- new competitors entering the market

Investment project indicators

1.Net Present Value (NPV)- 14.535.000\$

2.Internal Rate of Return (IRR)-78%

3.Payback period - 2 years.

INVESTMENT PROJECT IMPLEMENTATION WORK SCOPE

The suggested project will unite, with the use of global computer network, travel agencies, tour operators, airline companies, as well as accommodation facilities into one technological network, which will allow to make direct reservations in accommodation facilities of different regions of Armenia.

It is expected to create a system equipped with convenient information retrieval system, allowing to answer in a few seconds almost to any question of a customer. Changes in rest houses and resorts shall be immediately reflected in the system. The information about the available rooms will be automatically updated after every reservation. The system must contain full information about airline companies, ticket agencies, railway timetables and metro maps, as well as information about car rent, etc. The system shall provide an opportunity of late deal or air ticket acquisition cheaper by 10-15%. It should be mentioned that the websites of Armenian travel agencies provide various information about Armenia and the offered tours; however, no on-line service is currently available. Within the framework of the investment project it is necessary to implement a set of measures aimed at necessary databases creation, development of air tickets, documents for train travel, hotels reservation process automatization system, as well as additional services. Within the framework of the present business plan additional services imply transport services, procurement of visas, insurance, excursions, museums, conferences, activities, entertainment, etc. It is planned to develop and introduce relevant software product, arrange software solution service, real-time and statistical accounting. It is worth mentioning that the investment project does not provide any revolutionary solutions, it just provides low-cost plans for the implementation of advanced solutions in travel business under the conditions of the Republic of Armenia.

In particular, in the world practice the technology of paper ticket online sales and its delivery to passenger evolved into ticket reservation and sales system via electronic clearing systems. Today electronic ticket (or e-ticket) implies digital form of a ticket, which is stored in the database of the transport operator. However, all operations with the traditional ticket (e.g. passenger registration) are recorded in the database, for which purpose information exchange takes place between the transport operator, the railroad station (airport and other entities). It is evident that the electronic ticket is beneficial both for the transport company and the passenger. The transport company cuts costs on reporting forms' purchase, development and storage, passenger direct service via Internet with no agents involved, finance turnover process acceleration due to sales outcome summary on a daily basis.

For the passenger this is an advanced service allowing to book and get travel documents right before leaving. In this case the passenger does not receive any ticket on a form but a printout which is very easy to recover in case of its loss.

Airline companies starting to apply e-ticket since the end of 1990s have been the first ones to introduce electronic travel tickets.

According to International Air Transport Association (IATA), up to 90% of transportation is sold by using electronic tickets in the USA, electronic ticket is used for 140 European routes, and since 2007 100% of European transportation has been carried out by using electronic tickets. The computer-based system under development must support the work of a number of ticket sales offices which are far from the head office in terms of location. Moreover, every office has its own set of transportation order, delivery and payment procedures and associated service.

Customer data support is one of the possibilities provided by the system, which allows to improve the quality and to cut down customer service labour intensity. It also provides the opportunity to conduct market researches and prepare a ground for conducting marketing actions.

The system shall consist of two subsystems: Middle-office and Back-office. The first subsystem is intended for sales business process automatization.

It is planned to develop in the similar way the system of train travel documents reservation and sales process automatization.

It is not until fairly recent that this technology has started to be applied for rail transport. Here are some examples of world practice: In 2003 the State Railway Company of Finland "VR" introduced on its website the e-ticket system. The passengers acquiring e-ticket via Internet can either print it from home computer or receive it on their e-mail address or mobile phone in the form of text message. Moreover, in the process of online ticket issuance it is the customer who enters the e-ticket ID number in the form of random sequence of digits from 4 to 10.

German railroads "Pie Bahn" also offer their passengers to acquire e-ticket via Internet and print it 10 minutes prior to train departure. The ticket is valid upon availability of a card by means of which the passenger will pay for the ticket (whether it is a bank card or "Bahn Card" German Railroads special card). French National Railways "SNCF" also has online e-ticket procurement system with printing by the customer. In case of loss of the ticket form it can be printed once again.

After the introduction of the mentioned system the user will have the opportunity to:

- choose the itinerary of travel, the departure date and the number of seats
- become familiar with the information about the service cost and travel document receipt time
- choose the train based on personal preferences and travel itinerary
- become familiar with travel itinerary of the chosen train
- learn the estimated cost of the journey
- find the carriage of the chosen train, proceeding from the requirements to seats
- if all journey conditions satisfy the customer, he enters his passport details (ID document details), necessary contact information and delivery information, if applicable.

The software solution for hotels, resorts, rest houses and even for whole hotel facilities provides the opportunity to upgrade reservation process and is intended for the automatization of partnership relations between the hotel and the tourist organization (tour operator and tour agent), it is also intended for cooperation with the end customer (tourist).

The automatization system includes the following components:

- Base module for reservation department managers which provides the following opportunities: allows to browse applications, confirm or cancel accommodation, introduce necessary changes, prepare reports on hotel room capacity loading level, lists of tourists, different accounting and statistical reports. It is possible to upload reports in the following formats: Microsoft Office, Open Office and Adobe Acrobat.
- Online reservation module for tour operators and travel agencies. They can make reservation in a few minutes which directly enters the database of the hotel. Besides, the partners can introduce changes into the application, see hotel's instant confirmation of the accommodation. There is also an opportunity to browse the available rooms, sales and payments suspension.
- Online management module. Online information module for hotels which allows to confirm reservations, manage seat blocks and form the list of tourists.

The offered software solution is an efficient system of hotel service promotion forming a unique information base. Online reservation module allows hotels to provide in real-time mode online accurate information about the lists and available rooms, their categories and status, accommodation periods and tariffs. Online information module allows hotel employees to manage reservations. Hotel data transfer delays are consequently brought to minimum. The hotel implements the management of all information flows and keeps under control the given sales channel, receiving information about online reservations. Later the automatization of travel agencies' business plans is carried out.

TRAVEL AGENCY AUTOMATIZATION UPON RECEPTION

The software solution is intended for automatization of travel agencies which serve tourists upon reception. Here all the phases of the technological process of the incoming agency should be taken into account: from price formation for tour operators to sales of excursions and statistical reports receipt.

- Hotel description, net prices, tour operators' prices calculation though markup.
- The prime cost of different types of rooms, accommodation variants, seasons and food types of hotels shall be allocated. To save efforts and time the software has price import wizard from MS Excel tables. The types of seasons and service charges are defined in different currencies and for different tour operators. The calculation program automatically forms sales prices for tour operators.
- Price-list formation for tour operators in MS Excel format.

- Special report forms a price-list in MS Excel format, by formatting its catalogue printout or e-mailing.
- Establishment of quotas of hotel accommodation: reservation accounting and control.
- Room blocks in hotels are entered. Later in the process of reservation the software automatically controls the remaining rooms and prohibits booking (or gives a recommendation not to make reservations depending on the access rights), when all rooms are booked. The visual control (Hotel reservation monitor) and special reports in MS Excel format will help the manager to deal with the current state of reservation.
- Ground service: services, transfers, excursions.
- Service guides allow to describe services (and their cost), provided to tourists right at the place of rest. The prime cost of excursions is formed from the prime cost of separate services, included in the excursion.
- Information guides: guides, drivers, buses.
- Additional reference books have been created for keeping a record of guides and controlling their commission fees, writing down the motor transport on the balance or for rent, assigning drivers to buses for transfer, etc.
- Execution of applications.
- The applications received from tour operators are entered in the program by means of "Application execution wizard". For every application a reservation form is drawn for the hotel. The received confirmation (or rejection) is indicated in the application and can be sent by e-mail to the tour operator in the form of reserved service payment bill. The applications can be sent to hotel in a common list in the form of "Rejection lists".
- Bills to tour operators control of hotels' bills, partners' balance.
- A record of the services (hotels, transfers, additional services) payment bills, submitted to tour operators, is conducted. Every bill can be printed separately or total sum can be prepared for control, e.g. on monthly results. The applications for which a bill is issued are closed for editing. The accountant can control the correctness of the bills received from hotels. The reference book "Settlement with partners" stores all incoming and outgoing payments, and a special report counts the current balance of every partner (tour operator, hotel, partners, providing additional services).
- Transfers planning and seating of tourists in the buses.
- Special reports and "Transfer formation wizard" will help to plan the transport of tourists from the airport to the hotel and back, as well as the trips and excursions. Every tourist is assigned to a particular bus with a driver and guide. The lists of transport are prepared for every bus, guide, as well as the lists for bus order in a third-party firm.
- Lists, reports.
- More than 100 output reports and printing forms allow to receive automatically different lists of tourists (for flight, tour, with distribution by rooms, for transfers and excursions), summary of balance sheet, statistical reports of hotels, tourists. Hotels, prices and reservation confirmations automatically enter tour operator's database and reservation applications (including flight details, additional services) enter the database of the incoming firm.

ONLINE FOR TRAVEL AGENCIES UPON RECEPTION

Online reservation is intended for online tour sales in real-time mode. Online module provides the opportunity to outgoing tour operators or travel agencies (partners) to learn a great deal of information about the services of the incoming company, namely:

- Calculate the cost of accommodation in hotel,
- Receive information about special offers,
- Receive information about the available rooms in hotels,
- Receive information of sales suspension in hotel

Besides, the partner can reserve the necessary tour very quickly. No special skills are required for doing this. All one need to do is to choose the accommodation, journey time and duration and order transfers, if necessary. One should only enter the surnames of tourists. The information appears right in the database of the incoming party, this means that the employees do not have to repeat the steps of the partners. Another useful function of Online reservation module is the opportunity of the partners to browse their executed applications, by using their access rights, right from the database of the incoming tour operator. One can learn

the confirmation status of applications, print necessary documents: bill, voucher. It will save a great deal of employees' time on answering and telephone call. In case of remote reservation module the partners do not need any additional software except for a browser. Online reservation base module includes the following sections:

- Authentication
- Applications
- Monitor of availability of rooms in hotels (Hotel monitor)
- Accommodation calculation
- Master of preparation of application
- Special offers
- Sales suspensions
- Balance sheet
- Requirements to servers

Additional modules:

- Hotel resource management online module
- Reservation online module for individuals
- Online module for registration of tourists at the airport
- "Tour Search" module
- Outgoing tour operator's resource management online module for the incoming party
- Hotel resource management online module

Hotel resource management module is intended for hotel managers the incoming tour operator works with. In order to work with the module hotel managers do not need any additional software, except for a browser.

The opportunities of the module:

- Processing of applications received from the incoming tour operator: In the section "Applications" the hotel manager can browse the list of all the applications received from the partner, confirm or cancel reservation of hotel rooms, browse the history of changes in the application, leave his comments regarding the application, as well as browse the comments of the incoming tour operator's managers. Settings can be performed in the system for the manager to receive by e-mail a notification in case of a new application or in case of changes in the existing one.
- Formation of the list of arriving and leaving tourist:
- In the section "Tourists' list" the hotel manager can type the list of the tourists and upload it in Excel format.

Room block management

- The hotel manager can change room block quantity in the section "Room block wizard" without the participation of the incoming tour operator.
- Online reservation module for individuals
- Online module is intended for reservation of hotel accommodation suitable for payment by international plastic card. The module consists of:
 - Accommodation cost estimate:
 - The individual can count the cost of accommodation in hotel.
 - Reservation and payment:
 - Selection of a hotel, room, food, accommodation and payment mode. Entry of data regarding tourists.
 - Application status display and document printing:
 - The tourist can print the invoice for payment and the accommodation voucher.

The installation of the given module requires conclusion of a contract with the authorized company. It is possible to have settings to receive confirmations from other companies providing the service "Internet acquiring". Online module for registration of tourists at the airport is intended for automatization of the process of registration of tourists arriving at the airport. The module includes:

- Registration confirmation/cancellation:

- Registration and registration cancellation, information about transfer (transfer type, bus number, guide's name). The system allows to register tourists by reading the bar code of the voucher.
 - Information about the arriving flights and the list of the tourists of flights. Flight information display in certain time interval, lists of the arriving tourists, grouped in alphabetical and flight order.
- "Tour search" module.

The module is intended for searching accommodation price according to previously calculated price catalogue. The module consists of two parts:

- ✓ For legal entities (tour operators and travel agencies):

The page is available after authentication. The installation requires Online base module installation.

- ✓ For individuals:

The page is publicly accessible. Additional module installation is required before application reservation: Reservation online module for individuals.

Additionally there is a tour instant search form which must be allocated in the existing site.

Outgoing tour operator's resource management online module for the incoming party.

As an addition to the base module, incoming tour operator's online reservation there is an additional module intended for outgoing party resource management. It should be allocated in the site of the outgoing operator. In this case the agencies will take it for outgoing operator's module though in reality they will work directly with the database of the incoming tour operator. Outgoing tour operator's resource management module consists of:

- Administration system which provides the following opportunities:
- Price classifier management;
- Account record management for agency's server access;
- Different orders (services) commission fee management;
- Air tickets, insurance policies, visas price management;
- Flight seat block management;
- New application receipt notification signup.
- Agency part allowing agencies to make reservations at the prices of the outgoing party.

Automatization process for additional services comes next.

By offering new strategic approach to travel product formation, which can be described in terms of greater flexibility and attraction for the consumer, we would like to mention the following. Travel services direct sales to consumers is described, firstly, in terms of time flexibility, secondly, in terms of independence from travel agency's preferences, and, thirdly, in terms of the possibility to compare the price and quality of the offered services. For the suppliers the attractiveness of the direct sales of services, not counting travel agencies and tour operators, consists in reduction of operating expenses incurred upon sales of travel product. Tour operators provide travel products consisting of several types of services: hotel accommodation, flight and additional services. The consumer can acquire all this directly from service suppliers, but the main value which the tour operator traditionally adds to the separate services, is formed by the following components:

- combination of several services into single travel package
- information access provision;
- provision of reservation, payment and necessary documents execution;
- best price offer for bulk purchase;
- provision of certain guarantees in case of a conflict with service suppliers.

The majority of travel products can be potentially replaced by more flexible service scheme in case of which the consumer starts to combine different components of traveling. Tour operators must be a marketing company, rather than a producing one.

Purchase of certain travel package requires from the information system creation of a number of separate positions for every segment of travel product. In order to meet these requirements the reservation process must consist of two steps: First, the sales and confirmation of the activity of every separate service; and, secondly, the confirmation of the activity of the service range.

The information system must store the data of the suppliers of every service to be acquired. The sales prices and the supplier's prices must be calculated automatically by the system on the basis of different established rules. In case of unavailability of a certain service through tour operator or his information system, the customer must have the possibility to use other purchase modes, i.e. it is necessary to have online connection with the internal system of the service supplier or with reservation computer system. Electronic networks are an important data transfer channel used by a growing number of organizations. However, travel agencies still do not use all the possibilities offered by the electronic network. Additional service module is intended for tour operators and allows to place up-to-date information about prices and vacant rooms. An opportunity to search and reserve in real-time mode with tour selection and tour cost calculation.

- Prepare tourist's documents: voucher, insurance policy, questionnaire for procurement of visa, trip sheet, etc;
- Partners' application preparation for buyers' (travel agencies') reservation and confirmations;
- Accounting of buyers' payments and settlements with partners for the provided services;
- Summary reports and lists formation: for transport and insurance companies, for Embassies, restaurants, museums and entertainment centers;
- Statistical analysis;
- Flexible pricing model: tour operator's commission fee in terms of percentage and money, brokerage;
- The convenient search and selection of tour allows the agency to find and reserve promptly a tour meeting customer's requirements. After reservation the application automatically enters tour operator's database, this means that tour operator's employees do not have to repeat the work of the agency. An important function of the online module is the fact that the agency can always check the status of its applications. It releases tour operator's employees from a great number of calls from agencies;
- Registered agencies can place on their sites tour operator's search mode for private individuals to carry out reservation and search. The application made from the agency site will be sent to him by e-mail with full information about the journey and the buyer;
- Tour operator can form price-lists in MS Excel format with hyperlinks to price catalogue. In this case the agency, after having found the needed price in the file, just clicks on it and opens the section of application execution. All data about the selected tour have already been filled in and all that remains is to enter the surnames of tourists;
- An opportunity to book crossing tours (accommodation in several hotels with several flights);
- Create a single settlement system with tourists, unite all associated directions into one information monetary space;
- Effectively manage individual work with tourists (subscribers, club cards), provide flexible management of discount and bonus policy;
 - Plan and account corporate events.