Virtual Travel Guide

Team #VTG

May 2018

VTG.GO

Executive Summary
Your way to explore the world!!!

Contact Information
VTG.GO

123 Addison Avenue

Palo Alto, CA 94301

Industry
Travel
Online Travel Bookings

Development stage
Startup in product definition and development

Year founded
2018 out of ELP2 incubation

Number of Employees
6

Funding Opportunity
$1,500,000

Use of Fund
70% Product Development
10% Marketing/Sales
10% Operation
10% Legal/Other

Current Monthly Burn Rate
$50,000

Current Monthly Revenue
$0

Existing Debt
$0

PITCH
Imagine a world where your vacation plans can be tailored to your taste and booked at the convenience of your fingertips. VTG.GO app makes this a reality by applying artificial intelligence, analytical insights based on your past explorations and big data analysis to provide a curated plan that is contextual and exciting to you at most comfort.

PROBLEM/OPPORTUNITY
Today, to book a pleasing and satisfying vacation, a family would have to sacrifice money and / or time to book a vacation.

SOLUTION/PRODUCT
VTG or Virtual Travel Guide provides a platform and App to customers to explore the world with ease, confidence and reliability of a traditional travel agent, but at a fraction of the cost. Using the platform, we are also converting and powering the dormant local travel guides to help consumers directly and develop a cottage industry to enhance consumers travel experience.

POTENTIAL RETURN/REVENUE MODEL
VTG team is confident in creating a sustaining business that provides for our customers' delight and creates an enduring value to its investors. The business model is developed such that, in 5 years, VTG could serve 1.6 Million customers powering upwards of 2 Million trips generating $74 Million in revenue at 41% margin, with a healthy product mix and multiple streams of revenue by funding

continuous product innovation, research and development, while engaging and partnering with broader travel industry via alliances and collaboration.

COMPETITION

There are multiple players in the market without any lead or compelling and cohesive product that can help consumers in the same way VTG plans to. In the future, we expect the existing companies to follow VTG, but, starting with our innovative business model, we plan to keep the lead by invigorating the platform by the latest AI and accumulated data to drive the insights.

EXECUTION PLAN/GO TO MARKET STRATEGY

VTG plans to invest the first year for product definition, development and market research and engaging in early customer trials via an alpha, beta and general availability plan. In the 2nd year of the business, VTG plans to partner with existing industry players, and local merchants to establish our footprint.

FINANCIALS

VTG needs funding in 3 rounds totaling $16,500,000. That would enable us to develop 3 different product lines to pioneer a new paradigm in the travel industry and to achieve the potential to capture $74 Million in revenue at 41% margin in a market with $3.7 Billion TAM.

THE TEAM/RELEVANT EXPERIENCE

VTG has assembled a stellar team that has close to 100+ year of cumulative years of experience in developing market leading products in both consumer and enterprise spaces.
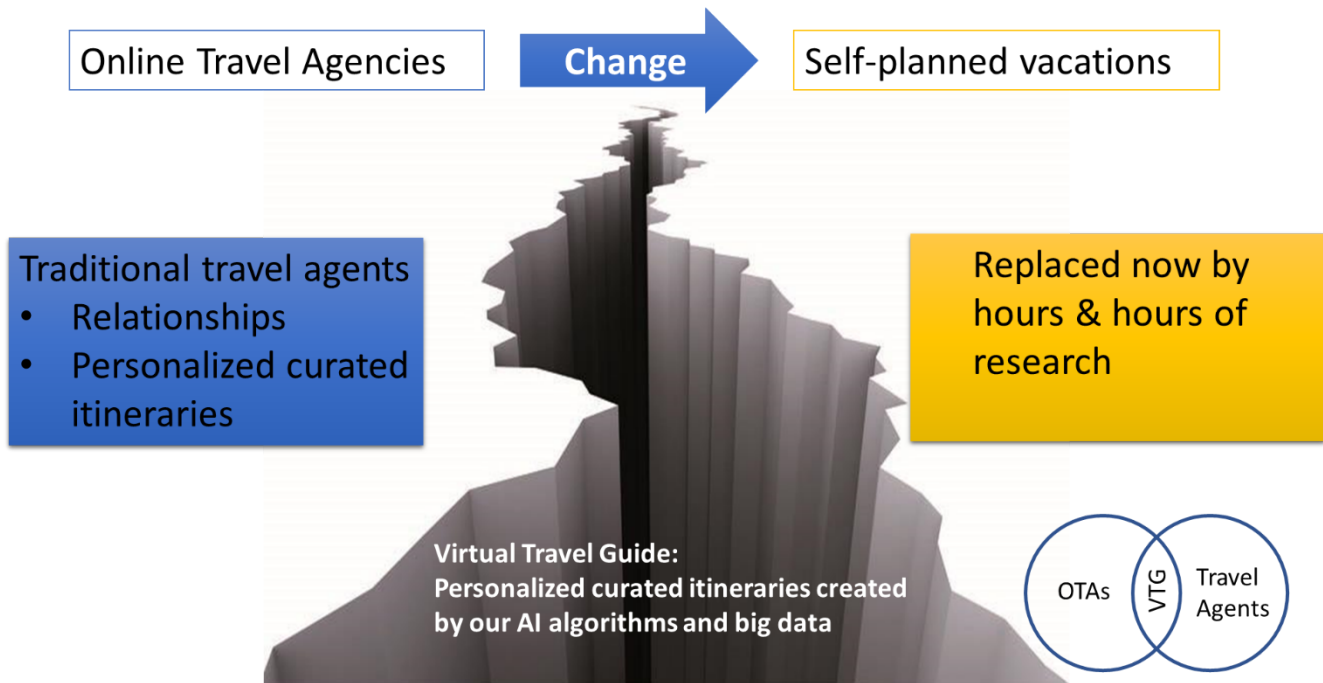
Figure 1

<u>Why do we need a Virtual Travel Guide? (VTG)</u>

With the advent of online travel agencies (OTAs), such as Expedia, more and more people are doing their own vacation planning. This has replaced the traditional travel agents. In many occasions, these agents formed a lifelong relationship with their clients, they knew their likes and dislikes and could plan highly personalized itineraries based on this connection. That role is now replaced with many hours of research. This is where our venture, Virtual Travel Guide (VTG), comes in. Our VTG engine uses AI algorithms and big data to come up with personalized curated itineraries, similar to what a traditional travel agent could do. VTG is essentially the cross section of OTAs and traditional travel agents, creating an opportunity for us.

Travel Industry Trends and VTG Opportunities

- More customized experiences:

Active & Adventure Trips   Food Tourism   Responsible Tourism   Mobile Photography

- Millennials, Age 20-35, leader in online research and booking

Icons from www.iconfinder.com/

Figure 2

Here are our findings from researching trends in the travel industry:

1. Travelers are looking for customized travel experiences. Adventure and active trips are popular: Hiking trips, biking trips and Safaris.
2. People are interested in food tourism: They want to attend local cooking classes, farmers markets, farm tours, they want to make connections the local people and traditions.
3. Responsible tourism is important: Travelers care about the impact of their travel: including social, economic or environmental impacts, on the local community.
4. Sharing their experience with friends and family is here to stay. Travelers use mobile photography and social platforms extensively when on vacation.
5. Millennials have only used the internet to research and booking their travel. They grew up without brick and mortar tour guides.

A survey was sent to friends and class members to help confirm these trends. From 35 responses we learnt:

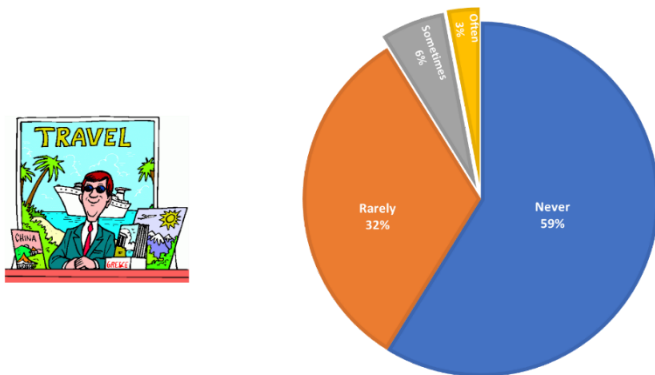**Survey: Your vacation style?**
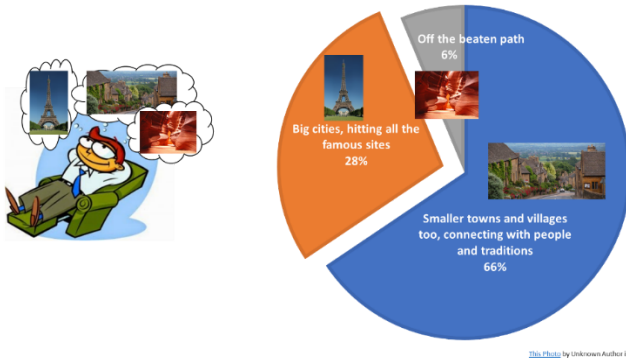
The majority, 66%, like to go to smaller towns and villages, which requires a more complex itinerary.
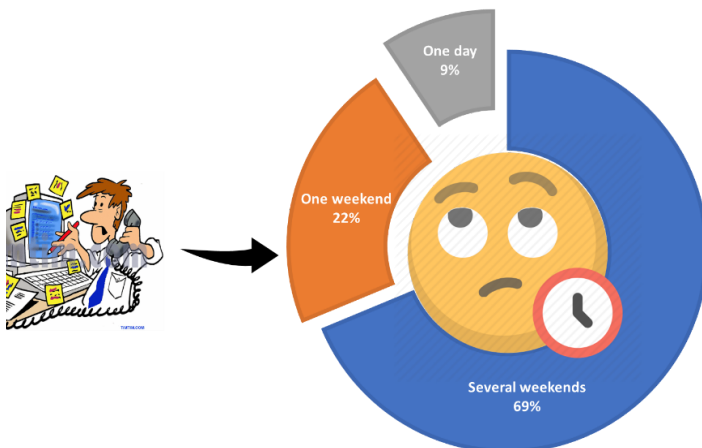
Figure 3

Survey: Do You Use a Travel Agent?

91% said they never or rarely use a travel agent

Figure 4

Survey: Time Spent to Plan Vacations!!

We then asked the time they spend to plan their vacations. 69% said they spend several weekends

Figure 5

VTG Platform Features
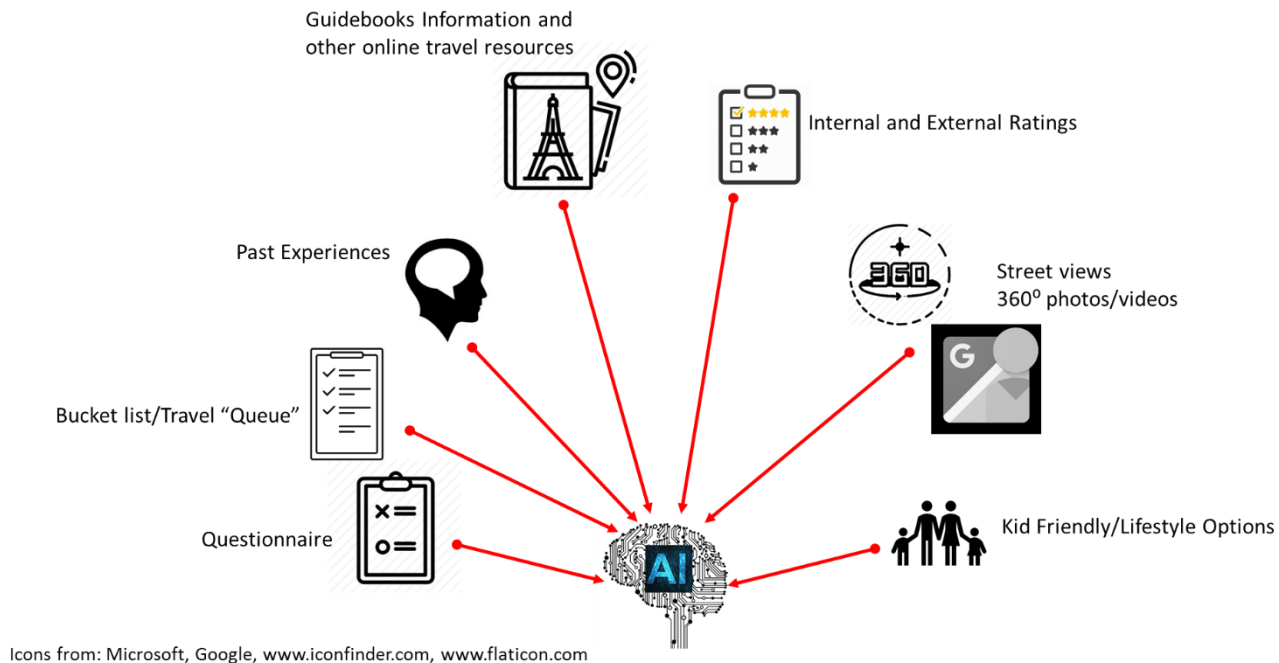
Figure 6

We believe VTG can provide value we can monetize by giving people back time and providing many travel options tailored to their requirements.

The VTG AI engine uses several inputs to make recommendations including:

1- User questionnaire which captures likes, dislikes and interests.
2- Users "bucket list" of places that they want to visit.
3- Data from past experiences and itineraries that they liked or disliked.
4- Online travel guides and resources.
5- Internal and external ratings
6- Visual data including street view and videos
7- Lifestyle options and kid friendly requirements
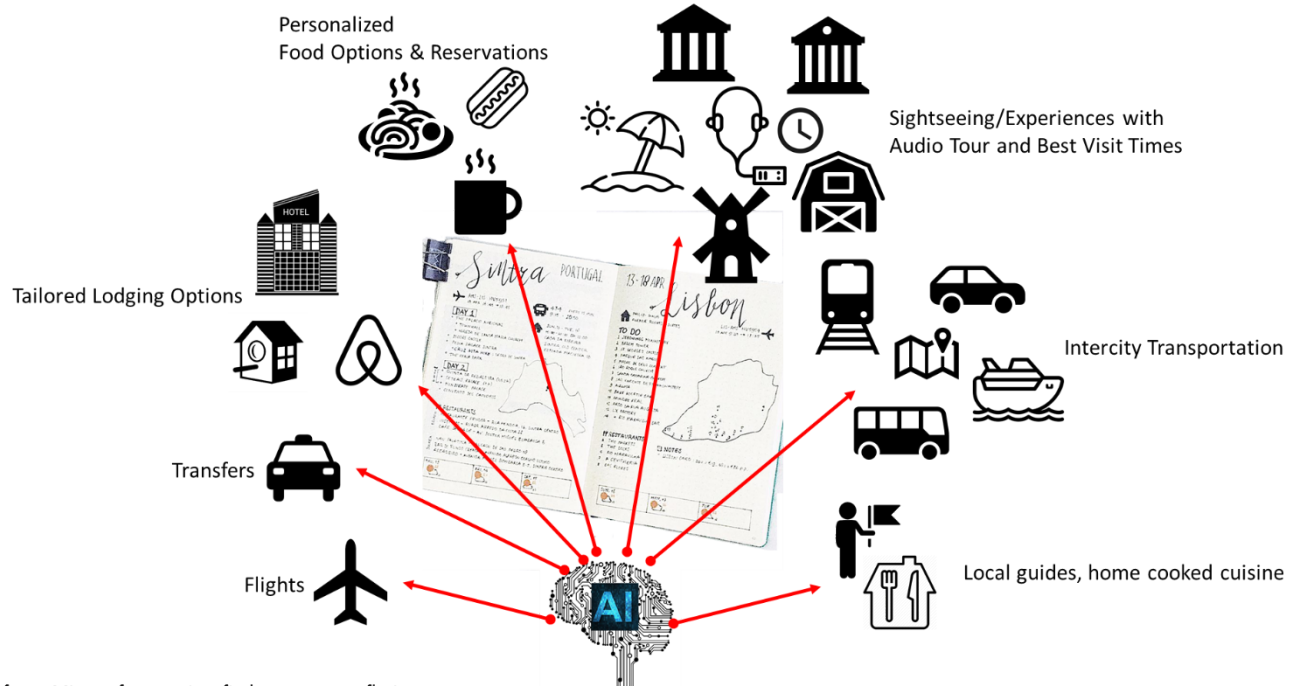
Figure 7

Our AI engine then recommends a full itinerary, which includes:

1- Flights
2- Transfers
3- Tailored lodging options, such as hotels, Airbnb and HomeAway.
4- Suggestions for personalized food items, restaurant reservations, and various other food experiences.
5- Sightseeing and experiences, last minutes visit times and audio tour in our App.
6- Intercity transportation modes, car rental, train, bus or a ferry.
7- Uber for local travel agents: Connect them with vacationers
8- Detailed daily itinerary which can be adjusted during the vacation.

Figure 8

As part of our research into our venture, we performed a competitive analysis. We looked at all the companies listed in the figure above. Only the 4 highlighted in red had features similar to our VTG product.

VTG vs Competition

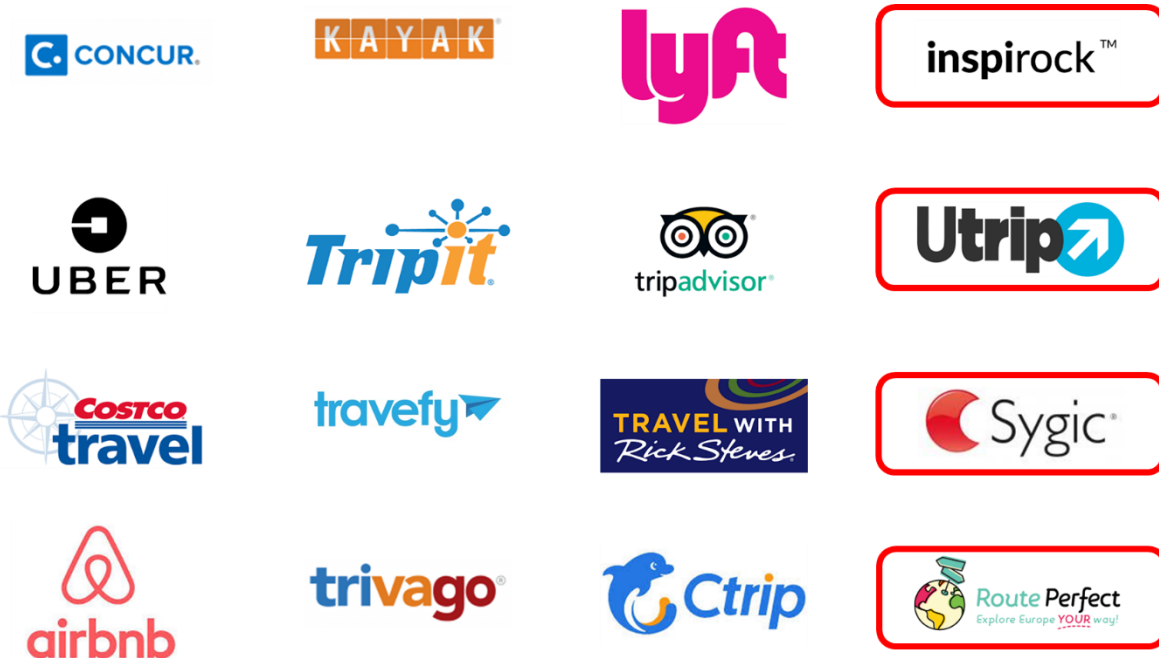| VTG Features	Utrip ~1,000 cities	inspirock™ 150,000 cities	Sygic xxx cities
Coverage	●	●	
Personalized based on interests	●	●	
Kid friendly options	●	●	●
Travel Transfers	●	●	●
Daily Itinerary	●		
Maps	●		
Self guided audio			

● Full support
● Partial support

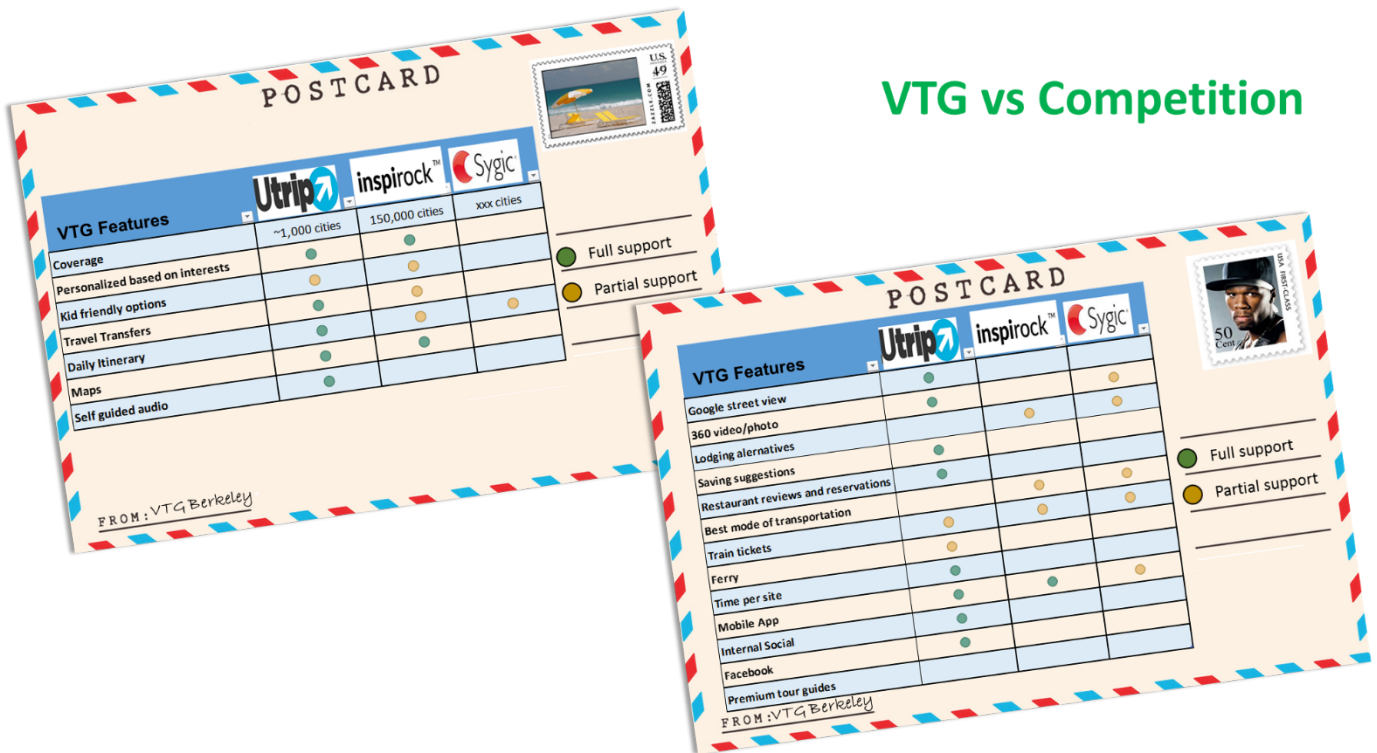| VTG Features	Utrip	inspirock™	Sygic
Google street view	●		●
360 video/photo	●	●	●
Lodging alernatives	●		
Saving suggestions	●		●
Restaurant reviews and reservations		●	●
Best mode of transportation	●	●	
Train tickets	●		
Ferry	●		●
Time per site	●	●	●
Mobile App	●		
Internal Social	●		
Facebook			
Premium tour guides			

● Full support
● Partial support

Figure 9

The table above details which VTG feature are supported in the 3 strongest competitors. No company had all the features and many only had partial support for features.

An analysis of their business models revealed that even though many of them were funded many years ago, employees head count and growth had stalled. Each company appeared to be using a traditional OTA business model.

The barrier to entry of this business model made this business model unattractive for VTG.

Business Model

Phase 1   Phase 2   Phase 3

SUBSCRIPTION MODEL   SHARING ECONOMY   B2B
(Website + App)   (App)   (Website)

Free One Month Trial   Connecting local freelance tour   Insights from user data to help
(Planning for one trip)   guides and experts to vacationers   marketers use the platform

Premium Subscription Plans
$5.99 per diem
$99 per year

Figure 10

The business model we created breaks in 3 phases:

Phase 1:

Subscription model, through website and app. We will offer free one-month trials; which people can use for planning one trip. We will offer 2 premium subscription plans priced at:

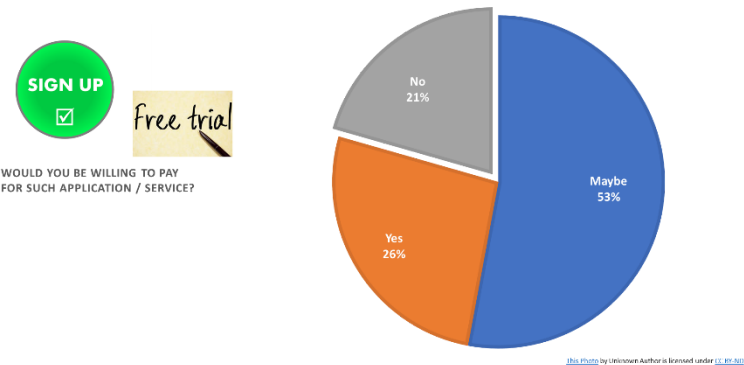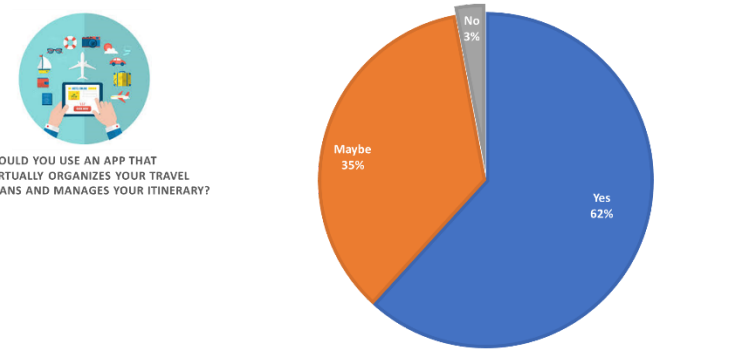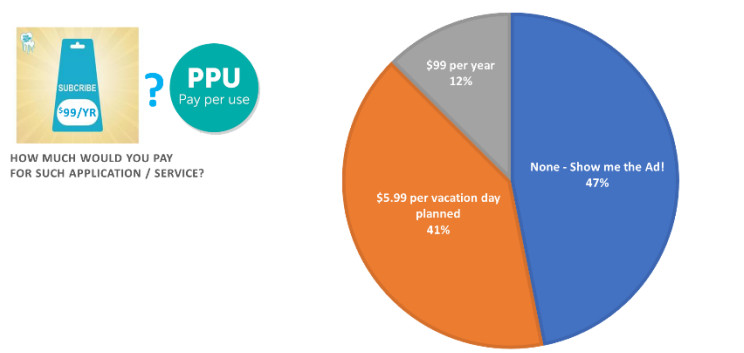1- $5.99 per vacation day planned; or,
2- $99 flat fee annually

Phase 2:

In this phase we connect local freelance tour guides and local experts with vacationers. An analogy would be Airbnb or Uber, but for local travel experiences.
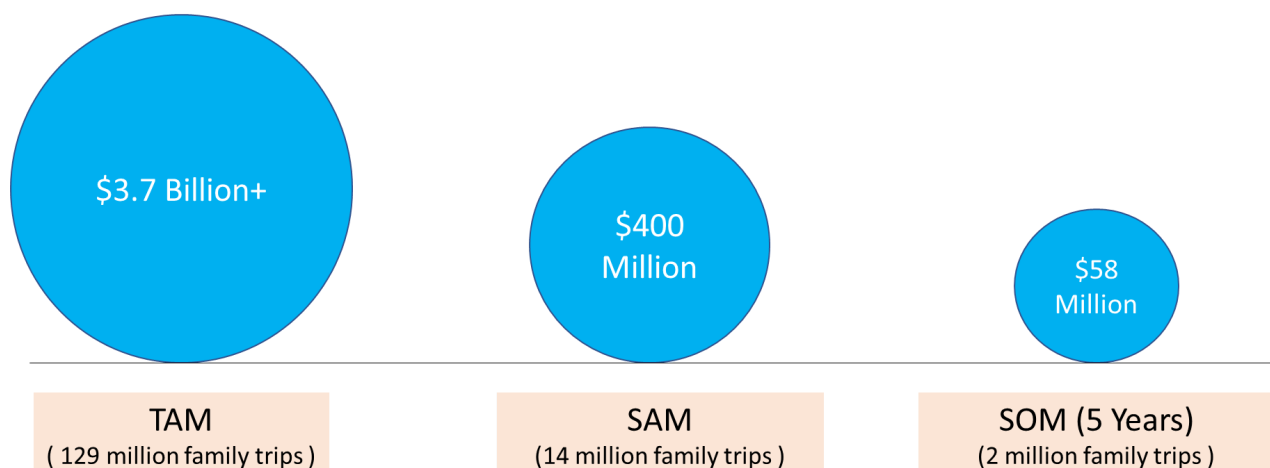
Phase 3:

B2B – leverage insight and data from our platform to sell targeted marketing

The survey previously discussed was used to help validate our business model

Market Validation – Phase 1 Figure 11	97% responded maybe or yes when asked if they would use a product like VTG
Market Validation – Phase 1 Figure 12	When asked if they were willing to pay for such a product, 26% said yes, 53% said maybe.
Market Validation – Phase 1 Figure 13	The most popular plan was the $5.99 per vacation day planned, at 41%.

72% of people said they would use the features introduced in phase II of the business plan where we connect them to local tour guides and experts. The same percentage are willing to pay for local people to accompany them to restaurants and other local experiences to introduce them to local culture and traditions. A smaller percentage, 52%, said they are willing to go to local's houses to experience local home cooked cuisine .

Target Market and Size

$3.7 Billion+	$400 Million	$58 Million
TAM (129 million family trips)	**SAM** (14 million family trips)	**SOM (5 Years)** (2 million family trips)

Sources - US Travel Association (https://www.ustravel.org), Census Bureau, AAA

Figure 14

This figure above shows the TAM (Total Available Market), SAM (Serviceable Available Market) and SOM (Serviceable Obtainable Markey) for VTG, based on the US market.

Based on US Travel Association's data, there are currently 1.7 billion person-days of trips by US residents every year. Given average family size of 2.64 (Source: US Census Bureau) and average trip duration of 5 days (Source: AAA), we arrived at the above figures for the total trips. For revenue, we assumed the mix of payment options based on our survey results

For SAM, we then assumed 20% of travelers might have the need for our service, using an annual income threshold of $100K (Source: US Census data). We also factored in the percentage of paying customers based on our survey.

For SOM in 5 years, we assumed we can penetrate 15% of our SOM.

Go-To-Market Strategy

Figure 15

We are planning to get our name out by using social networking platforms and other avenues, such as travel shows. To build our customer base, we will rely on many users to convert to paying customers after the free trial period based on their wonderful experience. We will also include programs such as referral bonuses and loyalty rewards. Over time, we will also form partnerships with local restaurants, tourism bureaus, OTAs and travel share sites.

Build up Strategy

	Product development / Market testing	Product development / Market testing	Alpha	Beta	Close of Year 1	Close of Year 2	Close of Year 3	Close of Year 4	Close of Year 5
Growth =>	0	0	500%	400%	225%	230%	140%	130%	125%
Time Frame =>	Y1Q1	Y1Q2	Y1Q3	Y1Q4	Year 1 Totals	Year 2 Totals	Year 3 Totals	Year 4 Totals	Year 5 Totals
SOM for Trips	0	0	500	2,000	2,500	99,498	467,459	1,452,273	3,812,966
Per Diem Trips	0	0	200	800	1,000	39,799	186,984	580,909	1,525,186
Full Yr Subscription Trips	0	0	63	250	313	12,437	58,432	181,534	476,621
Trips Powered by VTG.GO	0	0	263	1,050	1,313	52,236	245,416	762,443	2,001,807
Per Diem Revenue	$ -	$ -	$ 1,198	$ 4,792	$ 5,990	$ 238,396	$ 1,120,032	$ 3,479,646	$ 9,135,867
Full Yr Subscription Revenue	$ -	$ -	$ 6,188	$ 24,750	$ 30,938	$ 1,231,283	$ 5,784,807	$ 17,971,878	$ 47,185,457
Revenue from Shared Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 510,000	$ 1,340,000
Revenue from B2B (Monetizing insights)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,443,417
Total Revenue	$ -	$ -	$ 7,386	$ 29,542	$ 36,928	$ 1,469,679	$ 6,904,839	$ 21,961,524	$ 74,104,741
Number of Clients (Userbase)	-	-	216	863	1,078	42,908	201,592	626,293	1,644,342
Clients acquisition cost / (Sales & Marketing)	$ -	$ -	$ 5,175	$ 20,700	$ 25,875	$ 1,029,800	$ 4,838,202	$ 15,031,025	$ 39,464,200
Number of employees	2	3	4	6	6	8	12	17	30
Compensation Expenses	$ 75,000	$ 112,500	$ 150,000	$ 225,000	$ 562,500	$ 1,125,000	$ 1,500,000	$ 2,325,000	$ 3,825,000
Platform / Backend / Infra charges	$ 30,000	$ 15,000	$ 15,000	$ 15,000	$ 75,000	$ 100,000	$ 140,000	$ 160,000	$ 200,000
Legal Advice	$ 20,000	$ 7,000	$ 7,000	$ 7,000	$ 41,000	$ 28,000	$ 28,000	$ 31,000	$ 40,000
General & Administrative expenses	$ 25,000	$ 10,000	$ 10,000	$ 10,000	$ 55,000	$ 40,000	$ 48,000	$ 70,000	$ 114,000
Total Expenses	$ 150,000	$ 144,500	$ 187,175	$ 277,700	$ 759,375	$ 2,322,800	$ 6,554,202	$ 17,617,025	$ 43,643,200
Gross Margin					-	-		19.78%	41.11%
Gross Profit	$ (150,000)	$ (144,500)	$ (179,790)	$ (248,158)	$ (722,448)	$ (853,121)	$ 350,637	$ 4,344,499	$ 30,461,540
Funding	$ 1,500,000	$ -	$ -	$ -	$ 1,500,000	$ 5,000,000	$ -	$ 10,000,000	$ -
Treasury	$ 1,350,000	$ 1,205,500	$ 1,025,711	$ 777,553	$ 777,553	$ 4,924,431	$ 5,275,068	$ 11,762,144	$ 42,223,684

Figure 16

Here is our build up strategy, which includes:

- Our projection of the number of our clients and the total revenue resulting from that.
- Our costs, including fixed and variable, such as employee build up and compensation expenses and also CAC.
- The last highlighted row shows our funding needs. We have considered our startup costs and for later, the ability to scale our business without running out of cash.

We are going to spend most of our first year focusing on developing the best quality VTG engine, engaging in market research and getting feedback from early adapters, rather than relying on any significant revenue. Our strategy is to have the best quality roll out, such that we can wow our customers from the beginning. This will help us build up our customer base exponentially based on referrals and word of mouth.

We are asking for $1.5 Million initial investment to start us on our path. We will have significant milestones in our timeline for our next rounds of funding.

Financial Projections

VTG Profit & Revenue Growth Over 5 Years

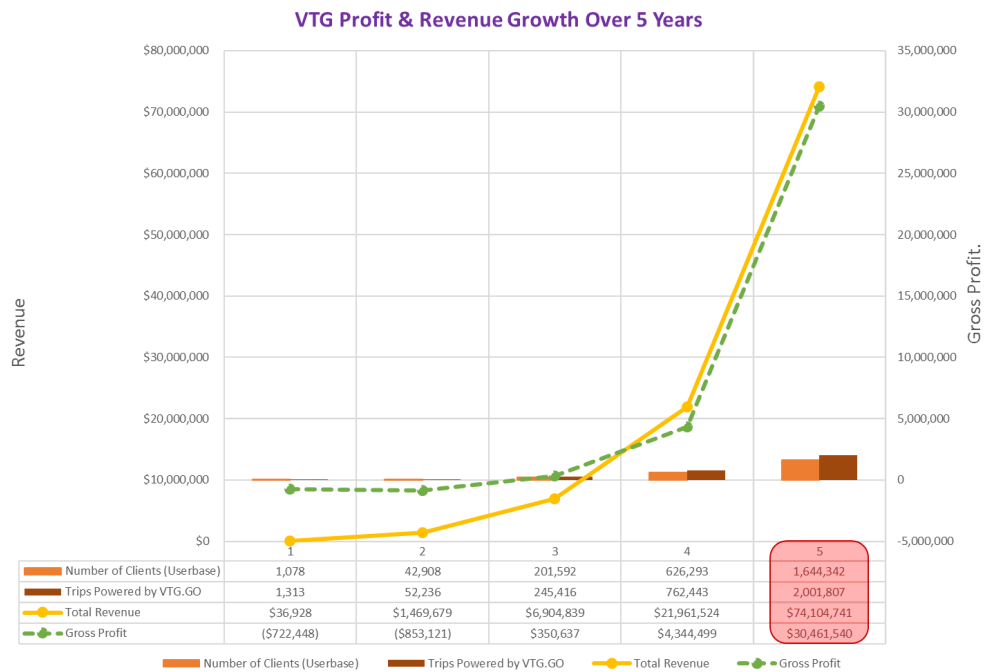|	1	2	3	4	5
Number of Clients (Userbase)	1,078	42,908	201,592	626,293	1,644,342
Trips Powered by VTG.GO	1,313	52,236	245,416	762,443	2,001,807
Total Revenue	$36,928	$1,469,679	$6,904,839	$21,961,524	$74,104,741
Gross Profit	($722,448)	($853,121)	$350,637	$4,344,499	$30,461,540

Figure 17

Finally, this figure shows our profit and revenue growth over the first 5 years. We are highlighting our number of clients, total trips powered by our engine, total revenue and profits. This curve shows our exponential growth based on our roll out strategy. Our margin will be a healthy 41% at the end of the 5th year.

Contact Information

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