UTEA PORTAL

APRIL 2, 2003

UTEA INFORNETICS

FIRST DRAFT, APRIL 2, 2003

OVERVIEW

The UTEA INFORNETICS is one of the key elements of the UTEA franchise contract. The UTEA franchisees are typically small, spatially scattered businesses. By becoming the members of the UTEA INFORNETICS, the franchisees are given the advantages of some of the key technologies which would otherwise be inaccessible to them (too expensive, infeasible or unknown).

In this document we briefly outline the functionality of the UTEA INFORNETICS and make the first steps towards analyzing its value as an investment.

FUNCTIONALITY

The UTEA INFORNETICS gives six key advantages to its franchisees:

1. UTEA ontology, which is really a definition of the business and its know-how.

2. Attractive Web presence and visibility.

3. State-of-the-art Web pages, artistically designed, using latest XML and media technology.

4.   Internet-based sales and business process integration.

5. Customer relationship management (CRM).

6. Topic maps-based navigation and event scheduling.

UTEA ONTOLOGY

An "ontology" is a word borrowed from philosophy and used in artificial intelligence (knowledge representation) in a slightly different meaning. An "ontology" is a terminology and more – it defines the main concepts in an area and their relationships. Knowledge representation is this: You take an expert and get his knowledge and represent it. An ontology is the central element for this.

The key element of UTEA franchise agreement is the ontology which defines the main concepts of the business, and the main rules of the trade. The point is that there are some main categories along which things can be authentic or interesting, and which need to be specified in each and every destination. (end of inserted sketch)

ATTRACTIVE WEB PRESENCE AND VISIBILITY

Imagine that you are a small, family-owned hotel in the middle of Norway. Even if you have the most attractive Web site, how will the prospective customers ever find it?

Imagine now the UTEA alternative. It is a single site, offering a world-wide Internet "travel", while still sitting in your room. On the UTEA Portal one finds not only all kinds of interesting, exotic places, but also fanciful activities, as well as real cultural experiences. For a real traveler,

what could be a better repose after a day's work than to visit the UTEA portal and browse and dream about the places one would visit. The portal is skillfully made so that it provides a real authentic travel experience, as much as Internet can do that.

STATE-OF-THE-ART WEB PAGES

You are again a small authentic tourism business. Can you invest into state-of-the art Web design, including both artistic visual design and fancy new technologies? The chances are that you cannot. In comparison with the sites of your big hotel competitors, your Web presence is always going to look cheep. How can you then ever sell your services for the price which they truly deserve?

Once you have signed the franchise contract, UTEA will give you its template package and professional help to customize them. The templates are based on the XML, which makes them easy to customize, adapt to the authentic expression of every member. The programming effort does not need to be duplicated.

INTERNET-BASED SALES AND BUSINESS PROCESS INTEGRATION

One of the main ideas here is that even though an UTEA destination consists of many specially distributed units or *members,* it should still function as smoothly as a unit as a large hotel does. Is this really possible? Just imagine all sorts of billing and scheduling problems that can arise.

The UTEA Portal makes it all easy by using the XML-based business process integration. All the messy book keeping stuff is automated. The franchisees can relax and focus on making their customers happy.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Imagine that you are a potential customer. Yes, you would like to visit some of those exotic, authentic places. But can you risk taking your family there for a vacation or your business partners for an incentive trip and having a miserable experience?

The UTEA Portal allows you to become a part of the large UTEA family of world-wide authentic travelers. You can read there what other people who have visited the place thought about it. You can talk to them in the UTEA chat room. You can find people to share the travel with you and the expenses. There you can even find new friends, people who share your interests.

TOPIC MAPS-BASED NAVIGATION AND EVENT SCHEDULING

You have decided to travel to one of those attractive UTEA destinations. How will you find out what to do there? Yes, there are all sorts of attractive places to visit and things to do. But where will you actually go? And when? And how will you find out whether there are free spaces exactly there and then? You don't want to spend half of your holiday on the phone! If you go to a hotel instead, everything is so easy.

The UTEA Portal uses the topic maps technology to help you find exactly what you need. You can specify your and your families interests, and the portal will guide you exactly to the right places. Within the destination, and also world wide. The portal will also do all the reservations and scheduling for you. You will have all the advantages of authentic travel, and almost as conveniently and easily as if you were going to a hotel.

This is an initial, very conservative and rough estimate, just enough to give us an idea of the numbers involved. In what follows we assume (conservatively) that the UTEA Portal costs $ 1 million as an investment, that UTEA has ten destinations and that each destination has ten member businesses. There are three ways how UTEA Portal can earn money:

1. By collecting the fees from the leasing agreement.s made as a part of the franchise agreements with the destinations and members.

2. By collecting the percentage from each transaction made with the help of the portal.

3. By benefiting from the sales of the software components.

LEASING FEES

Assume that each destination contributes the $10 000 yearly portal leasing fee. That means, only $1000 per year for each member business.

Under these very conservative assumptions the UTEA collects $100 000 per year on leasing fees, which is 10% of the value of the investment.

TRANSACTION FEES

Assume that the UTEA Portal charges 1% for each transaction made by using the portal. Assume (conservatively) that 1000 transactons are made per year for each destination, and that an average transaction is worth $1000.

Under these assumptions UTEA collects $100 000 per year on transaction fees, which is 10% of the value of the investment.

DIVIDENTS FROM THE INVESTMENT INTO SOFTWARE COMPONENTS

The UTEA Portal investment is an investment into computer software. Software is the kind of product which can most easily be copied and reused, especially if it is designed in terms of reusable components. In the case of UTEA Portal we are talking about extremely attractive components, which use state-of-the-art technologies for Web design and business process integration. This gives us a whole new venue of drawing dividends from the UTEA Portal investment.

UTEA franchise commissions a company called Polyscope to create the UTEA Portal software, under the condition that the components resulting from the portal are owned 50% by the two companies. In this way, 50% of the UTEA expense on software development becomes immediately an investment into a highly attractive startup. The Polyscope proceeds to develop and market software based on the existing components, paying to UTEA 50% of the fraction of the dividends that are the result of the reuse of the components.

Assume that the Polyscope makes $ 1 million per year revenue on component-based software and that 10% of this revenue is paid to UTEA for component reuse. This gives again 10% of the value of the investment per year to the UTEA Portal.

SUMMARY

Under the specified conservative assumptions the yearly dividends paid by the UTEA Portal to its investors are as specified in the following table:

Dividend source	Dividents per year	% of investment
Portal leasing	100 000	10 %
Transaction fees	100 000	10 %
Component sales	100 000	10 %

We can now look at these numbers and try to get more precise and realistic estimates.