

GRADUATE SCHOOL OF BUSINESS STANFORD UNIVERSITY

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KAREN BROWN

In July 1999, Karen Brown was at her desk contemplating whether to accept a proposal from a major online travel site. This site would expose her name and content to millions of users, but putting all her content on the web for free would cannibalize her book business. As more people turned to the web for travel information and to book flights and hotels, and as other travel publishers placed their content on the web, Karen decided that she needed to use the web to maintain and build her business. She had already invested \$30,000 in her own website, but most visitors already knew about Karen Brown's Guides. She needed to attract new customers and wanted to improve her margins by selling more books directly through her site. Whatever she decided to do she had to maintain the integrity and quality of her content.

KAREN BROWN'S GUIDES

Karen Brown Guides were high quality travel guides for the affluent, discriminating traveler. They offered an intimate and personal account of selected inns and bed & breakfasts (B&Bs) in Western Europe and California (Exhibit 1). One-quarter of each guide was devoted to easy-to-follow itineraries for specific areas of each country that included historic sites and scenic driving routes (Exhibit 2). Each book also had general logistical information and instructions about how to book rooms. Several guides offered an overview of the country's history.

Karen's Guides had a unique personal touch. She had been called "a pioneer and still leader in this category of high-quality small inns and B&Bs"¹ and had a loyal following. Most of the people who purchased Karen's guides were experienced upscale travelers who had the time to plan every detail of their vacations. They were not particularly price sensitive and found it valuable to carry her books with them on their trips. Most customers purchased Karen's Guides in a bookstore along with other books and sometimes a map. These additional books provided practical, "get-around-town" information that Karen's guides lacked. Her customers used her books to plan which parts of a country they might visit and where to stay. While some of Karen's existing and potential customers might have used the web to find information, they were unlikely to use the web as a replacement for her books.

¹ *Gourmet* magazine, as quoted on the back of Karen Brown's 1999 guides.

Research Associate Kasey Craig, MBA 2000, prepared this case under the supervision of Professor Garth Saloner and Professor A. Michael Spence as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Margot Sutherland, Executive Director, Center for Electronic Business and Commerce, Stanford Graduate School of Business managed the development of this case.

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KAREN BROWN'S BACKGROUND

Karen grew up in the San Francisco Bay area. Her mother, Clare, ran a travel agency and recognized a need for a guide to inns and countryside routes in Europe and she suggested that Karen write one. Karen agreed and thought that writing a travel book would be a great way to spend some time in France. When a small publishing company reneged on a deal to publish her book, Karen secured a loan by promising to sell her books door to door and published it herself. In 1977, she printed 10,000 copies of her French travel guide and shipped them from her college dorm room. She shipped 200 copies to top editors to review her book. When a professor learned that Karen had been able to sell all her books with little marketing, he convinced her to expand her coverage and increase the number of titles. Karen published her second book, on Great Britain, in 1980, and her third, on Switzerland, which her mother helped her research, in 1984. Another researcher, June, joined the team in 1985. One of the three covered each country and visited all the inns in it every year for up-to-date, annual editions. By 1999, they were covering 10 countries and California with 13 titles.

NEW CHALLENGES

In 1998, Karen sold over 135,000 books, which generated over \$1 million in revenue and \$300,000 in net income. Most books sold for \$18.95 retail, on which Karen made a profit of \$2.82 (Exhibit 3). Until 1994, Karen's book sales had increased at about 10 percent per year. From that point on, however, sales showed only minimal growth. Karen felt pressure to expand but did not know in which direction to grow. Adding more countries and states within the U.S. would require human resources that she lacked. Partnering with another reviewer of B&Bs would require putting her name on material with which she was not personally familiar.

Karen struggled with the tradeoff between going to the mass market with licensing and distribution deals and protecting the authenticity and integrity of Karen Brown Guides in which she took pride. She had spent over 20 years building a reputation and was reluctant to relinquish control of her content and publishing. She rejected offers to license her content and name or to purchase Karen Brown publications. Karen acknowledged that to grow her business, she might need to give up some control, but she wanted to remain a critical part of any change in her business over the next few years. She had done little mass marketing and relied largely on word of mouth advertising from her loyal customers. She considered ways to increase her name recognition: allowing inn guides to use her name ("Recommended by Karen Brown"), creating a television series, and increasing her presence on the Internet. A television pilot series was being considered, an option that had great appeal to Karen.

To complicate the options, channels for book sales were shifting in the late 90s. Small Mom & Pop stores had been Karen's bread and butter for years, hand selling and personally recommending the Karen Brown guides. The advent of superstores like Barnes & Noble and Amazon.com gave rise to new marketing challenges. Salespeople at the larger stores were less familiar with Karen's books and rarely noticed when the store ran out of a title. To expand distribution, Karen had negotiated a five-year distribution deal with Random House Publishing because it had greater leverage with the chains. Random House agreed to distribute her books and pay her 62 percent of wholesale sales.

Over the course of the previous year, Karen had built a website at www.karenbrown.com, where she offered visitors a taste of what they could find in her books. Users could go into a specific country guide to find a listing and brief description of accommodations and a sample itinerary. To avoid alienating smaller stores, Karen encouraged her site visitors to visit their local bookstore instead of buying books directly through her (a more profitable alternative). She was still uncertain how to market the site and how much free content to give away to the consumer. She listed about one-quarter of the information that could be found in her books, but did not provide the unique full country itineraries. Karen worried that offering all her content on the web would discourage book sales.

TRENDS IN TRADITIONAL MEDIA PUBLISHING

How to use the web also challenged traditional publishers of magazines and newspapers. Publishers had to decide whether to charge for their content or give it away. With nearly half of online consumers saying that they would not pay for content, the revenue prospects for online publications were slim.² While some publishers had developed a model to make money from their online business, most were seeing no return from their sites.

The proliferation of free content on the web fueled consumer perception that online content should be available for free. In 1999, over 90 percent of the most trafficked sites did not charge for content.³ The New York Times (NYT) had initially toyed with charging international users; in 1998, however, it decided that “leveraging registration data for targeted advertising by global companies – while growing the overall base – was a more profitable course of action.”⁴ Rather than requiring payment, the NYT required users to register to have access to its web content. Requiring payment had a much more negative impact on traffic than registration. Moreover, because most on-demand content and monthly subscription fees were likely to be under five dollars, publishers were further discouraged from charging for content. Credit card transactions in this range were usually a net loss for merchants.

The sites that were successful in charging for content provided highly differentiated content and offered users greater functionality online than through print media via such features as access to past publications; interaction with writers, editors, and other readers; greater search capabilities; and increased customization. *Consumer Reports* was one of the few traditional publishers that had created a successful online model. As the strongest brand in the consumer product testing space, *Consumer Reports*’ unique content attracted customers. It boasted a subscriber base of 310,000 in August 1999 and claimed to attract nearly 1,000 new subscribers per day.⁵ Consumers who paid a monthly subscription fee had access to the *Consumer Reports* buying guides, both current and past.

While few publishers operated profitable web sites, most continued to investigate how to use the web for fear of losing their core business to other publishers. Because of the significant constraints to charging for content online, most publishers decided to give most of their content away. Even though they feared that this would adversely affect sales of print publications.

² Sinnreich, “Paid Content: Maximizing Limited Opportunity with Net Value,” Jupiter Communications, Aug 1999.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

However, Forrester Research found that while some people canceled their print subscriptions because the same publication was available on-line, the internet was more likely to drive consumers to purchase print versions rather than to replace them.⁶ People could not pick up and take online versions of magazines and newspapers with them elsewhere. However in the future, as people became more comfortable with using the web as their primary source of information, free, up-to-date online content might wean readers from print publications.

TRENDS IN TRADITIONAL BOOK PUBLISHING

Shifts in technology were forcing traditional book publishers to change both the way they distributed content and their relationships to authors. Despite the proliferation of, and attention given to, on-line book retailers and the growth of book clubs, book sales were expected to grow only slightly over the next five years.⁷ New technologies were causing the book market to become increasingly fragmented.

In the late 90s, book sales over the web exploded. Online bookselling was the fastest growing channel of distribution for books as the growth of superstores fell to the low single digits. Amazon.com was the leading online retailer, with sales of \$610 million in 1998 and was growing rapidly. Other traditional superstores were growing their online business, but barnesandnoble.com's book sales were still only one-tenth that of Amazon's. Some studies suggested that Internet book sales would grow to over 25% of total sales by 2005.⁸ Buying books online was easy and convenient, especially when consumers knew what topic they were interested in. Online bookselling also reached a new set of customers. Traditional bookstores hoped to draw customers who wanted to browse and enjoy the social aspect of book buying. Industry experts debated whether, over time, the Internet would attract new book buyers or cannibalize sales from other channels.

ELECTRONIC BOOK PUBLISHING

Traditionally, the relationships among authors, editors, and publishers drove the book-publishing business. However, the advent of affordable technologies, such as the E-book (a handheld hardware device to which book content could be instantly downloaded from the Internet) and print-on-demand printing technology, could change publishers' core business processes. While these new technologies had not yet had a major impact on the industry, they raised questions about the future role of the publisher.

The Internet allowed publishers to focus on their core competencies—creating content and marketing—and take advantage of emerging technologies in printing and distribution. Because word-of-mouth and recommendations influenced consumers' purchases, the Internet was forcing publishing houses to develop a clear brand identity to become known as *the* destination for information and recommendations for certain genres of books. The Internet also created new marketing techniques to generate excitement. Some publishers, such as Harvard Business School Press, provided electronic promotion kits that included the table of contents, the book cover, and interviews with the author. Publishers of fiction often e-mailed chapters of an

⁶ Shepard, et al, "Do Wired Readers Abandon Print?" The Forrester Brief, December 4, 1998.

⁷ Shatzkin, Mike; *Publishers Weekly*, May 24, 1999.

⁸ Shatzkin, Mike; *Publishers Weekly*, May 24, 1999.

upcoming book to readers to generate interest. They also set up online chats with authors, created links to authors' websites, and utilized direct marketing to newsgroups formed around a particular subject.

Because the Internet enabled publishers to forgo brick-and-mortar retail outlets, they could conceivably bypass the middleman and sell direct to consumers. Publishers were undecided about how much they wanted to engage in e-commerce. Simon & Schuster and Random House had terminated their e-commerce businesses, while e-commerce was a key part of Time Inc.'s strategy.⁹ Large publishing houses would also have to contend with the democratization of publishing—the Internet enabled small, niche publishers to place their product on equal footing with the largest houses.

How publishers would price and maintain copyright integrity while partnering with outside parties to utilize new technologies and deliver content remained uncertain. The industry had not settled on a standard for protecting authors' royalty payments or whether content arrangements would be published under licensing or distribution agreements. Nor had a pricing structure between the publisher and the outside technology provider been agreed on. One other outstanding question pertained to the ultimate price to the consumer of content purchased through these new technologies. The new technologies decreased publishers' overhead, inventory and distribution costs; what portion of these savings would publishers pass on to consumers?

TRAVEL PUBLISHERS AND THE WEB

Although most traditional publishers were planning to charge for their content over the web, travel publishers were giving much of their content away because they viewed the web as a way to promote sales of their books. All major content providers were investigating their online options: from selling books on their site, to partnering with large travel agencies, to licensing content to a wide range of partners. Rough Guides and Moon Travel Guidebooks enjoyed success from placing their content on the web. Rough Guides' sales jumped from 825,000 to 1.5 million books over two years, and Moon's *Road Trip USA* became its best selling title after a web roll-out of the content.

MOON TRAVEL GUIDEBOOKS

Moon Travel Guidebooks of Chico, California, was preparing to launch a co-branded web service with a major travel company that would combine all of Moon's content with their partner's online ticketing and hotel/tour booking capability. Moon would have its content prominently displayed and receive a percentage of the revenue from trips booked through the site.

Moon was not concerned about placing its books online; in the new website, each Moon guidebook would be saved in multiple smaller files that the database architecture could call up. Moon believed it would be so hard and time consuming for users to download and print out an entire book that they would continue to buy the real thing. This approach had worked with *Road Trip USA*, which had been posted in segments as it was being written. Overall, traffic on Moon's

⁹ Zeitchik, Steven; *Publishers Weekly*, January 4, 1999.

site had more than doubled during the previous year. As a result, Moon was willing to license its content to travel sites or related services. Typically, Moon did not charge its partners for use of the content, nor did partners ever pay to place Moon's content on another site. However, Moon retained ownership of its content, including any formatting or technical changes that the partner made to it.

LONELY PLANET

The Lonely Planet, perhaps the best-known, low-budget travel guidebooks, had an extensive web presence and licensed its content to both Yahoo! and Travelocity. For each of the Lonely Planet's books, a web companion included snippets from the original text. However, none of the online Lonely Planet guides included the all-important reviews and contact information for hotels, hostels and restaurants. In essence, the online content was a marketing device, and at the bottom of every page was a link to the Lonely Planet online store, where users could order every guidebook with the click of the mouse. The Lonely Planet website also offered excerpts from travelogues and stories, and extensive photo libraries. It aimed to create a sense of community through chat forums. Lonely Planet devoted parts of its site to health issues and breaking news from around the world to increase the site's stickiness.

FODOR'S

In mid-1999, Fodor's had the most extensive travel website. Beyond providing summaries of its travel guides, Fodor's online strived to be a one-stop shop for travelers' every need. A resource center on the site dispensed advice on everything from first aid to language issues; a forum allowed travelers to post observations and solicit advice from other travelers. Like most other travel publishers, Fodor's did not post all of its content on its site. However, a searchable database of its content, called miniguides, surpassed those of its rivals and allowed visitors to custom-tailor concise guides to 110 locations worldwide – guides that included hotel and restaurant information. Like other publishers, Fodor's also did not sell books on its site, referring visitors first to local and then to online retailers. Preview Travel served as the booking engine on the Fodor's site, promoted Fodor's heavily on its own site, and used the Fodor's miniguides for most of its destination content. Fodor's reach also extended beyond Preview's. Some of Preview's partners not only used Preview as the booking engine but also carried the same Fodor's content. Fodor's name was prominently displayed on all its content wherever it appeared.

THE GROWTH OF ONLINE TRAVEL

According to Forrester Research, consumers were adapting to online travel faster than to any other online retail sector.¹⁰ Online airline and hotel bookings were expected to grow 57 percent annually over the next five years. While only 0.5- to 3.0% of travel was currently booked online, that number was expected to grow to total approximately 10-12% of airline and hotel bookings by 2003. Bookings were the revenue generating aspect of travel on the web, but these numbers did not even begin to take into account the millions of users who used the web for information and then booked over the phone. Most major airline and hotel companies allowed consumers to book reservations online. Even smaller properties were getting online.

¹⁰ McQuivey et. al, "Leisure Travel's Booking Boom," The Forrester Report, September 1998.

The travel aggregators, namely, Travelocity, Expedia, and Preview Travel received the most traffic and booked the most reservations online.¹¹ These sites offered consumers similar services but different information. The online travel industry understood that improved content was the best way to increase both the percentage of bookings and user loyalty. Content helped the site satisfy consumers' travel needs and made them more comfortable making a purchase.

Travel sites looked to many sources to provide quality content. Often, the editorial staff would write part of the content and license the rest from other providers. Many sites offered co-branded content on their own site and also passed people onto other sites through links. Whereas earlier, a travel site might have paid a content provider, now a content provider had to pay the travel site to display its content and thus gain the content provider access to millions of potential customers. This was especially true when a travel site offered a link to another website.

Recognizing that travel was a growing source of revenue on the Internet, the major portals developed relationships with the travel aggregators. While some portals merely passed the consumer through to the travel website, others used only the booking engine and provided their own travel content. Portals considered travel as a high priority because they were constantly looking to attract new customers.

For online information on inns and B&Bs, many sites gave consumers a list of linked sites. The most frequently, and often most prominently, listed link for small hotels and inns was the Bed and Breakfast Channel (www.bedandbreakfast.com), which allowed users to find information and book reservations with B&Bs around the world. The B&B Channel was the most direct potential competitor to Karen Brown. It was part of Inns and Outs, a company that provided information on over 20,000 B&Bs and inns; however, its information outside the U.S. was limited. Of all the websites that provided information on inns and B&Bs, the B&B Channel had the largest presence on the web and had agreements with Travelocity, Expedia, AOL, Yahoo!, and others. However, the B&B channel was often hard to find and was only one of many links listed.

DECISION TIME

Karen Brown thought hard about where she wanted her business to be in five years. She had researched how the web was affecting traditional publishers and how travel publishers were using it. She recognized that she might be left behind as more people migrated to the web and as travel related sites established relationships with content providers.

To grow her business without increasing her resources, she had to attract new buyers to her existing books and increase profits. Because Karen's profit margin on a book sold directly was six times that of her margin on a book sold through a store, she was determined to sell more books directly through her website. But to sell more books on her site and overall, Karen had to find a way to attract new customers. She concluded that the web was an effective tool to market herself and build brand recognition.

¹¹ In October 1999, Travelocity announced plans to acquire Preview Travel, but the deal had not been completed when this case was written.

Karen decided to make several changes to improve her existing site and to become part of the Yahoo! shopping network. By paying Yahoo! \$300 per month, Karen could sell her books and itineraries on her site without having to invest in the infrastructure to support e-commerce transactions. Essentially, when a Karen Brown user decided to buy a book on her site, that user was sent into a portion of Yahoo! Shopping that Karen could customize to look like the Karen Brown site. Yahoo! performed the backend functions, processed the transaction, and emailed the shipment information to Karen. Because Yahoo! sent users looking for “inns,” “itineraries,” and Michelin maps to Karen Brown’s Yahoo! store, more users were sent to Karen’s site through Yahoo! than through any other site. As a complement to her books, Karen partnered with Michelin to sell maps on her site. She considered packaging Michelin maps with her books as a supplement to the books’ artistic renderings of driving routes.

Other improvements on the website included hotel news, tips of the day, property of the month, postcards from the road, and romantic inns and recipes. To create a community on her site, Karen set up a “reader’s forum” to allow readers to share experiences from Karen Brown accommodations. She also provided links to AutoEurope and other travel services.

Karen believed that the Internet would attract new customers to her books. She thought that licensing her content to a high-traffic, travel related site could expose millions of people to her books and name. Karen’s unique content would fill a niche that no other player served at the time. She might be able to persuade a major site to co-brand her content. Building interesting travel content was a priority for both travel sites and portals. Initially, Karen believed that she would need to license all of her content to the partnering company to make her content appealing. While she hesitated to give it *all* away, she felt that licensing the whole package might be the only way that a partner would find her content unique and useful. She thought that expanding her presence on the web might increase her brand recognition and sell enough new books to outweigh any cannibalization of existing book sales.

FINDING A PARTNER

Karen decided to target high-volume travel related sites. She did some research and spent some time on the web before deciding to contact Expedia, Travelocity, Preview Travel, Yahoo! Travel, Excite Travel, and AOL. She contacted everyone she knew in order to find a personal contact within these companies. When she didn’t have a contact name, she worked her way through the company until she found someone who knew something about travel related content. She never heard back from some people. She called others several times before she got any kind of response. She sent copies of her books along with some company information to people who expressed interest. One portal ultimately decided that while travel was an important part of their business, they just weren’t ready to start building up that part of their site. Another portal’s initial excitement fizzled after a few weeks. One travel site expressed interest in having Karen write a few feature articles but was not interested in acquiring all of her content. Finally, Karen struck gold when one of the major online travel sites (MOTS) expressed sincere interest in placing the Karen Brown content on its site. Karen had some initial conversations with a MOTS representative in business development. She explained her reasons for wanting to license her content and convinced the site that her unique content filled a niche that no other player currently served. They threw out a few ideas for how the licensing agreement might be structured, but nothing was put in writing.

With over eight million registered members and more than three million unique visitors in August 1999, MOTS could expose Karen's content to millions of potential travelers. Moreover, MOTS's users were similar to Karen's existing book buyers – affluent, mostly female, leisure travelers. The site also had strong relationships with major portals that used MOTS's booking engine and content. In looking to create a more complete experience for users, MOTS believed that Karen's content provided a unique editorial voice and covered properties that previously were not listed anywhere on the site.

As Karen got closer to a deal with MOTS, she was forced to decide what was essential and what she could be flexible on. Karen had to consider the following:

- How much control over her content was she willing to give up?
- How long a contract was she willing to sign?
- What presence on the travel site would make giving up her content worthwhile?
- How much content was she willing to give away for free?
- Should she set up a link to her own site or license her content to the travel site?
- Should she expect to generate revenue from the arrangement?
- How much would she pay to expose her content to millions of people on the web?
- What alternatives did she have?

THE PROPOSAL

After having several conversations with Karen, MOTS presented her with a proposal. (Exhibit 4) Unfortunately, it wasn't exactly what Karen had in mind. She thought that she might be able to change some of the terms but wasn't sure how to prioritize the various issues.

EXHIBIT 1

Example Hotel Description

MALLORCA—Deia *LA RESIDENCIA* Map: 7a

La Residencia, perched high in the hills with views to the sea yet just steps from the quaint village of Deia, is a faultless hideaway. This gem of a hotel, nestled in 34 acres, is imaginatively created from two 17th-century farmhouses built of the golden-tan stone of the region. In keeping with its past, the decor is elegantly simple with white walls accented by beautiful antiques and bouquets of fresh flowers. Even the reception is exceptional. Check-in is handled quietly and without fuss at an antique desk. Nearby are intimate lounges and bars where guests can sit quietly with friends as if in a private home. However, most guests “live” outdoors—the hotel has its own private club by the sea, serviced by a shuttle bus. For those who don’t want to leave the property, the manicured gardens offer an exquisite retreat, with secluded shady nooks where guests can relax with only the fragrance of flowers and the song of birds for company. The hotel is built on a hillside with two swimming pools tucked onto terraces. Adjacent to the lower pool is a bar where guests can order lunch or have dinner if they want to dine casually. For those who want to dine elegantly, in the room where the olives were pressed, there is a gourmet restaurant, El Olivo, which holds a Michelin star for excellence. The bedrooms are all fabulously furnished. The suites are stunning, but even the standard doubles (such as number 9, overlooking the garden) are outstanding.

LA RESIDENCIA
07179 Deia, Mallorca
Balearic Islands, Spain
Tel: (971) 63.90.11, Fax: (971) 63.93.70
www.karenbrown.com/spaininns/laresidencia.html
65 rooms, Double: Pts 36,100–47,400*
*IVA not included, breakfast included
Open all year, Credit cards: all major
Restaurant open daily, pools
27 km N of Palma de Mallorca
Michelin Map 443, Region: Balearic Islands



Source: Karen Brown’s *SPAIN: Charming Inns & Itineraries* (1999)

EXHIBIT 2

Example Partial Itinerary

Cradle of the Conquistadors

Cradle of the Conquistadors

Guadalupe

Most of this itinerary finds you in Extremadura—an area of Spain less frequented by tourists, which is part of its appeal. The name *Extremadura* originated during the Reconquest period and translates as “land beyond the river Duero” (which runs across the country from Soria to Valladolid to Zamora). Historically somewhat at the periphery of national life, and less privileged economically, the area was rich in young men eager to seek their fortunes in the New World, as the name of this itinerary suggests. Some famous Extremadurans you may recognize are Hernán Cortés, conqueror of Mexico; Francisco Pizarro, conqueror of Peru; Orellano, explorer of the Amazon; and Balboa, discoverer of the Pacific Ocean. Indeed, since the explorations were sponsored by Queen Isabella of Castile, which included Extremadura, only Castilians were given the opportunity to make the journey to the New World during the 16th century. The area is still resplendent with fine old mansions built with the treasures found in Mexico and Peru.

Source: Karen Brown's *SPAIN: Charming Inns & Itineraries* (1999)

EXHIBIT 2 (CONTINUED)

Typical cuisine of Extremadura includes one of our favorite Spanish specialties: raw-cured ham (*jamón serrano*), as well as lamb stew (*caldereta de cordero*), fried breadcrumbs with bacon (*migas*), and numerous game dishes such as pheasant (*faisán*) and partridge (*perdiz*). The major local wine is a simple white called Almendralejo.

The last destination brings you into Old Castile and the enchanting medieval university city of Salamanca.

ORIGINATING CITY SEVILLE

It is never easy to leave Seville, Spain's most romantic city, but, if you fall under its spell, you will be back. However, Spain offers many additional enchantments and much more of it remains to be seen, so set your sights north. Note: for more in-depth suggestions on sightseeing in Seville, see our chapter titled *Seville Highlights*, pages 157–162.

DESTINATION I MÉRIDA

Leave Seville heading west across the bridge and turn north toward Mérida. After about 24 kilometers look for N433 which takes you northwest to the little hill town of Aracena, a popular escape from the heat of the Andalusian summer. The **Sierra de Aracena**, the western part of the Sierra Morena, is known for copper and pyrite production, as well as the justifiably famous and delicious *jamón serrano*, which must be sampled—especially if you are a prosciutto-lover. It is a ubiquitous and favorite *tapa* throughout the country, and you will have more than likely seen the hams hanging from the ceiling of many a Spanish bar. (Enjoy it while you are here, but do not try to take any home with you, as you will not be allowed through US customs with it.)

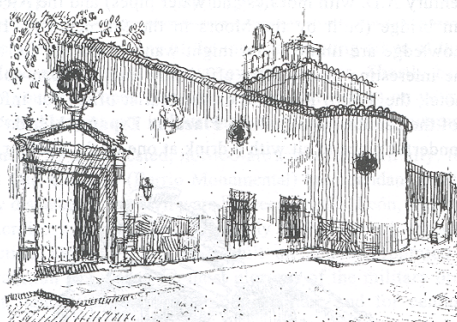
About halfway between Seville and Aracena is the dazzling white town of **Castillo de las Guardas** nestled against a green mountainside. As the drive approaches the pretty

town of **Aracena**, the air gets cooler, the earth redder, and the hills are covered with cork trees. Aracena is tiered up a hillside, dramatically crowned with the 13th-century church of the Knights Templar and the 12th-century ruins of a Moorish fort with a beautiful brick mosque tower. Directly beneath the castle, within the hill itself, is the **Gruta de las Maravillas** (Cave of Marvels), hollowed out by underground rivers and an amazing sight to behold. Limpid pools and rivers and an underground lake reflect magnificent and multicolored stalactites and stalagmites. The guided visit takes about 45 minutes, but you may have to wait for a group to form for the tour: if so, while away the time in the quaint shops around the entrance to the cave that offer a surprisingly good-quality selection of regional ceramic ware.

Continue west on N433 for 16 kilometers and turn right on N435 to **Zafra**. Zafra preserves one of the most impressive fortified palaces in the region, now the **Parador de Saфра** (see the hotel listing), on one of the prettiest little plazas in the area. Actually the former palace of the Duke of Feria, it was the residence of Hernán Cortés just before he embarked for the New World. Its conversion to a parador has not spoiled it in the least, and it's worth a short visit to see the fabulous chapel and the other faithfully restored public rooms. Leave Zafra on N435 and you have quite a fast drive to today's destination—**Mérida**, caretaker of the richest Roman remains in Spain.

You find Roman antiquities among those decorating your next hotel suggestion, the **Parador Vía de La Plata**, elegantly installed in an old convent that was built on the site of a Roman temple at the top of town. It has also seen duty as a hospital for the plague victims of 1729, and briefly as a jail. The combination of authentic Roman, Arabic, and Spanish architectural features (most discovered on the site) within the hotel make it unique, indeed, and interesting to explore. The parador fronts onto a plaza where it is practically impossible to park, but you will gratefully discover that the hotel has provided parking in back, next to its pretty Mudéjar gardens, as well as an underground parking garage.

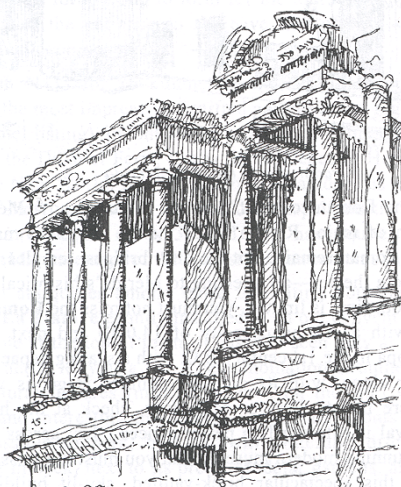
EXHIBIT 2 (CONTINUED)



Parador Via de La Plata, Mérida

Founded in 25 B.C., the Roman town of Emerita Augusta, now Mérida, was so well situated at the junction of major Roman roads that it was soon made the capital of Lusitania. Outstanding Roman remains dot the city: bridges, temples, a racecourse, two aqueducts, an arena, and a theater—all attesting to Mérida's historical importance under Roman occupation. If your time is limited, you must not miss the **Roman Arena** (built in the 1st century B.C. with a seating capacity of 14,000) and next to it, the **Roman Theater** (built by Agrippa in the 1st century B.C. with a seating capacity of over 5,000). The astounding theater alone, with its double-columned stage, is worth a detour to Mérida. (If you are here in late June or early July, check at the hotel to see if the Classical Theater Festival is offering live performances.) Just across the road from the arena and theater is a stunning modern museum that you must not miss, **Museo Nacional de Arte Romano**. In this spectacular brick-vaulted, sky-lit building many Roman artifacts and panels of mosaics are displayed. Be sure to also see the **Casa Romana del**

Anfiteatro (1st century A.D. with mosaics and water pipes) and the **Alcazaba** at the city end of the Roman bridge (built by the Moors in the 9th century). If your time and archaeological knowledge are limited, you might want to arrange for a guide who can take you to all the interesting places more efficiently than you can do it on your own. Inquire at your hotel, the Teatro Romano, or the tourist office for information. A few blocks southeast of the parador, you find the **Plaza de España**, Mérida's main center of activity. It is a wonderful place to sit with a drink at one of the outdoor cafés and watch the world go by.



Mérida, Roman Theater

EXHIBIT 3
Breakdown of Karen Brown's Costs

	Bookstore sales	Direct Sales
Retail price to consumer	\$ 18.95	\$ 18.95
Wholesale cost to bookstore ¹	\$ 9.48	-
Fee to Random House ²	\$ 2.65	-
Research costs	\$ 2.50	\$ 2.50
Printing costs	\$ 1.50	\$ 1.50
Other ³	\$ 1.50	\$ 1.50
Profit per book	\$ 2.82	\$ 13.45

¹ On average, distributor sells book to retailer for 50% of retail price.

² Karen pays Random House 28% of the wholesale cost to bookstores.

³ Includes costs of picking and packing.

Source: Karen Brown's Guides

EXHIBIT 4**Proposal from Major Online Travel Site (MOTS) to license Karen Brown content**

Karen Brown will grant MOTS a perpetual worldwide fully-paid license to the Karen Brown books published in the next three years. In addition, MOTS will have the right to renew the agreement on the same terms for an additional three years. MOTS will place all or part of the Karen Brown content (at its discretion) on the MOTS website (and/or its distribution partners' websites). In addition, MOTS may, at its discretion:

- (i) intersperse Karen Brown content with other MOTS and/or third party content (so long as Karen Brown gets proper attribution for its content)
- (ii) translate all or part of the content into foreign languages and place it on MOTS affiliated websites
- (iii) email portions of such content to its users and/or enable its users to create printed miniguides
- (iv) correct any mistakes in the Karen Brown content, abridge any part of the Karen Brown content so long as the overall tone is maintained, and (with Karen Brown's consent which will not be unreasonably withheld) otherwise alter the Karen Brown content.

MOTS will give proper attribution to the Karen Brown content (i.e. identify it as having been written by Karen Brown).

This license will be exclusive except that:

- (i) Karen Brown may license the content to one general-purpose portal website [PLEASE NOTE THAT MOTS ALREADY HAS RELATIONSHIPS WITH LEADING PORTALS...], but only if the web pages on which Karen Brown content appears: (A) encourage readers to book their travel through MOTS and prominently link to MOTS's various services (subject to MOTS's approval), and (B) such web pages do not promote or advertise any other travel booking service and do not have any other travel-booking-related links, and
- (ii) Karen Brown may develop its own website so long as MOTS is the exclusive travel booking service promoted, advertised, or linked to from the Karen Brown website.

Neither party shall pay the other party under this agreement. Each party will keep all revenues from sales of advertising on the web pages it serves. Karen Brown represents that the establishments listed in the Karen Brown books do not and will not pay compensation to Karen Brown. Karen Brown represents (and will indemnify MOTS) that the Karen Brown content and this agreement do not infringe or violate any rights of any other party.

Starting with the year 2000 books, Karen Brown will print on the front cover of each book the MOTS URL (and if applicable, the MOTS AOL Keyword) where the Karen Brown content can be found online. In addition, Karen Brown will use the inside front cover of each book to promote MOTS as its recommended site for online travel planning and booking (details to be discussed). Karen Brown will also describe and recommend MOTS's services, website, and AOL keyword in the introductory passages of each book. Karen Brown will also include a

EXHIBIT 4 (CONTINUED)

MOTS color promotional page in each book [see the 1999 and 2000 Fodor's gold guides for an example of this]. Other online travel companies will not be mentioned in the Karen Brown books.

Within 4 months, Karen Brown will deliver its content to MOTS in a database format and structure to be determined by MOTS. Subsequent years' content will be similarly delivered at least 2 months prior to publication of the printed books. Karen Brown will also deliver to MOTS multiple copies of each book each year (for internal use and to be given away as special promotions).

Karen Brown will present and recommend MOTS's services in its television show (details to be discussed). MOTS will be granted a non-exclusive license to broadcast this show on the internet.

The parties will issue a joint press release announcing their agreement.

MOTS would also like to discuss other ways of promoting the Karen Brown content on its site. Possibilities to be included on MOTS's website (and/or its distribution partners' websites) include:

- (i) creating a Karen Brown question and answer column,
- (ii) holding chat sessions with Karen Brown, and/or
- (iii) including other Karen Brown editorial content such as a romantic travel column.

Source: Karen Brown's Guides