

Net bet

It's not just about cheap air tickets. Travel portals want now to put more heads on beds

By Geetanjali Shukla

So when was the last time you went to a railway station to book your railway ticket? Don't remember, right? Ever since the Indian Railways pioneered booking train tickets on the Web, it has taken away the effort, time and sometimes the pain involved in getting yourself a railway ticket. Okay, next question – when was the last time you went to a travel agent to book your air tickets? Hmm, don't remember that one either, right? Haven't things really changed, now that you can freeze all your travel plans sitting in front of the computer?

This dramatic change in which we book our air tickets, make our hotel reservations or even buy holiday packages can be attributed to several factors. For one, consumers of travel products – people like you and me – are more comfortable transacting on the Internet as compared to the traditional consumer. Another, and perhaps a more important factor, is that Internet penetration in the country has been steadily rising. This, combined with the changing profile of the buyers of travel products, supported the e-commerce segment to develop and grow. Add to this mix a rise in domestic travel, a never-seen-before growth in the aviation industry and the Low Cost Carrier phenomenon and you will know what spawned the travel portal boom some two years ago.

However as we speak, the big four in the online travel agency space are looking to ride a different wave – the hotel industry that has gone on a massive drive to expand capacity, which will be up for sale by the end of this decade.

AGENTS OF CHANGE

If one were to go by a report presented by the World Travel and Tourism Council, the industry will grow at a steady pace over the coming few years. After seeing a growth of 5.7 per cent in 2004-05, the industry grew at about four per cent in 2005-06. For 2006-07, a report tabled by the WTTC at the ITB Travel Fair in Berlin this year says that the industry will grow at 3.9 per cent. For the coming ten years, it forecasts a steady growth rate of 4.3 per cent. But more than anything else, what this and the earlier reports point at is that India figures among the top three performers in this sector over the next ten years. As per this year's report, tourism demand in India is expected to grow at nearly eight per cent between 2008 and 2017.



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Complementing this growth is Internet penetration. According to the Internet and Mobile Association of India (IAMAI) estimates, there will be 100 million Internet users in the country by 2007-08 – this rapid growth is happening as you're reading this. Currently, there are 38.5 million internet users in the country. As Internet penetration is on the rise, IAMA says that e-commerce is also gaining pace. It forecasts that e-commerce transactions will cross the Rs 2,000 crore mark (2006-2007) which translates into an increase of nearly 200 per cent from financial year 2005-06.

Now if you combine these numbers with the growth that the travel industry is seeing, it is not too hard to guess that among all the e-commerce segments, it is online travel that has recorded the fastest growth rate. According to Ashwin Damera, CEO and co-founder, Travelguru, 'In 2003, only two per cent of travel bookings were made online. By 2005, the number had risen to 14 per cent

Among all the e-commerce segments, **ONLINE TRAVEL** has recorded the **FASTEST GROWTH**

When you compare this to developed markets like USA, where 61 per cent of the bookings are made online, you realise that there is tremendous potential for this sector to grow even further.'

The big jump in e-commerce has also been fuelled by increased usage of credit cards. According to some estimates, India is one of the fastest growing credit card markets in the Asia Pacific region. The introduction of virtual cash platforms like Visa Bill Pay, Visa Money transfer and mobile cheque payments are helping the e-commerce segment expand further.

But what was it that led the online travel agency space to record a phenomenal growth? Well, a booming aviation sector and mainly the advent of Low Cost Carriers (LCCs). A few years ago airlines had to rely on distributing their products through the Global Distribution Systems

(GDS), an intermediary that offers booking terminals (connectivity with airline systems) to travel agents. These GDS companies helped travel agents to book tickets and charge the airline for the service of selling and distributing them. With nearly 80 per cent of their bookings being made via this channel, airlines had to pay a very high fee for every passenger that was booked under the GDS. Despite the high costs, airlines had to rely on GDS companies because their reservations systems were unable to allow a third party interface. However when internet distribution systems came into the picture, airlines had the option of distributing their tickets directly via their own websites or indirectly through agencies like OTAs, apart from selling their tickets via the GDS. Now LCCs, given how cost sensitive they are, were

OUT OF SITE

Are the discounts, cheap tickets and multiple options on travel portals for real?

Being the resident travel guy, perhaps it was only natural that the task of reviewing India's top travel-related websites fell to me. To be honest, I've never used any of these sites before; I normally book airline tickets on the airline's website, and I call up hotels directly (having procured the number from Lonely Planet or the internet) and make bookings myself. Since I was in the process of planning a trip to Cochin, it seemed as good a time as any to have a go at the websites. I divided my search into two parts, the first for flights and the second for hotels. The first flight was for a Chennai-Cochin round trip on 26 May 2007, on Kingfisher Airlines (randomly selected), for the same flight numbers. The second was for a

Mumbai-Delhi one-way trip on 28 May 2007, on Jet airways (randomly selected), for the same flight number. The hotel search was for a three-night stay in Cochin.

■ **YATRA.COM:** This is a slightly cluttered site, but easy enough to use. It offered a Chennai-Cochin round trip on Kingfisher Airlines for Rs 7102 (the most expensive of all the sites) and a Mumbai-Delhi flight on Jet for Rs 5778. It gave me 19 hotel options in Cochin, one of which didn't show up on any of the other sites. I ended up booking this hotel and was given a booking number and an assurance that someone would call me to complete the transaction. Nobody did, so I had to call the helpline myself (twice) in order to complete the booking. I was then assured

that an email confirmation would be sent, but it never arrived and I had to call and complain, after which it was finally sent. It turns out that the tariff on offer for that hotel was a special one, which the site had to confirm, hence all the delay. For a normal tariff, I could have paid online immediately with a credit card. The site offered me a mid-range hotel (that I had randomly selected on the other travel sites) for Rs 1030, and the top-end hotel that the other sites listed wasn't available here.

■ **TRAVELGURU.COM:** Nicely laid out site and easy to use. It offered me the Chennai-Cochin round trip for Rs 5775 and the Mumbai-Delhi flight for Rs 5750. It also came up with the most hotel options in Cochin – 34. As I had already booked another hotel, I randomly selected a mid-range hotel which it offered for Rs 1150 per night, and a top-end hotel which it offered for Rs 4900 per night.

■ **MAKEMYTRIP.COM:** Probably the best site in terms of design and ease of use. The Chennai-Cochin round trip was being offered for Rs 5695 (the cheapest) and the Mumbai-

the first to bypass the GDS (no access charges had to be paid to these companies) and travel agent channel (no hefty commissions) and distribute their tickets via their own website and the OTA websites. While the legacy carriers decided to use a combination of these methods. Stuart Crighton, COO and co-founder, Cleartrip says, 'LCCs currently represent nearly two-fifths of all gross domestic air bookings after less than three years of operations.' So it is no wonder then that the move made by LCCs to bypass the GDS and travel agent channel has spelt good times for OTAs.

BEYOND CHEAP FARES

A year ago, the money for OTAs lay in airline bookings, but now with both domestic travel and inbound travel picking up, the action has shifted to hotel bookings. And among all the OTAs, the one that made the first move in this direction was Travelguru. The lodging inventory in India is fragmented and hence there is a significant opportunity

for intermediaries, like OTAs, to build a database of hotels and bring them online. But this is not easy because consolidating hotels in India is not about technology alone, it is about building relationships with suppliers and educating them on e-distribution. Besides, what makes it different from building up a database of airlines is the sheer number of hotels. Also as Yatra Online's founder Dhruv Shringi says, 'Customers have to recognise brands to make an online purchase. Five-star hotels already have a brand image, but the small, budget hotels have yet to build one. So growth in this segment will be limited until the brand building process is complete.'

In a bid to improve its presence, Travelguru for instance, has joined hands with the biggest budget carrier in the country, Air Deccan. Says Damera, 'We have entered into a strategic tie-up with Air Deccan as we saw it as a perfect fit - to be able to offer their flight customers the option of booking a hotel. Air Deccan's focus is the budget traveller and Travelguru has over 3,000 budget

hotels available to be booked online with instant confirmations.'

But it is not as if Travelguru's competitors are far behind. Makemytrip re-launched its website in May-end, with a special focus on hotels and packages. Like its competitor, Makemytrip also plans to make its hotels section more interactive with user reviews, ratings and a map search. The new version of the portal will also have a wider database of hotels - it currently has about 1,500 hotels and the number is set to more than double. Deep Kaira, founder and CEO, Makemytrip says, 'Our's was a first generation website and we felt that it was time we updated it. So we have launched the version Web 2.0 of our website.'

An international player that has spotted this trend is the US-based Travelocity, that launched its India website in March this year. Travelocity has a database of nearly 72,000 hotels situated all over the world. Hirnanshu Singh, managing director,

Delhi flight for Rs 5728. It gave me 26 hotel options in Cochin, with the mid-range hotel and the top-end hotel at Rs 1030 and Rs 7980 respectively.

■ **CLEARTRIP.COM:** This site is very basic in terms of design, which cuts both ways. It cuts out the clutter, but it also looks basic to the point that you begin to doubt if it's any good. It gave me the Chennai-Cochin round trip for Rs 5795, the Mumbai-Delhi flight for Rs 5778, the mid-range hotel for Rs 1098 and the top-end hotel for Rs 4008

As a matter of interest, Kingfisher Airlines' own website offered the same Chennai-Cochin round trip for Rs 5775. Jet's own website gave me the Mumbai-Delhi flight for Rs 5455, the cheapest fare on offer. As you can see, there's little point in wasting your time with any of the above sites if it's airline tickets you're after - you're likely to get them for the same price or cheaper on the respective airlines' own websites. A really useful website, however, is zoomtra.com. It searches every airline website for the cheapest fares and

displays them real-time, so you can then decide which airline to go with.

As for hotels, the biggest advantage is that these websites offer you a choice of properties, so you're saved the hassle of searching for individual hotel numbers and/or websites. They also seem to offer genuine discounts - the hotel I booked on yatra.com quoted a higher tariff when I called them directly. However, the downside is that you have to divulge your credit card details over the phone in order to actually book a hotel - but only if it's a special tariff that requires confirmation on the part of the website. On other normal displayed tariffs, you can book the hotel online yourself, using your credit card, net banking or an ITZ cash card. Net net? You will have to trawl these websites to get a good bargain on air tickets, but these will surely open up a wide choice for you in terms of hotel bookings.

BY PABLO CHATERJI





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Travelocity India says, 'Budget accommodations like motels, hostels, camp sites and the like will grow faster than hotel chains in the coming few years. Of course transacting through their own websites would be cost effective for them, but they would have to spend a lot on promoting themselves and developing a brand image to gain visibility. This is where the OTAs can come into the picture.' As unlike airlines who publicised their offerings before OTAs came into the picture, in case of smaller hotels, it's the OTAs who have to build the base and give them publicity.

Even airline websites are seeing the benefits of latching onto this trend of offering a complete travel package to their customers. Air Deccan recently launched a scheme called WOW Packages where it is promoting its tie up with Travelguru by offering a free air ticket for every hotel booking made on the Air Deccan website. Even Jet Airways has joined hands with Travelocity to make the website's hotel database available on its website.

FLIGHT PLAN

Apart from shifting focus to hotel bookings, OTAs are also looking to diversify into car rentals. According to Cleartrip's Crighton, this segment should also begin to see some traction online by 2007-08. Travelguru's Damera says, 'We will introduce car rentals on our website in

tourism minister Ambika Soni at the ezeego stand at SATTE Open World Travel Fair in New Delhi. ezeego, a meta search site with booking capabilities, will improve its presence in the B2B segment. The website has tied up with 70 vendors and has a database of nearly 3,500 domestic hotels

three months. We are currently in talks with companies like Hertz and Sixt to negotiate the deal.' Makemytrip and Yatra, on the other hand, already have a rent-a-car segment on their websites.

But even as some players are looking to diversify into other segments, others like Cleartrip wish to concentrate on the two main segments of airlines and hotels. They feel that diversifying would complicate their websites and affect its user interface as majority of the connections are dial-ups and these do not support multiple segments.

Also it is not as if the OTAs are moving away from their mainstay of air tickets. If the online hotel booking segment is expected to grow at 31 per cent in the next few years (as per IATA statistics), online bookings of air ticket are estimated to grow at 46 per cent. So even as the OTAs are looking to diversify, they do agree that most of their business does come from airline bookings. For Makemytrip, from the 100,000 hits made on its website a day about four to five per cent are converted into air ticket transactions and only two per cent are converted into hotel bookings. In case of Travelguru though, the dependence on air tickets is a little less—about 35 per cent of its business comes from airlines and 20 per cent from hotels.

Meanwhile, the big four OTAs are

doing good business. Makemytrip's Kalra says, 'We are expecting our turnover to grow to \$300 million as against \$125 million that we posted in the previous fiscal.' While Travelguru's Damera says, 'Our turnover is estimated to increase to \$60 million from the \$25 million in the previous year.' And these numbers should come as no surprise as the OTA space itself is growing at 16 per cent per annum and the online industry is likely to grow at a robust 50 per cent rate from \$1.3 billion to \$2 billion.

ON A TRIP

A factor that plagues growth in the OTA space is that our economy is still very much a cash economy with urban areas dominating credit card usage. But more than these factors, what worries OTAs is keeping their customers loyal. In a bid to improve loyalty, OTAs are increasingly looking to involve them through feedback systems. Makemytrip recently revamped its travel community website, Oktatabebye. Travelocity has an international community site called IgoUgo, which it will soon introduce in India. Yatra already has its customer feedback portal, Raahi.

Perhaps the launch of meta search engines like Zoomira, Rediff search and others could also threaten the OTAs. These websites search the lowest fare or the cheapest hotel for you and the bookings can be made on the respective airline or hotel website. Websites like ezeego, promoted by the travel and tour agency Cox & Kings, which is a combination of a meta search website and a OTA could also eat into the profits being made by OTAs.

However, the biggest challenge is that Internet penetration is still low and majority of the connections are still dial-ups. As per IATA, in 2006, 27 per cent of the total connections were broadband. But it expects broadband to overtake dial-ups in 2008-09 and by 2009-10 broadband connectivity will lead at about 75 per cent. And if these figures are anything to go by, it is good times ahead for OTAs. 🚀