

INDIA'S ONLINE TRAVEL AGENCIES:

LOOK HOW FAR WE'VE COME




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Even as recently as a decade ago, traveling within India largely meant taking a pilgrimage or visiting friends and families. Train travel and surface transportation were the primary means of transportation, as flight routes were limited, and airfares were relatively exorbitant. International travel too was accessible to a tiny minority, led by business travelers and overseas workers.

But the advent of online rail bookings and the emergence low-cost carriers (LCCs) in the early-2000s changed the face of Indian travel market as we know it. While Indian Railways looked to the online channels to offset physical infrastructure limitations, a gamut of LCCs liberalized airfares through unbundling. In turn, this gave birth to online travel agencies (OTAs) who championed search engine marketing to boost their position online. With increasing visitor traffic and funding, OTAs further enhanced their digital retailing capabilities through the use of actionable data, targeted promotions and offers.





As things stand today, India is among the most attractive aviation markets. In 2018, domestic passenger enplanements in India totaled 139 million, growing 19% year-over-year*. According to OAG, the number of domestic flights (frequencies) operating within India grew an astronomical 626% from 165,070 in 1998 to 1,034,404 in 2018.

Steady macroeconomic conditions have been a boon for Indian OTAs. Add to this, several factors also offered a tailwind for the OTAs:

- **Liberalized air market:** Increased competition among airlines leading to increase in supply, new flight routes, attractive – and often cheap – fares across domestic and international routes.
- **Disposable income:** Steeply ascending purchasing power of the Indian middle class.
- **Digital India:** Growing awareness of e-commerce and its subsequent penetration.
- **Leapfrogging desktops:** Increased accessibility to sub-\$100 Android smartphones led by Xiaomi, Samsung, OPPO, etc.
- **Internet for all:** Relatively cheap mobile data plans, as low as \$3 per month for up to 30 GB of 4G speeds.

Above all, India's demographic dividend is its biggest asset. According to the 2011 census, more than 50% of India's 1.37 billion population are aged 25 years or under. The youth, spurred by a growing need to travel within and beyond the country, use their inherent tech-savviness to discover, plan and book travel. This plays a key role in OTAs' success to woo the target group, by engaging and retaining travelers through content marketing and keeping them coming back for more.

*Performance of domestic airlines for the year 2018, DGCA.

SMARTPHONES: SMALL SCREEN, BIG AMBITIONS

It is no surprise that an increasing number of Indian travelers have access to Internet via smartphones. Smartphones are available for less than \$75 and therefore, more and more citizens are able to be connected via data-packs that are as close to free as can get. India had 390 million active Internet users – or 28% of its population – in 2017. Even assuming multiple connections per individual, India is still a widely underpenetrated digital market. India also boasts of having the second highest wireless user base in the world after China with 733 million subscribers*.

OTAs have undergone a 360° transformation to tap into the Indian mobile user opportunity. What was once a desktop and website-focused business, has flipped itself into a highly dynamic, light weight and simple to navigate on the small mobile screens. Being technology companies first and foremost, OTAs are in the driver's seat compared to airlines, and are pushing the boundaries of mobile travel experience and bookings in India. Several Indian OTAs already attribute majority of their transactions from handheld devices, particularly apps. According to App Annie, Indian online intermediaries account for the majority of the top 10 apps in Google Play's Travel & Local category: Chief among them iXigo and the Go-MMT Group's Goibibo, redBus and MakeMyTrip.



DISCRETIONARY INCOME ON THE RISE

Of all the facets crucial to the increase of the influence of OTAs, this is probably the most significant. Considering a buoyant economy, Indians are armed with discretionary income. Indians are spending online in large numbers, and unabashedly so. Travel stands second in India's online purchasing by segment according to Phocuswright's Indian Consumer Travel Report of 2017. This is a considerable standing, one that OTAs are not taking lightly and are cashing in on to the maximum. The travel bug has bitten the average Indian traveler – on-demand access to prices, a variety of airlines and destinations to choose from, feeds their wanderlust. Not surprisingly, Indian OTAs stand to gain the most by this.

AUTONOMY

The earliest memorable form of online travel bookings in India were of Indian Railways through their IRCTC website. However, the launch of new airlines and airports has resulted in a steep rise in domestic air travel. This is where OTAs such as MakeMyTrip, EaseMyTrip, Cleartrip, Yatra, Via.com, Paytm, etc. play a vital part. OTAs bring in price transparency in airfares and offer choice to customers through aggregation, thus attracting travelers who now rely exclusively on these websites to plan their trips.

As the domestic air travel opportunity matures, OTAs are targeting different customer sets and integrating additional products, including international flights. The Indian outbound travel opportunity is regarded as second fastest only to China. International air travel – leisure or business – is largely managed in India. Corporate travel agents have a stronghold on business travel bookings (including for global multinationals), whereas tour operators command a significant share of leisure and packaged travel. But the status quo is changing. By championing self-booking and price transparency, OTAs have made a beeline for the FIT travelers.

For outbound travelers, OTAs are simplifying discovering of and booking nearby destinations, especially those with relaxed visa requirements. Destinations within 3 to 5 hour flying distance – the Indian subcontinent, Southeast Asia and Middle East – are critical to the OTAs' future growth. Air traffic corridor between India and the Middle East is amongst the busiest worldwide, with 94,950 flights in 2019. With a sizable market already having booked components of domestic travel online, this strategy strongly resonates with millions of first-time international travelers.

*"How low-cost data is powering India" <https://www.fortuneindia.com/macro/how-low-cost-data-is-powering-india/102740>

THE PERFECT TRIP

Keep true to their digital foundation, OTAs are using technologies to unify the myriad strings of travel. From flights to hotels, insurance to ground transfers, trains to buses, and in-destination experiences, etc. cross-selling and upselling multiple products through the travel period has become a norm. Besides retailing, traveler engagement via flight alerts, schedule and gate changes, check-in reminders (invisibly) stitches together the otherwise broken travel experience.



PAYMENT OPTIONS

Unlike the West, where credit cards dominate, a wide variety of payment options are made available to an average Indian traveler. Cash is the undisputed payment method in the country. But digital payments are on the rise through the proliferation of debit cards and Internet banking. As of December 2018, there were 952.8 million debit cards in circulation, as compared to a paltry 44.2 million credit cards.

Rising Internet adoption has allowed several FinTech companies to blossom in India, especially mobile wallets such as Paytm, Google Pay, PhonePe and Amazon Pay. Not only do these companies offer incentives on transactions made directly on their platforms, but they also partner with a string of e-commerce companies including OTAs to simplify the payment process. From one-click payment authorization to equated monthly payments and interest-free payments, payment companies are further fueling online travel demand.

In fact, the popularity of online travel as a segment has driven payment (and broader e-commerce) companies to carve out a dedicated travel vertical. The culmination of digital payments with travel continues to brew. In fact, several FinTech companies attract dramatically higher online visitors and even have higher mobile app downloads versus their OTA peers. With payments as a base, atop which numerous digital services, including travel, can be offered, these FinTech services have a chance to replicate some of the “super app” success witnessed in China.

For example, Alibaba-backed Paytm was among the first non-travel e-commerce companies in India to launch a dedicated travel product within its framework. What launched as a flight metasearch platform, rapidly evolved into a full-fledged OTA distributing flights, rail and bus tickets, amusement park tickets, etc. To counter this, Walmart-backed Flipkart announced a white-label partnership with the Go-MMT Group in April 2018, wherein the latter powered travel bookings on Flipkart. Amazon was not far behind either – they launched online flight bookings in May 2019, partnering with Cleartrip for fulfillment.





What were once unchartered waters, digital flight retailing is a \$8 billion market opportunity – and growing.



AND THEN SOME MORE...

What were once uncharted waters, digital flight retailing is a \$8 billion market opportunity* – and growing. OTAs are a major distribution channel for airlines in India, considering their market reach and constant product improvisation. As the travelers' expectations increase, OTAs are responding by ramping up their bouquet of ancillary products and mobile store-fronts to cater to their demands. Even from the airlines' point of view, especially low-cost carriers, it is imperative for OTAs to pursue additional non-ticketed revenues. This has resulted in OTAs connecting directly with the airlines to offer paid seat and meals, insurance, priority check-in and baggage, car rentals, hotels, etc. in the shopping flow.

THE NEXT CHAPTER

With demand for travel growing at an unabated pace, digital travel continues to unravel in India. But competition makes for strange bedfellows, and the market has witnessed intense consolidation and co-opetition. For example, MakeMyTrip acquired its once fierce-rival Goibibo; eBix scooped multiple assets including Via.com and Yatra.com. Further, metasearch ixigo now powers Flipkart for flight bookings, while Cleartrip is the launch partner for Amazon Pay.

With millions yet to book travel online, the next chapter of digital travel will not only be written by the OTAs. E-retailers and emerging technology platforms will increasingly tap into the travel opportunity as a means to foster consumer usage and loyalty.

* OTA earnings transcripts and Phocuswright





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