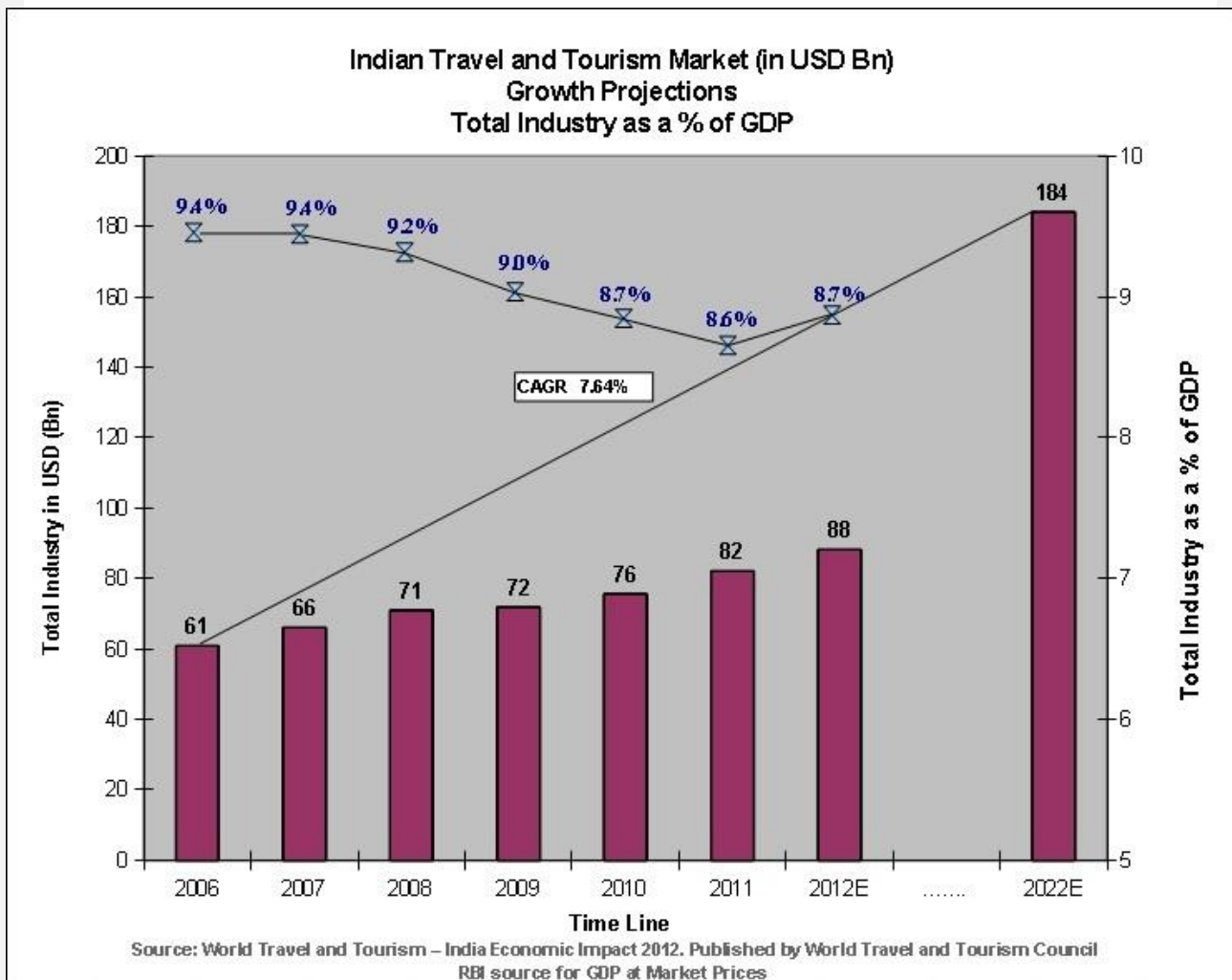


# State of the Travel Industry

Travel and Tourism as a sector is an important contributor to the Indian GDP. Travel and Tourism facilitates much needed Foreign Exchange Earnings and contributed 1.9% of 2011 GDP (USD 31Bn) in real terms. The 2012 GDP contribution in real terms was forecasted to grow by 7.6% to USD 33Bn. (Real terms = Revenues - Expenses)

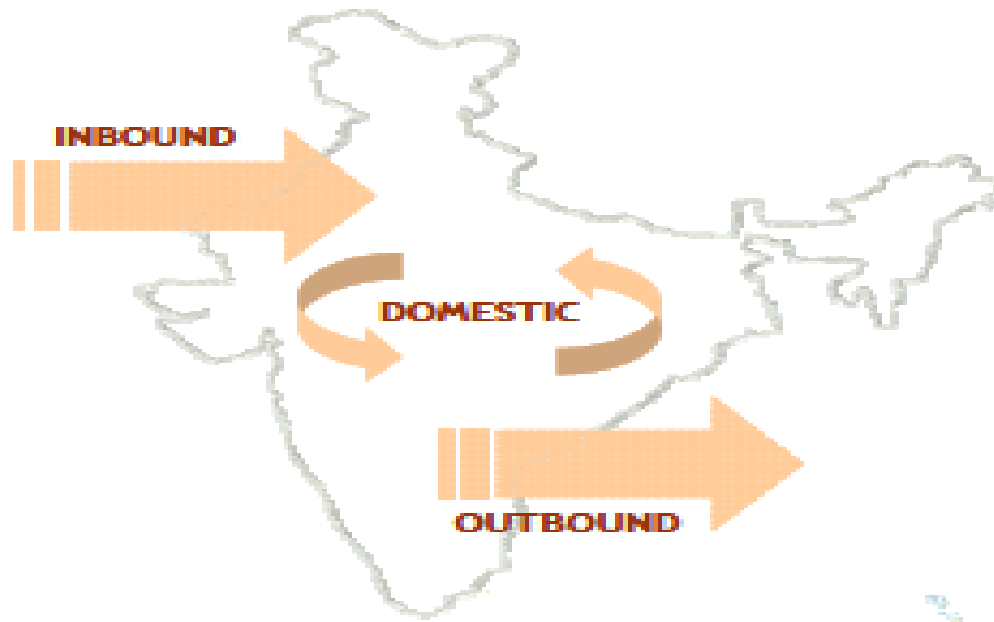
With its backward and forward linkages with other sectors of the economy, like manufacturing, transport, construction, handicrafts, horticulture, agriculture, etc. tourism has the potential to not only be an economic driver, but also become an effective tool for poverty alleviation and ensuring growth with equity.



Travel and Tourism as an industry generated USD 82Bn of revenues in 2011 and is estimated to grow by 7.3% to USD 88Bn in 2012.

As per standard practice, the Indian tourism industry can be broadly classified as

## Classification of Travel



### **Inbound tourism**

Refers to foreign tourist arrivals (FTAs) into India. FTAs in India grew at a CAGR of 7.7% during CY00-10. 5.6Mn foreign visitors arrived in India during 2010 and this is expected to grow at a CAGR of 7.8% during CY10-20E to become 11.9Mn foreign visitors in 2020.

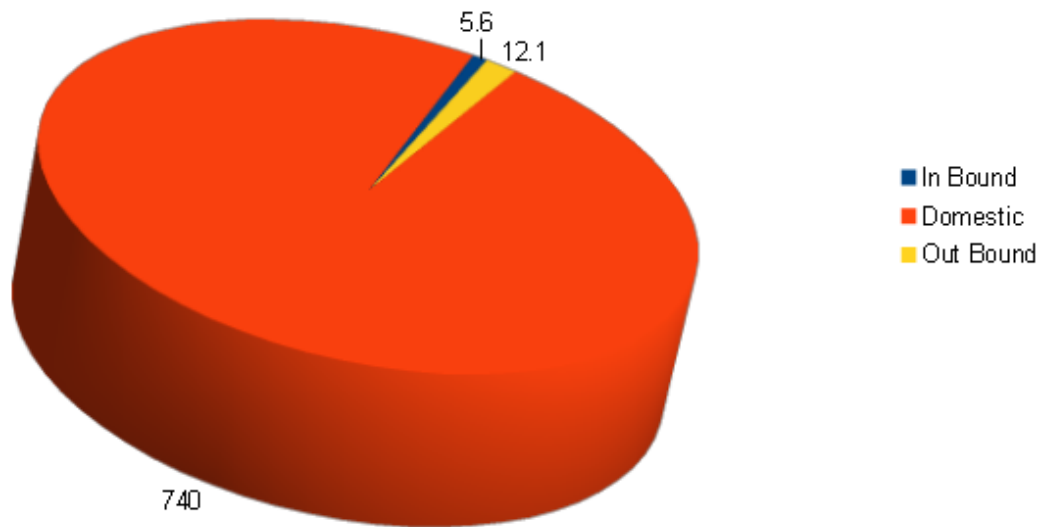
### **Outbound tourism**

Refers to Indians traveling outside India. Outbound travel from India grew at a CAGR of 10.6% during CY00-10. Outbound travel stood at 12.1Mn Indians traveling abroad in 2010 and is expected to grow at a CAGR of 14.1% during CY10-20E to 45.1Mn Indians traveling abroad.

### **Domestic tourism**

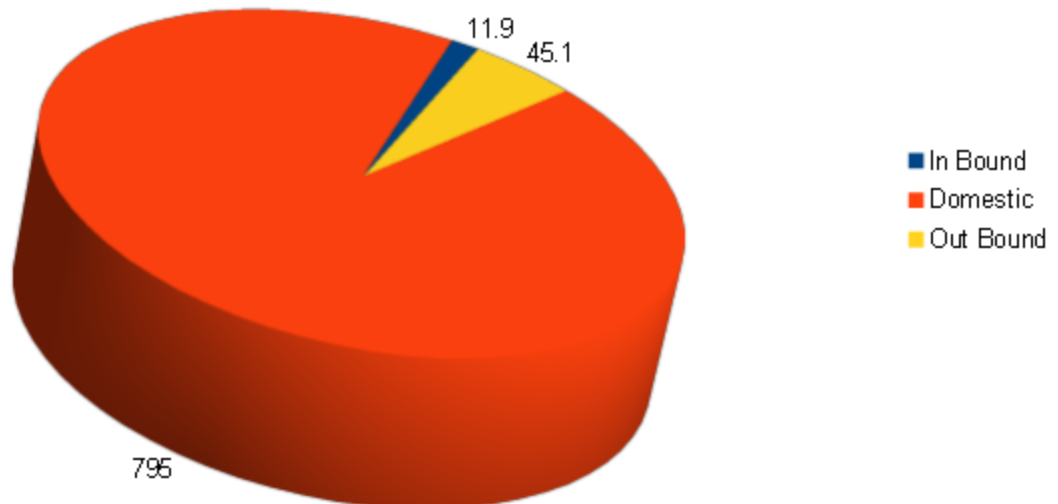
Refers to the travel within India by both foreigners and Indian nationals. The improvement in disposable income has led to 12.9% CAGR (12.9% CAGR by Indians, 11.7% CAGR by foreigners) in domestic tourism to 758Mn visits (740Mn visits by Indians, 17.9Mn visits by foreigners) in CY99-09.

**Total Tourist Movement in 2011  
(in Millions)**



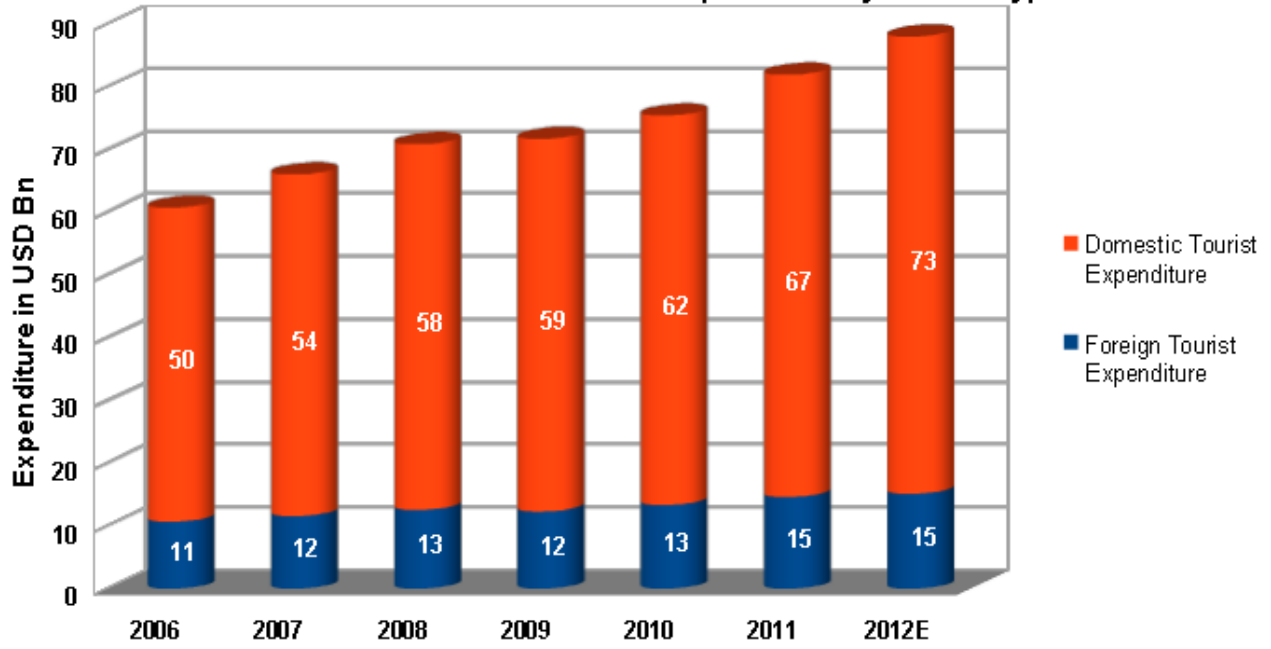
There is a marked increase expected in the number of outbound tourists from India. The domestic segment continues to be the larger contributor.

**Total Tourist Movement Estimated in 2020  
(in Millions)**



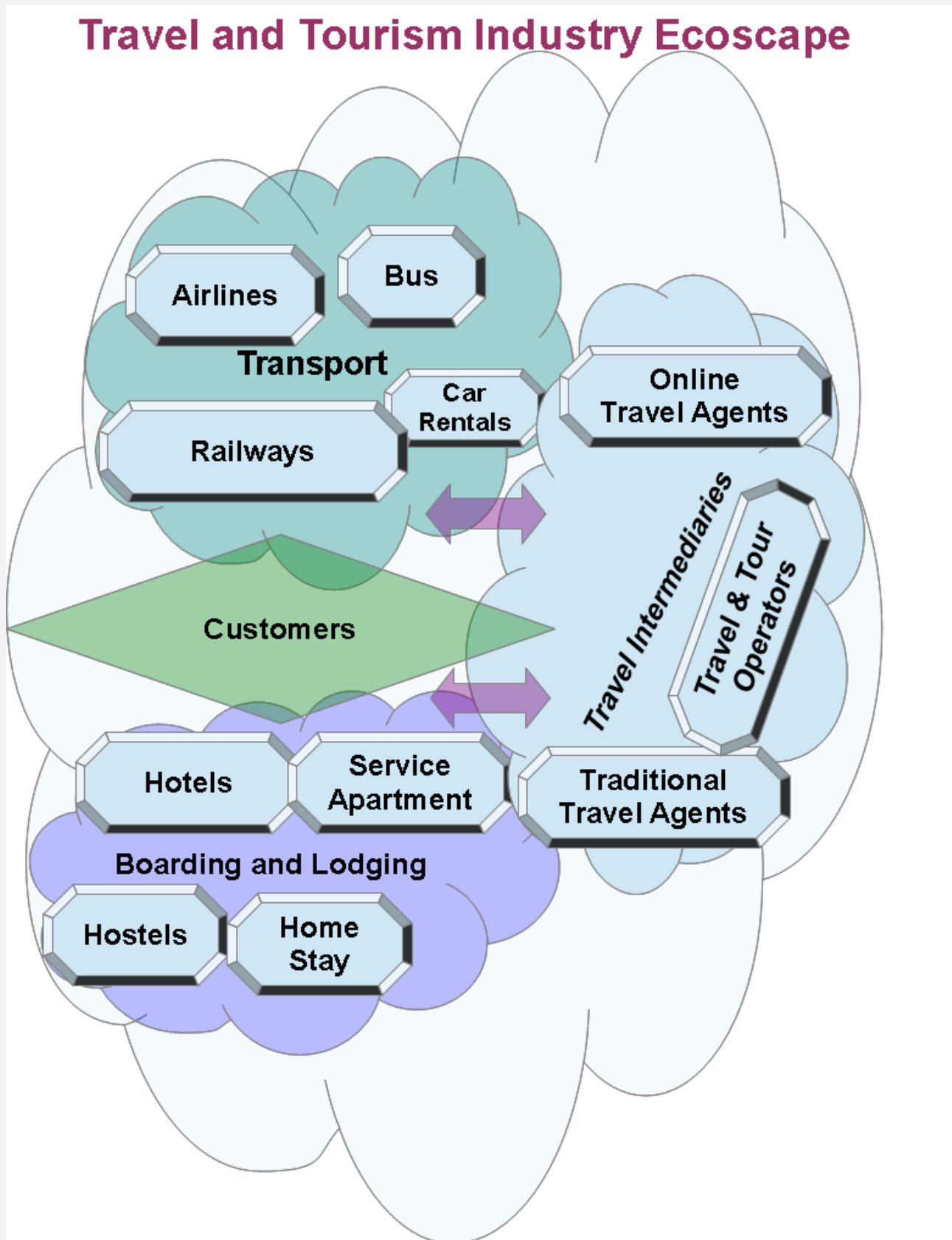
The interesting fact is that foreign tourists contribute between 17-18% of the total Travel and Tourism industry.

Travel and Tourism Expenditure by Tourist Type



MarketBuilders

The needs of the travelers are met through the following ecoscape



## Online Travel Segment

### Global Scenario

The global online travel segment, valued at nearly USD 256 Bn in 2010 by PhoCusWright, representing 30% of the total travel market. Global online travel bookings were forecast to reach USD 313 Bn by 2012 . Implying that, by the end of 2012, one third of the world's Travel & Tourism sales will be made online.

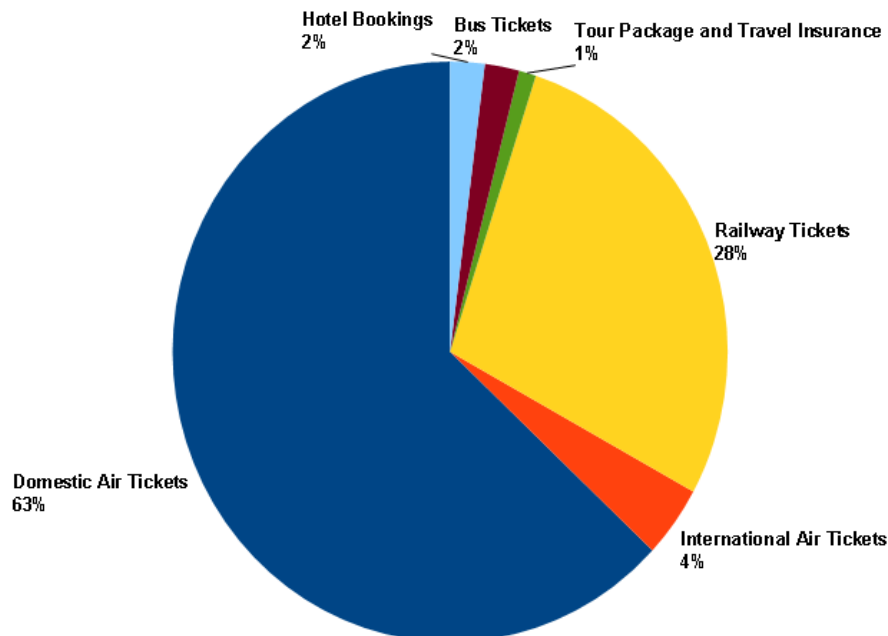
### Indian Scenario

Online travel planning and booking debuted in the early 2000s in India. Early players faced obstacles with low internet penetration, limited credit card users and low confidence on online purchase transactions. Majority of India travels by trains, the Indian Railways online booking site IRCTC played a big role in increasing credibility and efficacy of online travel bookings – allowing a large section of the Indian population to book rail tickets from the comfort of their home.

Eventually, the online travel industry has grown impressively in India to reach an estimated USD 6.8Bn in 2011<sup>1</sup>. The online travel segment in India thus had a share of about 8.3% of the travel and tourism market in 2011. The travel boom, emergence of low cost carriers, proliferation of internet and the growing acceptance of e-commerce, are some of the key factors that have contributed to the emergence of this sector.

The OTA industry revenue split has been estimated by IAMAI (Internet and Mobile Association of India):

IAMAI : Online Travel Agents - Segment Breakup



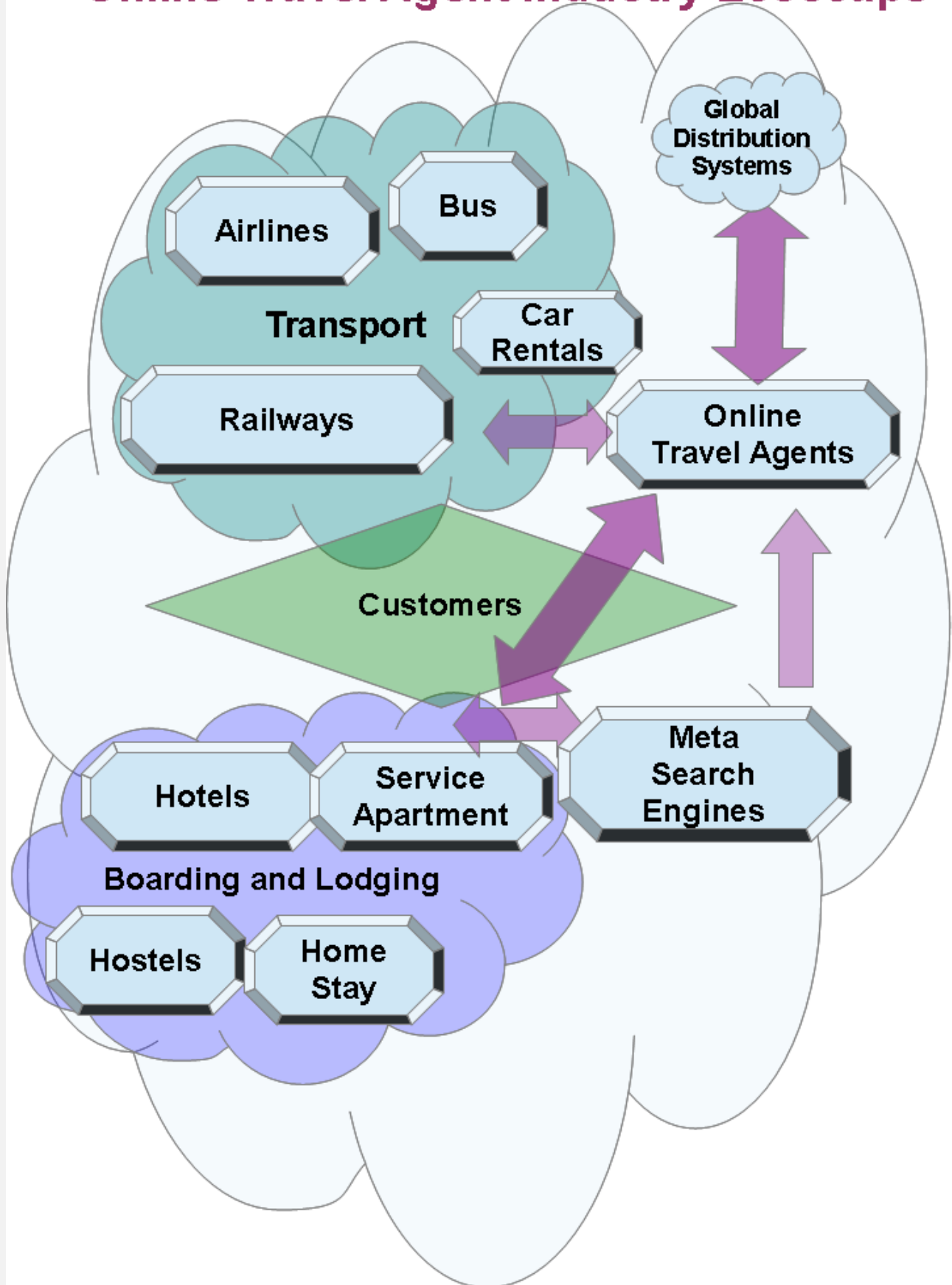
The online travel market in India has witnessed tremendous growth and is attracting a large number of national and international players. This has led to increased PE (Private Equity) activity, buyouts, partnerships, mergers and acquisitions.

<b>Calendar Years</b>	<b>PE Investments in Indian OTA</b>
2005 to 2009	USD 120+ Mn. (Declared)

Given the attractive growth rates that the OTA (Online Travel Agents) have achieved with further projections also promising to be robust, this segment will remain attractive for funding and transformational growth activities during the coming decade. Cleartrip sold a minority stake to Concur for USD 40Mn in 2011<sup>ii</sup>.



# Online Travel Agent Industry Ecoscape





A snapshot of some of the significant players in this category follows. The big players are Makemytrip.com, Yatra, Cleartrip and Goibibo.com. Goibibo which is a late entrant has gained significant market share in the last couple of months. Beyond the market leaders, the market has a number of smaller players including traditional travel agents who have gone online, their combined contribution was less than 7% of the overall market.

OTA	Business Description
<p><b>Make My Trip</b></p> 	<ul style="list-style-type: none"> <li>• Founded in April, 2000</li> <li>• Dominant market leader with an estimated 35% market share in the OTA segment</li> <li>• Sells over 12000<sup>iii</sup> air tickets, 4000 hotel room nights, and 200 holiday packages, every single day</li> <li>• FY 2012 revenues USD 196 Mn</li> </ul>
<p><b>Yatra</b></p>  	<ul style="list-style-type: none"> <li>• Headquartered out of India, Yatra is the second largest online travel website, with an estimated 30% market share in the OTA segment</li> <li>• Sells over 11,500<sup>iv</sup> domestic tickets and 650 hotels and holiday packages booking a day.</li> </ul>
<p><b>Cleartrip</b></p> 	<ul style="list-style-type: none"> <li>• Cleartrip was launched in July 2006</li> <li>• Cleartrip with an estimated 30% market share of the OTA segment</li> <li>• Sells over 7000<sup>v</sup> tickets and 250 hotel room nights every day</li> </ul>
<p><b>IRCTC</b></p> 	<ul style="list-style-type: none"> <li>• IRCTC was incorporated on 27th September, 1999 as an extended arm of the Indian Railways</li> <li>• The IRCTC has recorded a high of 4.95 lakh ticket bookings on a single day</li> <li>• Total revenues of Rs 9498 crores (approximately \$1.7 billion) and sold 116 million tickets through IRCTC in 2011-12</li> </ul>
<p><b>Arzoo</b></p> 	<ul style="list-style-type: none"> <li>• Founded in 2006</li> <li>• A wide network of over 25,000 registered travel agents (Preferred Sales Agents or PSA's) source their travel bookings from Arzoo</li> </ul>
<p><b>Via</b></p> 	<ul style="list-style-type: none"> <li>• Launched in 2006</li> <li>• 20,000 partners across 2,400 towns and cities of India</li> </ul>

<p style="text-align: center;"><b>IxiGO</b></p> 	<ul style="list-style-type: none"> <li>• Launched in 2007 Gurgaon, India</li> <li>• A global travel search engine that has 150+ travel sites to find the best flight, hotel deals.</li> <li>• iXiGO averages 25,000 searches per day, and each month traffic is growing at a rate of 50 per cent.</li> </ul>
<p style="text-align: center;"><b>Ezeego1</b></p> 	<ul style="list-style-type: none"> <li>• Launched in December 2006</li> <li>• The company has launched a Hindi online portal</li> <li>• Offers Cash Back services</li> </ul>
<p style="text-align: center;"><b>Zoomtra</b></p> 	<ul style="list-style-type: none"> <li>• Launched in 2006</li> <li>• Partnered with over 40 portals in India to get you the most comprehensive travel information.</li> <li>• Search engine that has fares from all 13 domestic airlines and over 4500 hotels in India to get the best price</li> </ul>
<p style="text-align: center;"><b>Travelguru</b></p> 	<ul style="list-style-type: none"> <li>• The company was founded in 2006 and is based in Mumbai, India</li> <li>• From of June 29, 2012, TravelGuru operates as a subsidiary of Yatra Online Pvt. Ltd.</li> <li>• It offers access to deals on more than 500 airlines and 90000 hotels across the globe.</li> <li>• Travelguru's flight booking engine is powered by Zoomtra</li> </ul>
<p style="text-align: center;"><b>HotelKhoj</b></p> 	<ul style="list-style-type: none"> <li>• A division of TravelAffiliatePro, visitUSA LLC is one of the leading providers of travel information based in the USA.</li> <li>• Hotel Khoj has been in operations since 1998 and had a setup in Nagpur/India under goTrip India Pvt. Ltd</li> <li>• With the help of Worldspan, Hotel Khoj facilitate the provisional reservation of hotel rooms across the world</li> <li>• Associated with over 5000 properties and 3000+ travel agents in India. Globally, through a hotel database of more than 80,000+ individual hotels in over 250 hotel chains helps us get the best deals</li> </ul>

Our estimate is that the OTA segment handles conservatively 5500 room nights per day and optimistically upto 6500 room nights per day. The Indian room capacity at optimal occupancy rates stands at 147637 room nights per day (FHRAI 56<sup>th</sup> Annual Report). Clearly there is an opportunity for growth here with only upto 4-5% penetration, this opportunity is reflected in the growing hotel revenues as declared by leading OTA - MakeMyTrip that generated a revenue of USD116 Mn a 132% CAGR from 2010 to 2012.

### Traditional Travel Agents

The domestic market is still largely a travel agent driven market. A sizable portion of hotel

inventory in the domestic market is facilitated by travel agents and corporates. The traditional travel agents have faced a large number of challenges including, shrinking margins from airlines and market erosion due to OTA and their reach. Some have tried to emulate the OTA with little success, others have added the OTA into their operational channels. However, the continuous growth of the OTAs will mean further market erosion for the traditional travel agencies. The positive aspect is that the market is growing at an attractive rate and hence will provide growing opportunities and the traditional agencies ability to provide credit to corporates retains their attractiveness for a segment of corporate users.

## **Concluding Remarks**

Tourism industry continues to be an important foreign exchange generator and creator of employment in India. New delivery mechanisms have emerged with growth of OTA players, this will increase the reach and availability of these services to more consumers – benefiting both the buyer and the seller.

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For more information or to reach a representative please visit: [marketbuildersglobal.com](http://marketbuildersglobal.com) or email us at [Research@marketbuilders.co.in](mailto:Research@marketbuilders.co.in)

i <http://yourstory.in/2012/04/online-travel-portals-have-revolutionized-the-way-we-plan-a-trip/> accessed on 16 Nov.2012. INR37890Cr converted to USD @ 1:55 INR

ii <http://www.medianama.com/2011/04/223-cleartrip-sells-minority-stake-to-concur-for-40m/>

iii Superbrands Consumer Brand Category India Report 2009 - [http://www.superbrandsindia.com/images/brand\\_pdf/consumer\\_3rd\\_edition/Makemytrip.com.pdf](http://www.superbrandsindia.com/images/brand_pdf/consumer_3rd_edition/Makemytrip.com.pdf)

iv <http://www.slideshare.net/YatradotCom/an-introduction-to-yatracom-6648953#btnNext>

v <http://company.monsterindia.com/clearin/index.html>