Indian OTA Market
Industry Overview
India, which has the world’s second fastest growing GDP, will produce one of the world’s largest high income pool

Real GDP Growth (2005-2015)  
Indian households with annual income >USD 50k (2005-2015)

Source: EIU, RedSeer Analysis, web search
Indian upper and middle class is increasing which will give a boost to the travel sector

<table>
<thead>
<tr>
<th>Household Income Class</th>
<th>Annual disposable income (USD)</th>
<th>Segment Size (Households MM- 2007) and % CAGR (2000-2007)</th>
<th>Common Occupation</th>
<th>Travel habits</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Upper class’</td>
<td>&gt;$25,000</td>
<td>1.8 9.7%</td>
<td>• Business owners in small and medium enterprises • High level corporate/ Government employees</td>
<td>• Minimum one foreign leisure trip annually • Multiple foreign business trips • Frequent domestic flyers • Prefers luxury hotels (4-5 stars)</td>
</tr>
<tr>
<td>‘Middle Class – Tier-I’</td>
<td>$15,000-$25,000</td>
<td>1.7 9.7%</td>
<td>• Salaried Employees • New service employees (e.g. IT media) • Shopkeepers • Rich farmers</td>
<td>• Either a budget foreign trip or a lavish domestic trip annually • 4-5 domestic round trips annually • Stays in 2-3 star hotels</td>
</tr>
<tr>
<td>‘Middle Class- Tier-II’</td>
<td>$5000-$15,000</td>
<td>22.6 18.7%</td>
<td>• Shopkeepers • Non-urban small business owners • Lower level employees</td>
<td>• Travel by train-AC or low cost carrier • Prefers to stay in budget hotels</td>
</tr>
<tr>
<td>Lower class</td>
<td>$500-$5000</td>
<td>187 0.7%</td>
<td>• Shopkeepers • Non-urban small business owners • Lower level employees</td>
<td>• Travels in general train and buses</td>
</tr>
</tbody>
</table>

Source: EIU, RedSeer Analysis, web search
Indian travel and tourism market is 42 billion USD industry growing with a CAGR of 10.2% over the next 10 years

Indian Travel and Tourism Industry- Market Size (2010-2020)

- Government’s boost to tourism, rising middle class and increasing aggregate disposable income will lead to a significant growth in travel and tourism industry in India
- Indian middle class is expected to increase by 10 times between 2005-2025
- The aggregate disposable income from Indian households is expected to increase with a CAGR of 7% between 2005-25

Source: EIU, RedSeer Analysis, web search
Changing dynamics of Indian travel industry

Changing Attitude of Indian traveller

New Information sources
- Personal knowledge
- Word-of-mouth
- Online research
- Social Media

Increased Flexibility
- Standard packages
- Lack of options
- Plan-it-yourself flexible trips

Unexplored destinations
- Less frequent & long trips to famous places
- Weekend getaways
- Explore the unexplored

Since OTA’s provide increased flexibility, lower pricing and more options in terms of destinations, it is being increasingly adopted by new-age Indian traveller

Source: EIU, RedSeer Analysis, web search
Indian online travel industry is growing with 49% CAGR; OTA’s account for 17.5% of total gross bookings

Source: EIU, RedSeer Analysis, web search
Three major players account for 90% of Indian OTA market share, with Make My Trip as market leader


- 48%, Make my Trip
- 24%, Yatra
- 18%, Cleartrip
- 10%, Others

Discussion

- OTA industry is very competitive with more than 30 players in the market.
- The industry is very price-sensitive especially in air-travel segment, due to which Net revenue margins are low.
- While global giants like Travelocity and Expedia still have to make a mark in the industry, bigger Indian companies are venturing out into countries with high NRI population.

Notes:
1. Market share by gross bookings
Source: RedSeer Consulting
The competition is shifting towards non-air travel segments like hotel bookings due to high margins

Discussion

- Air travel Net revenue margins consist of commissions from airlines, service fees from customers and fees from Global Distribution System (GDS) partner.

- Margin on Hotel & package tour bookings come from mark-up on services.

- Hotels and package tour services also give OTAs an opportunity to differentiate themselves in the industry.

Notes:
1. Market share by gross bookings

Source: RedSeer Analysis, MMYT Investor presentation
## Recent Trends In OTA Industry

<table>
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<tr>
<th>Trends</th>
<th>Description</th>
</tr>
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</table>
| **Consolidation amongst players** | • Major companies are acquiring smaller companies to expand their services  
• Makemytrip acquired Ticketvala.com, Travelocity acquired Travelguru and Yatra acquired Ticket services International |
| **Focus on hotels and tours**   | • For the industry leader Make My Trip, while gross bookings for Air-travel and tours grew by 45% Each (2008-10), net revenue grew by 49% and 84%, respectively |
| **One-stop solution mantra**     | • Most OTAs have partnered with IRCTC for rail bookings to generate traffic  
• OTAs are also partnering with bus ticketing websites and car rental companies to become one-stop solution for travel needs |
| **Merging online and offline**     | • Yatra has started 50 lounges across India while Make my trip has an agent network across 450+ cities  
• Yatra has also partnered with Reliance World (120 centers across India) where customers can book tickets and hotels |
| **Creating online ecosystem**         | • Makemytrip has created online communities of tourists through offisialatyachaar.com and oktatabyebye.com while Cleartrip has associated with Tripadvisor.com |
| **Global expansion of players**      | • OTAs are expanding globally in countries with high NRI population.  
• Makemytrip started trading on Nasdaq to raise money for global operations |

Notes: 1. 2008-2010  
Source: RedSeer Analysis
Enablers for industry growth

Increasing internet and credit card penetration
- Internet users in India grew 2.5 times from 2006-2010
- Number of credit cards in India grew by 3 times between 2006-2010

Emergence of new online segments like car rentals
- OTAs are integrating their portals with online bus and train ticketing services and car rental services

Growth in tourism
- International tourist arrivals in India has increased by 8% CAGR (2004-09), compared to world average of 3%

Growth in Civil Aviation market
- Airline industry in India has grown by 400% (2004-2010).
- By 2020, India will be third largest aviation market after US and China

Discussion
- Indian OTA industry has a high potential, and opportunity for growth.
- Government’s boost to travel and tourism, combined with increased e-commerce penetration, will help OTA industry’s growth.
- OTAs are increasingly integrating services like rail, bus and car rentals to generate higher number of transactions

NRHM: National Rural Healthcare Mission, SEZ: Special Economic Zones
Source: RedSeer Consulting
Enabler: Growing internet and credit card penetration

Discussion

• Internet penetration in India is 7% (compared to 31% in China) is set to increase drastically.

• Indian Government has allocated 10 billion USD for Bharat Nirman, a project to extend internet in rural areas.

• Increasing urbanization in India will also lead to increased internet and credit card penetration.
Challenges faced by Indian OTA industry

- Low operating margins
- Limited reach in tier-II and tier-III cities
- Non-reliability of offline partners
- Payment processing issues

Discussion

- OTA industry is low-margin, high volume. Due to low internet penetration in India, their reach to tier-II and tier-III cities is limited which affects the volumes.

- Incompetence of hotels and tour operators reflects badly on OTA for consumers who book through them. Controlling their quality is a major challenge.
Major Industry Players

**Make my trip**
- Established: 2000
- Gross bookings: 480 million USD (2010)
- Largest market share in Indian OTA industry
- First Indian OTA to be traded on NASDAQ
- Sister websites: Offisialatyachaar.com, oktatabyebye.com
- Global presence: US, Canada, UAE
- Covers 450+ cities in India through travel agent partners
- Investors: SAIF, Helion, Sierra

**Yatra**
- Established: 2006
- Partnered with Reliance World for ticket distribution
- Started ‘Holiday Lounges’ in 50 major cities in India
- Global presence: US, UK
- Investors: Reliance, TV18, Norwest, Intel Capital

**Cleartrip**
- Established: 2006
- Gross bookings: 180 million USD (2010)
- Partnered with Tripadvisor.com and Lonely Planet
- Global presence: Middle East (UAE, Oman, Qatar, Bahrain, Kuwait)
- Investors: KPCB, Sherpalo ventures, DAG Ventures, DFJ

**Travelocity**
- Established: 1996 (US); 2007 (India)
- Gross bookings: Global- 10 billion USD (2007)
- Acquired Travelguru, India based OTA with focus on hotel bookings, in 2009
- Owned by: Sabre Holdings
- Global acquisitions: site59.com, lastminute.com
- Global presence: US, Canada, Germany, France, Scandinavian countries, UK and Mexico
Thank You!

(query@redseerconsulting.com)