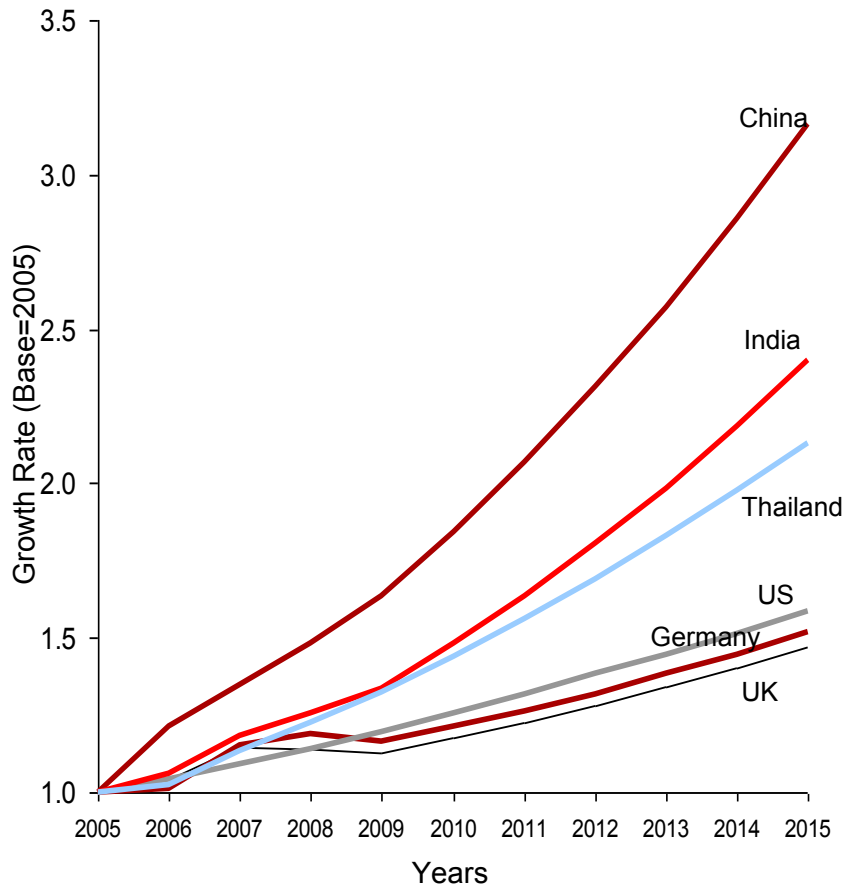


# Indian OTA Market

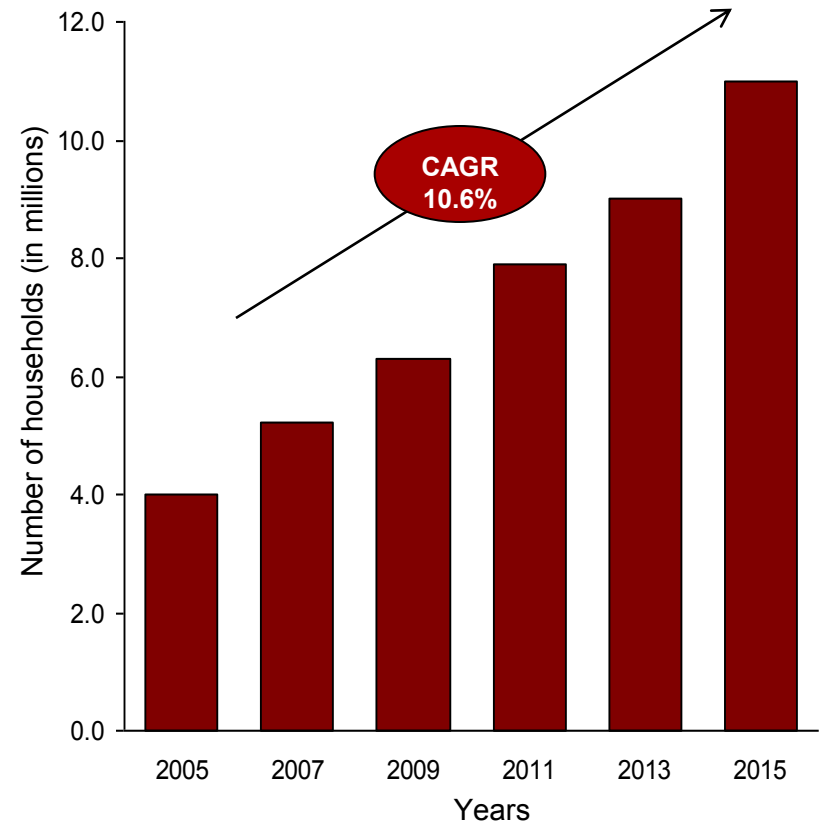
## Industry Overview

# India, which has the world's second fastest growing GDP, will produce one of the world's largest high income pool

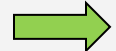



**Real GDP Growth  
(2005-2015)**



**Indian households with annual income >USD 50k  
(2005-2015)**

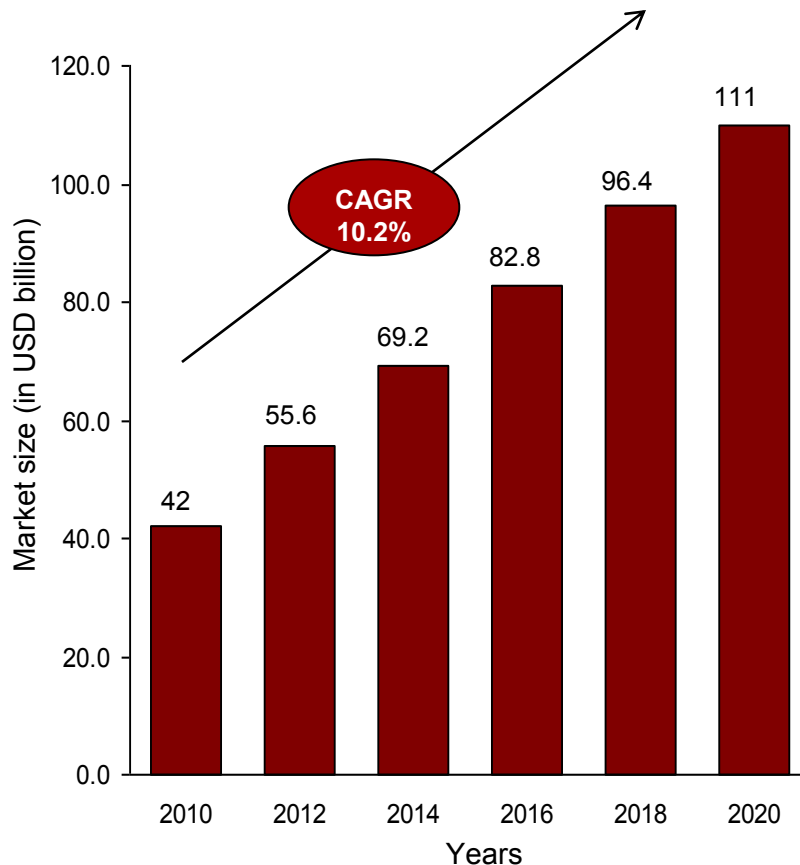


# Indian upper and middle class is increasing which will give a boost to the travel sector

Household Income Class	Annual disposable income (USD)	Segment Size (Households MM- 2007) and % CAGR (2000-2007)	Common Occupation	Travel habits
<b>'Upper class'</b>	>\$25,000	1.8  9.7%	<ul style="list-style-type: none"> <li>• Business owners in small and medium enterprises</li> <li>• High level corporate/ Government employees</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum one foreign leisure trip annually</li> <li>• Multiple foreign business trips</li> <li>• Frequent domestic flyers</li> <li>• Prefers luxury hotels (4-5 stars)</li> </ul>
<b>'Middle Class – Tier-I'</b>	\$15,000-\$25,000	1.7  9.7%	<ul style="list-style-type: none"> <li>• Salaried Employees</li> <li>• New service employees (e.g. IT media)</li> <li>• Shopkeepers</li> <li>• Rich farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Either a budget foreign trip or a lavish domestic trip annually</li> <li>• 4-5 domestic round trips annually</li> <li>• Stays in 2-3 star hotels</li> </ul>
<b>'Middle Class- Tier-II'</b>	\$5000-\$15,000	22.6  18.7%	<ul style="list-style-type: none"> <li>• Shopkeepers</li> <li>• Non-urban small business owners</li> <li>• Lower level employees</li> </ul>	<ul style="list-style-type: none"> <li>• Travel by train-AC or low cost carrier</li> <li>• Prefers to stay in budget hotels</li> </ul>
<b>Lower class</b>	\$500-\$5000	187  0.7%	<ul style="list-style-type: none"> <li>• Shopkeepers</li> <li>• Non-urban small business owners</li> <li>• Lower level employees</li> </ul>	<ul style="list-style-type: none"> <li>• Travels in general train and buses</li> </ul>

# Indian travel and tourism market is 42 billion USD industry growing with a CAGR of 10.2% over the next 10 years

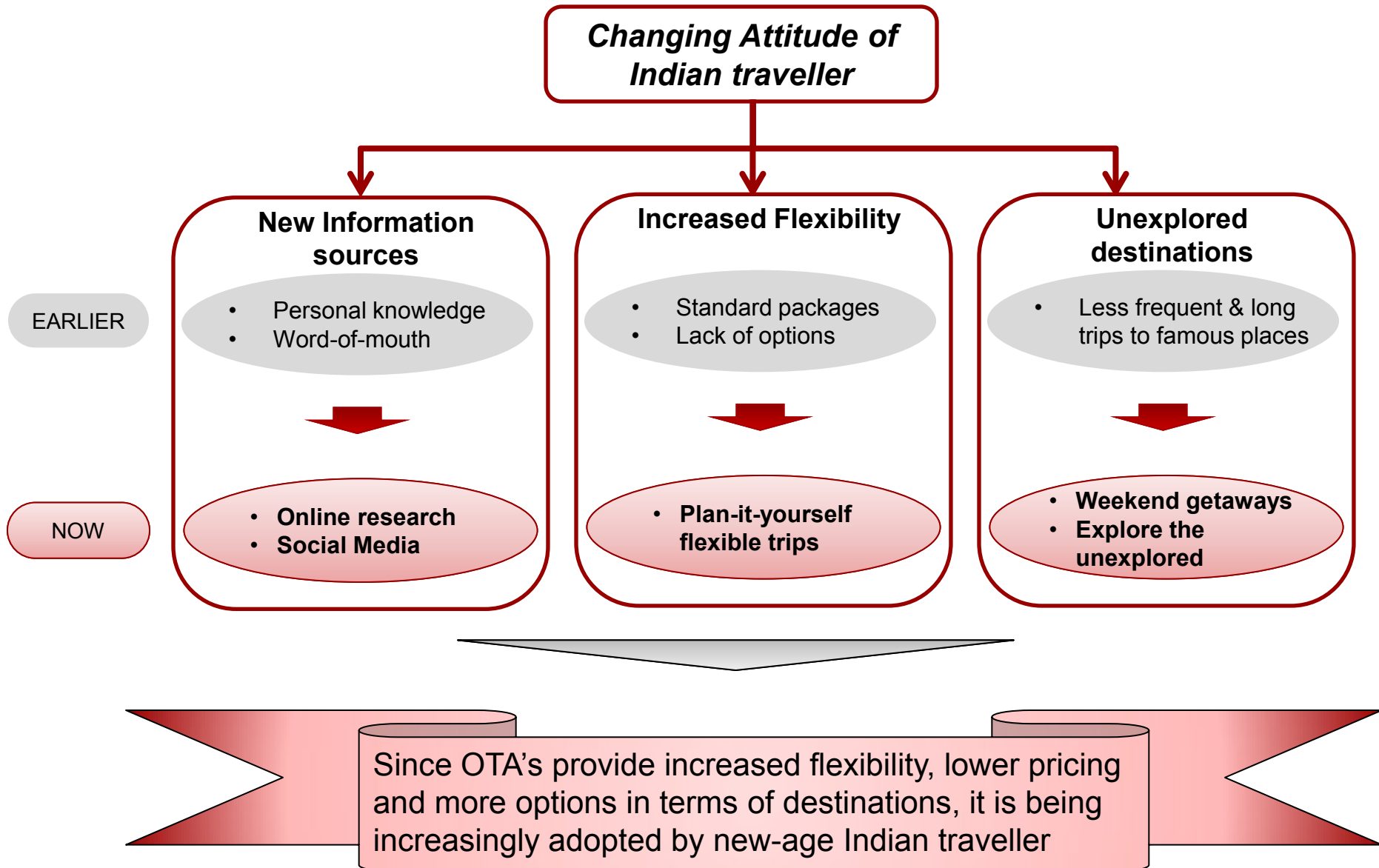
Indian Travel and Tourism Industry- Market Size (2010-2020)



## Discussion

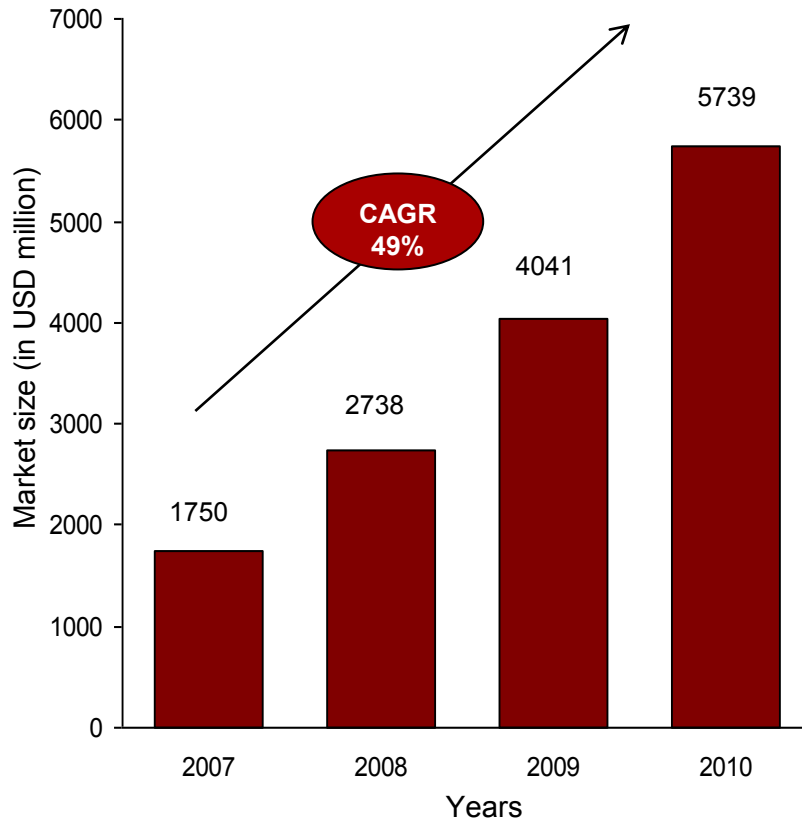
- Government's boost to tourism, rising middle class and increasing aggregate disposable income will lead to a significant growth in travel and tourism industry in India
- Indian middle class is expected to increase by 10 times between 2005-2025
- The aggregate disposable income from Indian households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

# Changing dynamics of Indian travel industry

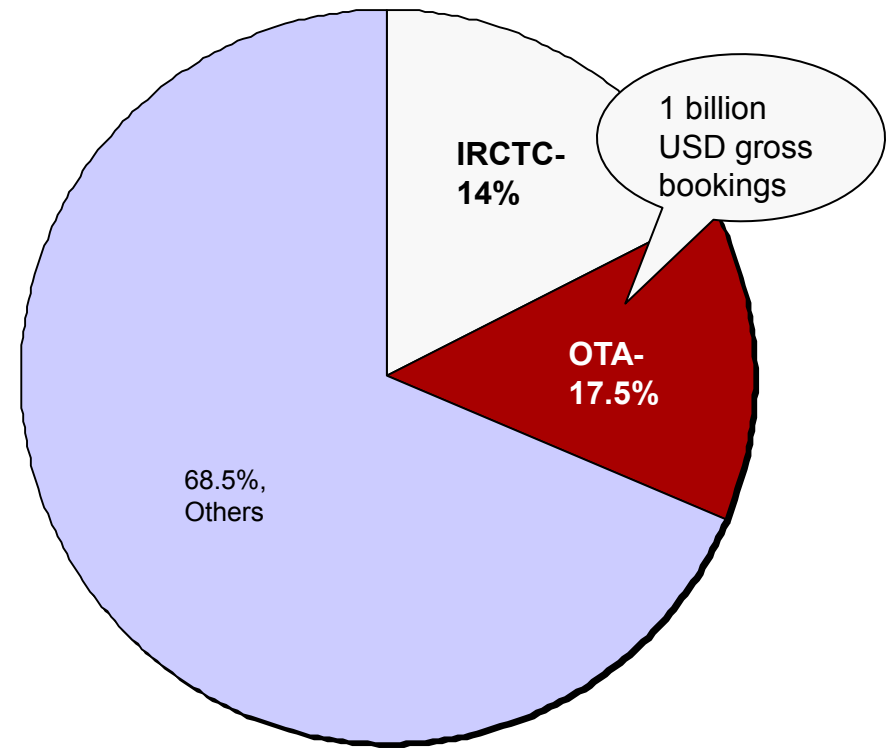


# Indian online travel industry is growing with 49% CAGR; OTA's account for 17.5% of total gross bookings

## Indian Online Travel Gross bookings (2007-2010)

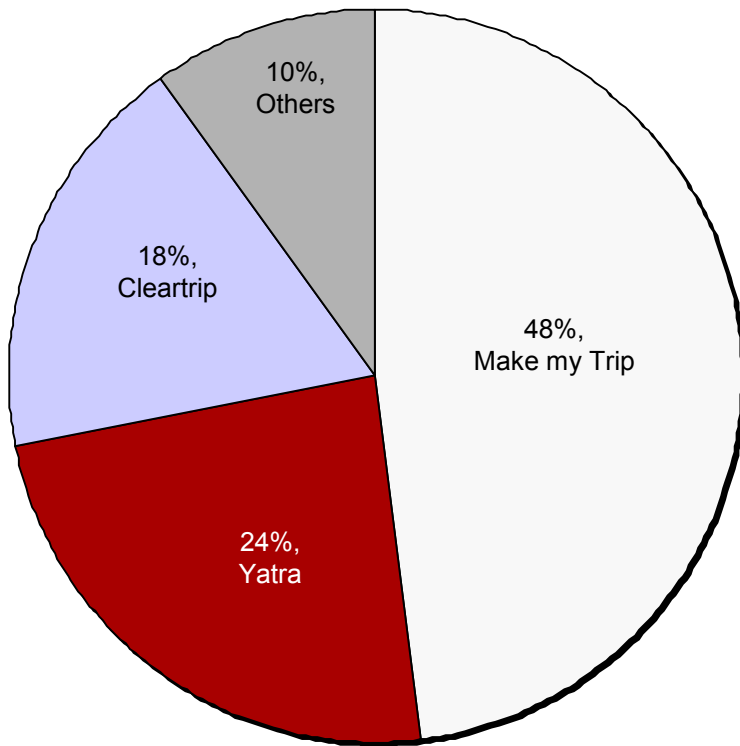


## Indian Online Travel Gross bookings- Breakup (2010)



# Three major players account for 90% of Indian OTA market share, with Make My Trip as market leader

OTA Market Share<sup>1</sup>- by Players  
(2010)



## 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.

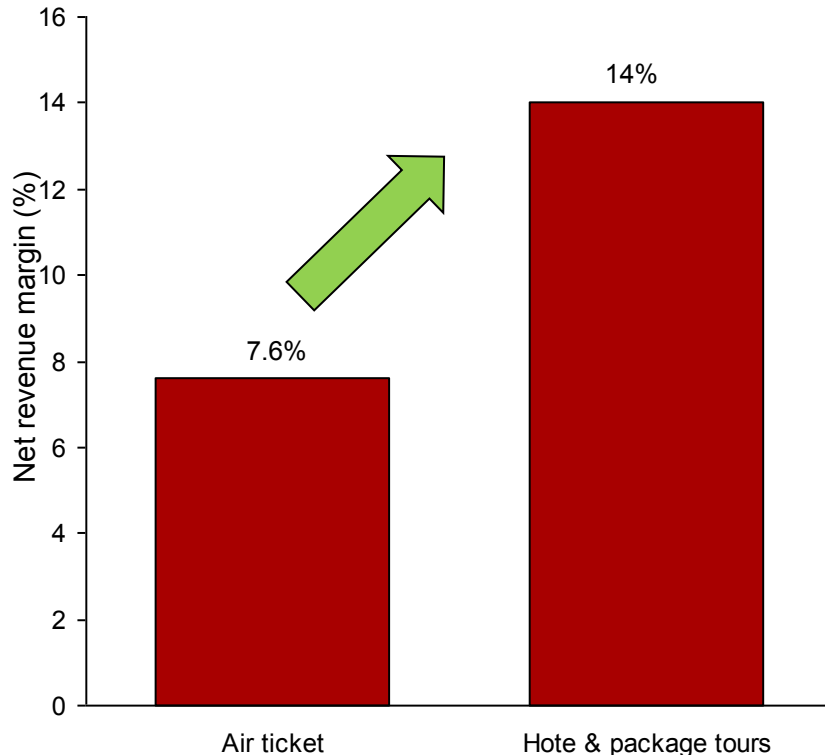
Notes:

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

**Net Revenue Margins  
(2010)**



## 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 © 2009 RedSeer Consulting Confidential and Proprietary Information.

[www.redseerconsulting.com](http://www.redseerconsulting.com)



# Recent Trends In OTA Industry

## Trends

**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%<sup>1</sup> 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

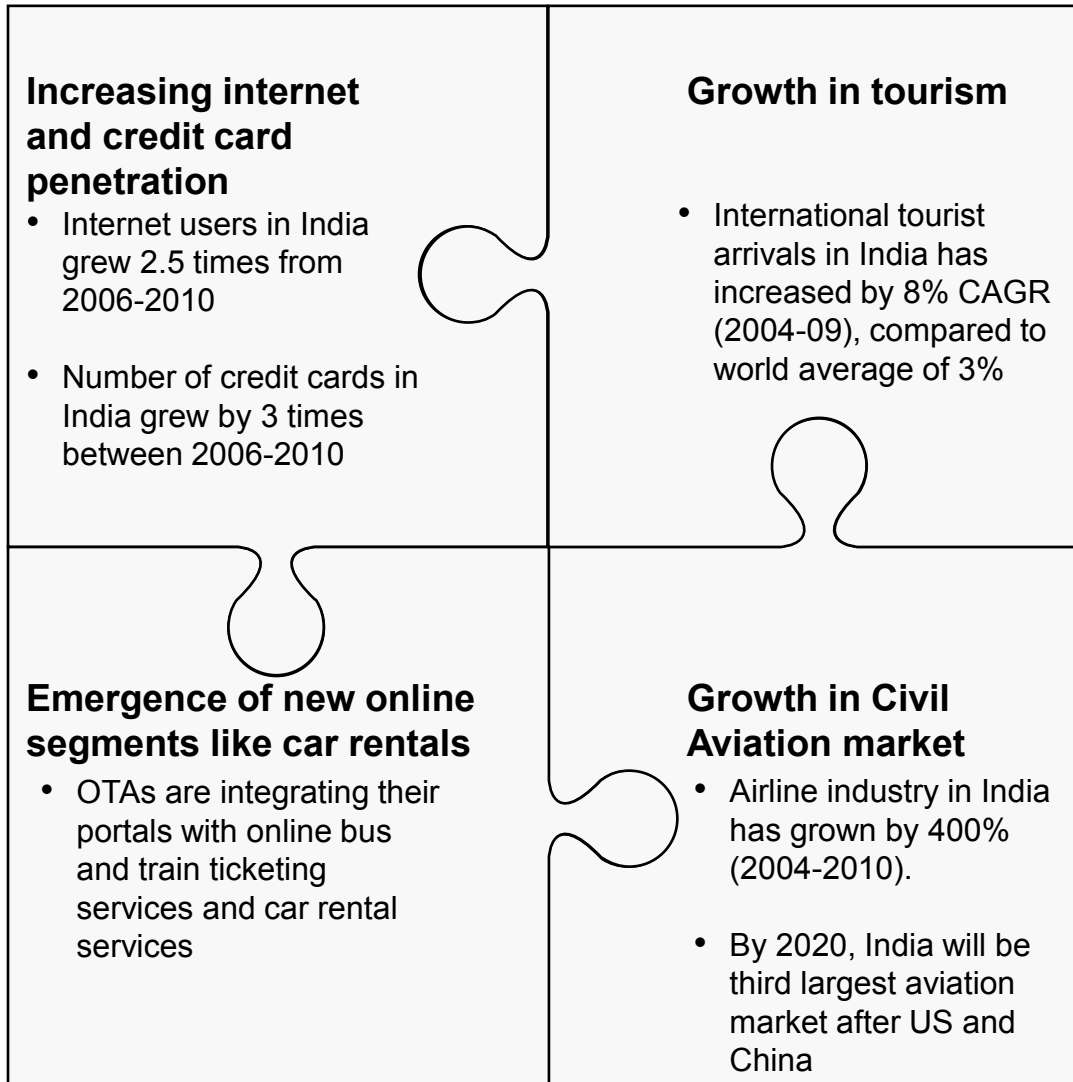
**Creating online ecosystem**

- Makemytrip has created online communities of tourists through officialatyachaar.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

# Enablers for industry growth

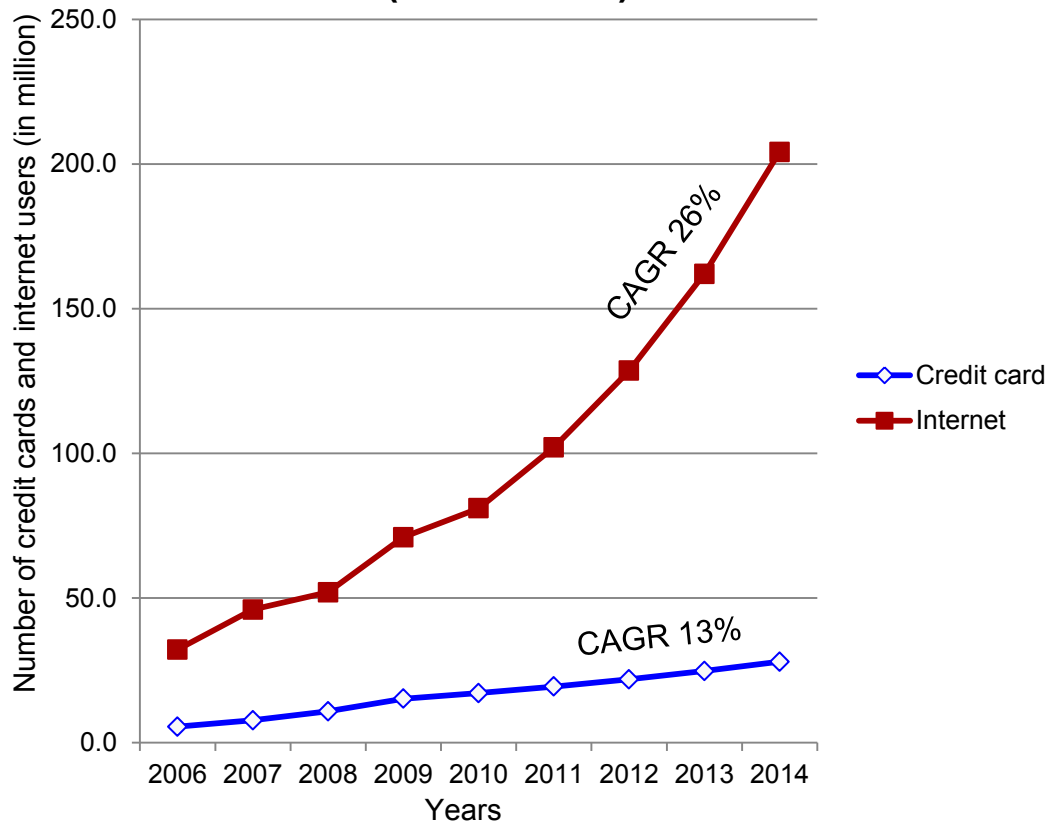


## Discussion

- 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

# Enabler: Growing internet and credit card penetration

**Credit cards and Internet users- India  
(2006-2014<sup>1</sup>)**



## 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



## 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: Oficialatyachaar.com, oktatabyebye.com
- Global presence: US, Canada, UAE
- Covers 450+ cities in India through travel agent partners
- Investors: SAIF, Helion, Sierra

## Yatra

- Established: 2006
- Gross bookings: 240 million USD (2010)
- 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!

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