



## ONLINE TRAVEL MARKET AND GROWTH IN INDIA: A STUDY

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### **Abstract**

The world is shifting into a global village because of internet and the business world is modifying and understood the power of internet and the travel industry has completely transformed itself into a digital sector. Further, online travel market will set an innovative platform for the development of the digital commerce, as online travel market business has proved itself as part of the new economy and an ideal way to do business across the domain. An effort has been made this paper to examine the growth of online travel market in India, share of the various services and identify some of the important influencing factors of online travel market growth in India. The study concludes that there would be a prospective growth of online travel market in India if more number of people brought under the fold of internet access and training programs are conducted to enable them to use online travel services buying.

**Key Words:** Online Travel Market Growth, Online Travel Market Services, Internet, Market Research, Research Bureau.

### **Introduction**

An online travel market is the subcategory of e-commerce, this clarifies that the online travel market is the influential marketing technique and a direct selling method, an online travel market website is an agency engaged in selling and arranging accommodations, tours, transportation and trips for travelers on an online platform. The direct selling method is an alternative method for selling products to consumers, which differs from the traditional selling method. In simple terms, the online travel market system uses websites to get the online travel services orders and moves the online travel services from the venders to the end consumers directly.

According to the digital commerce report published by the Internet and Mobile Association of India (IAMAI) and Indian Market Research Bureau (IMRB) that e-commerce segment in India (B to C model) Classifieds into two parts that are i) Online travelling industry and ii) Online non-travelling industry. Especially, online travel market includes the sale of travel products services through the Internet, which may be Business-to-Business (B2B) and Business-to-Consumer (B2C) sales and online travel market web sites for retail sales direct to consumers.

In India there are many online travel market websites providing a variety of travel services to customers. Online travel services including flight tickets, domestic and international holiday packages, hotel reservations, rental cars, rail and bus tickets etc.

The online travel industry is primarily made up of travel e-commerce sites and review sites. Travel review websites, such as trip advisor, allow travelers to their experience of hotels, restaurants and other hospitality purchases online. Some of the prominent online travel market web sites in India are Make my trip, Yatra.com, Clear trip, Expedia.co.in, Travel guru, Musfir.com, Booking.com, Redbus.com, Goibibo, Abhibus.com, Ticket goose, Thomas cook and Ayo etc.

In the current selling environment, online travel market has become more prominent as some of the following **advantages** may be accrued to the customers due to online travel market over the traditional travel industry:

1. **Accessibility:** Online travel websites provide the opportunity to consumers to booking ticket 24 x 7 and also reward them with no pollution buying. This direct selling method avoids the traffic problems on the road, avoids the parking problems, parking charges, fuel cost and queue problems at bill payment counters. Hence, consumers may save their precious time because of their busy life and put less effort in online travel services buying.
2. **Comprehensive details:** Customers may get comprehensive information of the wide range and variety of services features, faith, reviews, comments and facts while buying travel services online.



3. **Price comparison:** Customers may make comparison easily about prices of different online travel marketers and their massive sale offers through discounts, cash back, flash sales and other benefits and one of the advantages of buying travel service online is that multiple buying option is available.

After understanding the concept and advantages of online travel market websites, an attempt has been made to review the past studies related to the study to establish the relevance of the study and the same is presented chronologically in brief as follows:

#### **Review of Literature**

**You Qinghe (2014)** studied “Online Shopping Change the Retail Business Model”: A survey of the people use online shopping in China and concluded that online marketers and retailers develop appropriate market strategies, make technological advancements and make the correct marketing decisions in order to retain current customers and attract new customers.

**Aanmani A. John of Arch (2014)** concluded that online marketing represents a major transaction of the business and marketing landscape.

**IBEF (2013)** concluded that the B2C segment would continue to lead the e-commerce market, as the credit goes to the budding Indian internet population, supporting demographics, ease of payments modes and customer-centric innovative policies.

**Kirti Lalwani (2013)** concluded that India is showing tremendous growth in the e-commerce. The web has transformed India’s economy it is a powerful tool that has changed the product market and distribution of goods and services as well as finance and culture. The presence of social media and smart phones further make e-commerce more attractive and convenient mode of shopping or purchasing online due to the lower cost of personal computers and the growing use of the internet. Further, it is stated that, in the present scenario, E-commerce is not only limited up to commercial transactions or a service provider rather it is upgrading people towards new technology.

**Namita Bhandari and PreetiKaushal (2013)** concluded that online consumer behaviour using factor analysis and the reasons for using online shopping like, trust, information about the product and services, convenience, effortless shopping.

**Muhammed Kür ad Özlen (2013)** in his study titled “Consumers Perceptions about E-commerce activities of Bosnian Companies”, the consumers have concluded that very poor positive perceptions about Bosnian companies’ web presences and their online activities.

The above review may reveal that the most of the research meant for understanding the security measures of e-commerce and factors influencing the online shopping focusing on the consumers’ perceptions. But, specifically the studies were not conducted to analyze the online travel market growth in India, share of various services of online travel market and factors influencing for the same together.

#### **Objectives of the Study,**

i) to analyze the growth of online travel market in India, ii) to analyze the share of various services of online travel market in India and iii) to examine the influencing factors of online travel market growth in India, by restricting to B2C business model. The source of data is secondary in nature and collected from the past studies, whereas, the analysis is made with the help of simple growth rates (over the preceding year) and compound annual growth rates  $CAGR = ((\text{End Value} / \text{Start Value})^{1/(\text{Periods}-1)} - 1)$ . As the research study is restricted to B2C business model in India, the study does not take into consideration all the e-commerce business models like B2B, C2B, B2G and C2C. The study period is December 31st 2010 to December 31st 2016.



### Online Travel Marketing

The online travel business in India has witnessed a significant growth as shown in the following table-1:

**Table-1: Online Travel Market Size in India (during 2010 to 2016) at the End of December**

Years	2010	2011	2012	2013	2014	2015	2016
Net sales (Cr INR)	20440	26572	34544	41909	50050	76396	95198
Simple growth rate % (over the preceding year)		30%	30%	21.32%	19.42%	52.63%	24.61%
CAGR%							29.22%

Source: IMRB, I-cube 2014, 2015 and 2016

The above table reveals that online travel business has increased from INR 20440 crores to INR 95198 crores with the Compounded Annual Growth Rate (CAGR) of 24.61%. A close observation of simple growth rates computed on the basis of the preceding year reveals the growth rate percentage vary from 19.42% to 30%, barring 2015 year, during which a growth rate was 52%. Thus, it may be inferred that the India's digital commerce industry is growing at a swift pace over the study period. Online travel industry which contributes 56% to the total digital commerce industry INR168, 897 crores by the end of December 2016 in India.

Further, the online travel market is expected to reach close to INR 1, 18,598 crore by December 2017. After understanding the growth in online travel market in India, an attempt has been made to understand the share of the each service of online travel market. A survey conducted by IMRB in 2014, 2015 and 2016 years accordingly, the shares of various services of online travel market in India are shown in the following table-2:

**Table-2: Shares of Various Services of Online Travel Market in India (During 2014 To 2016) at the End of December (Cr, INR)**

Type of Service (Sales)	2014	%	2015	%	2016	%
Domestic Air Tickets	26,500	53	31691	41	38160	40
Rail Booking	16,200	32	21708	28	24984	26
International Air Tickets	890	8	14402	19	18724	20
Hotel Bookings	3,975	4	5200	7	8370	9
Bus Booking	1,965	2	1952	3	2381	3
Travel Insurance	120	1	741	1	763	1
Tour package	-	-	702	1	773	1
Car/Cab hire	-	-	-	-	1093	1
Total	50050	100	76396	100	95198	100

IMRB, I-cube 2014, 2015 and 2016



It may be inferred from the above table reveals that during 2014 the domestic air tickets, have highest sales (53%), whereas, rail booking have a more of (32%) in the total online travel market sales in 2014 followed by international air tickets with 8% sales; hotel bookings have a share of 4%; bus booking with 2%; travel insurance with 1%. From these proposition it may be understood that sale of travel insurance and bus booking are seem to be low, whereas, 85% of the total online travel market industry sales are from domestic air tickets and rail booking.

It may be inferred from the above table reveals that during 2015 the domestic air tickets, have highest sales (41%), whereas, rail booking have a more of (28%) in the total online travel market sales in 2015 followed by international air tickets with 19% sales; hotel bookings have a share of 7%; bus booking with 3%; travel insurance with 1%. From these proposition it may be understood that sale of travel insurance and bus booking are seem to be low, whereas, 88% of the total online travel market industry sales are from domestic air tickets, rail booking and international air tickets.

It may be inferred from the above table reveals that during 2016 the domestic air tickets, have highest sales (40%), whereas, rail booking have a more of (26%) in the total online travel market sales in 2016 followed by international air tickets with 20% sales; hotel bookings have a share of 9%; bus booking with 3%; travel insurance with 1%; car/cab hire with 1%. From these proposition it may be understood that sale of travel insurance and car/cab hire are seem to be low, whereas, 86% of the total online travel market industry sales are from domestic air tickets, rail booking and international air tickets.

A close examination of online travel market services shares in the total sales during the 2014 to 2016 may reveal that share of domestic air tickets though occupied the first position, its share is declined in 2015 and 2016 and rail booking apart from retaining its second position, its share is declined in 2015 and 2016. International air tickets, hotel bookings have increased in 2015 over 2014 and have increased in 2016 over 2015 in percentages, however all the services increased in absolute terms during the period.

The overall observation of service wise growth in online travel market industry reveals that the domestic air tickets, rail booking and international air tickets, have assumed around 86% of the total sales through online travel market industry and became prominent services in the recent years. After understanding the growth of online travel market in India and its future prospects, an attempt has been made here to identify the factors, from the various studies, contributed for the significant growth in online travel market in India and the same is presented as below:

### **Influences of Online Travel Market**

The main key influences that may contribute to the growth of online travel business are Digital India programme and demonetization, localization of internet content, growth of Internet user's etc. The same are presented in brief hereunder:

**i) Digital India programme:** In order to transform the entire ecosystem of public services through the use of information technology, the Government of India has launched the Digital India programme with the vision to transform India into a digitally empowered society and knowledge economy. It was launched on 2 July 2015 by Prime Minister Narendra Modi.

**ii) Demonetization:** It aims at pushing consumers towards making digital payments, thereby contributing to a cashless economy. NITI Aayog published a report on the growth of digital payments in India post-demonetization. According to this report, digital payments have seen a whopping surge of 271 per cent in the very first month following demonetization and the number of mobile wallet transactions has increased to 63 lakhs from 17 lakhs. Paytm, one among the biggest players in the mobile wallet space revealed that it served 45 million customers within 3 weeks after demonetization.

**iii) Localization of Internet Content:** Google India spokesperson says that web content search in Hindi has grown a whopping 155 per cent in the past year, which is significantly higher than the growth of content search in English. Hindi content searched through mobile Internet grew at even higher rate of 300 per cent in the same



period. Online travel firm Make My Trip launched its Hindi app in November 2014 and plans to add four more languages - Gujarati, Tamil, Telugu and Malayalam-in the coming months. With incremental growth in mobile subscriber coming mostly from people who are comfortable with languages other than English, online travel firm understand this developing segment as new growth driver.

**iv) Trends in Internet Users:** Internet user's growth is the evident component to the online travel market growth. India is the world second rank in usage of internet. The internet growth rate in India is 34.4% in 2017 which, confirmations India's fast movement towards Digital India.

The report from the Internet and Mobile Association of India and Market Research firm/ Indian Market Research Bureau (IMRB) International reveals that in urban India, the Internet user base grew by 7% to 263 million for year-on-year period ended October 2016, which is expected to be 275-285 million by June 2017. Further the number of Internet users in India is projected as 450-465 million by June 2017, which around 4-8% increase from 432 million in December 2016.

According to the Internet Trends 2017 report by storied Silicon Valley venture capital firm (KPCB), the volume of wireless broadband data consumed by Indians has risen sharply i.e. from about 200 million gigabytes (GB) a month in June 2016, to around 1.3 billion GB a month in March 2017. According to the Internet Trends 2017 report by storied Silicon Valley venture capital firm Kleiner Perkins Caufield Byers (KPCB), the growth indicates the disruptive effect of Reliance Jio Infocomm Ltd on the Indian internet and telecom market. The phenomena may be due to decline in data prices per GB have fallen from around \$3.5 to \$1.8 in USA, whereas, Reliance Jio charges around \$0.17 in India.

KPCB report highlights the growing dominance of mobile as the medium of choice in India which is evident from the fact that India has 355 million internet users (June 2016) and 277 million broadband users (March 2017). Only China, having around 700 million internet users stands first. Interestingly, 72% of internet users in India are less than 35 years of age.

According to CISCO , digital transformation will take India's internet users from 373 million (28 percent of population) in 2016 to 829 million (59 percent of the Indian population) in 2021 and it is estimated that there will be two billion network devices in 2021 in India, as against 1.4 billion in 2016. The use of internet is growing significantly as the mobile networks, devices and connections in India are not only getting smarter in their computing capabilities but are also evolving from lower-generation network connectivity (2G) to higher-generation network connectivity (3G, 3.5G, and 4G or LTE)<sup>24</sup> and the mobile and Wi-Fi traffic is increased due to combining devices capabilities with faster and higher bandwidth; more intelligent network is leading to wide adoption of high bandwidth data, video and advanced multimedia applications. Especially, Trends in Information and Communication Technologies (ICT), increased in literacy percentages and educated consumer's and improved purchasing power of individuals, decreasing prices personal computers, tablets, smart phones, less internet charges and various payment methods available to pay the money to online travel websites, such as net banking, mobile banking and credit card etc. are important factors to growth of online travel market in India.

### **Suggestions**

After understanding the study that there will be a prospective development of online travel industry in India if new number of folks brought in the fold of internet accessing and aware them to improve the confidence by clarifying their doubts and removing their fears towards online travel services buying. Successful online travel market industry requires a strong branding. Online travel websites must be engaging easily controllable and regularly updated to meet consumers' changing demands. Services need to stand out from competitors' offerings and add value to consumers' lives. Specifically, a company's offerings must be competitively priced so consumers do not favor one business over another based on cost alone. Transparencies in industry performs is also important, as consumer's faith and stay loyal to a firm, which makes them to continue purchasing from the industry that increases revenue.



## **Conclusion**

The world is shifting into a global village because of internet and the business world is modifying and the advanced and fast emerging nations have agreed the power of internet and have already started taking the comforts of the online travel market. As India is witnessing a more mature growth among the users of internet, the growth in online travel industry is projected to be very significant in future. Accessibility, massive offers through cash back, flash sales and huge discounts etc., price comparison, time and energy saving, comprehensive information of online travel services are unique benefits to the customers.

Online travel industry which contributes 56% to the total digital commerce industry INR168, 897 crores by the end of December 2016 in India. The overall observation of service wise growth in online travel market industry reveals that the domestic air tickets, rail booking and international air tickets, have assumed around 86% of the total sales through online travel market industry and became prominent services in the recent years. The present commerce environment in India has the potential to enhance the development of the online travel industry in India. Specific of the prominent influences that may contribute to the development of online travel industry in India are, Digital India programme, demonetization, localization of internet content, growth of mobile internet users, growth in educated consumer's, availability of multiple payment methods, such as net banking, mobile banking and credit cards.

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