



## **A STUDY ON THE ONLINE TRAVEL INDUSTRY IN INDIA**

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### ***Abstract***

*Travel is one of the most standardized services-making it best suited for online selling. Online Travel market in India has witnessed tremendous growth and is attached large number of national and international players. Since 2004-05, Indian railways laid the foundation for online travel industry in India. The industry is predominantly driven by aviation sector. The online travel industry in India is in its boom period. The study focuses on the growth of online travel industry in India. It aims at finding out the major segments included in the industry and the prospects and challenges faced by it in online travel. The major findings of the study reveals that India is measuring up to the global benchmarks with 28% market share. In India, The online penetration of air travel is around 50%, train travel is around 32%, bus ticket booking is 4%, hotel and holiday packages to 5% and balance amount to other than these and most of the suppliers' websites are rated top fifteen websites in the world. India railways are a monopoly industry. Online train ticket booking shows revenue of Rs 8000 Crores in 2010-11.*

*Keywords: OTM,OTI,players,prospects,challenges,marketshare etc*

## **INTRODUCTION**

Travel is one of the most standardized services-making it best suited for online selling. Online Travel market in India has witnessed tremendous growth and is attached large number of national and international players. Since 2004-05, Indian railways laid the foundation for online travel industry in India. The industry is predominantly driven by aviation sector. The online travel industry in India is in its boom period, moving up in the life cycle curve which indicates that the industry is poised to growth in the coming years. Innovation and differentiation are key drivers of growth today. The players in online travel market have gone beyond online travel by providing end to end travel facility, holiday planning solutions, different paying mechanisms etc.

Reasons for growth of OTI (Online Travel Industry) in India are the Growth of Internet

Technology, Low Cost Carriers, and Secure Payment Mechanism. Numbers of factors have also conspired to limit the growth of the industry such as low credit card and internet penetration, relatively smaller aviation market and inadequate supply of standard hotel facilities

## **OBJECTIVES OF THE STUDY**

The study focuses on the growth of online travel industry in India. It aims at finding out the major segments included in the industry and the prospects and challenges faced by it in online travel.

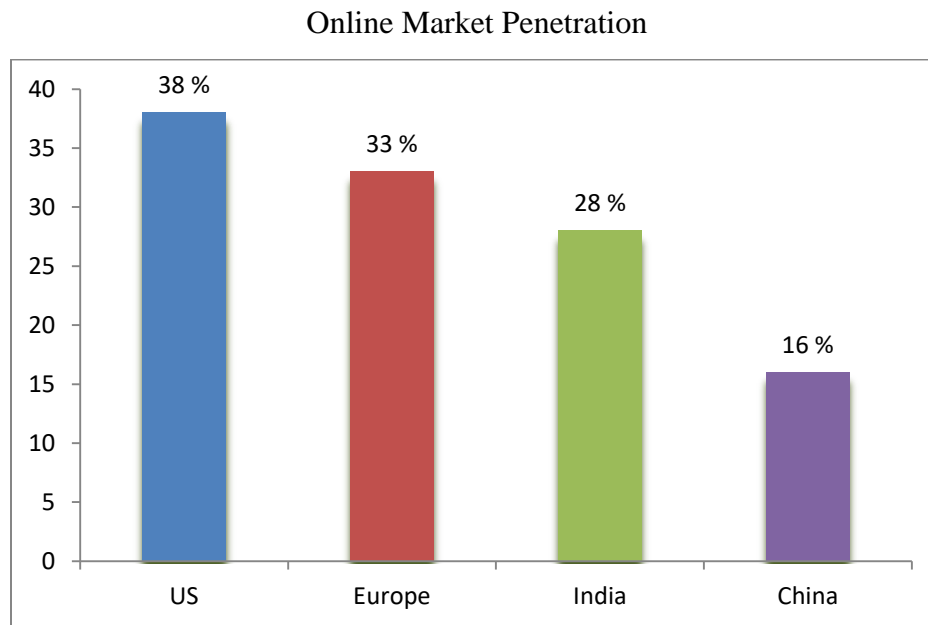
## **METHODOLOGY**

The study is of analytical nature using Secondary data from various sources.

## **INTERPRETATIONS AND FINDINGS**

The following findings were made by analyzing the data collected.

**ONLINE MARKET PENETRATION**



Source: Comscore –June 2011

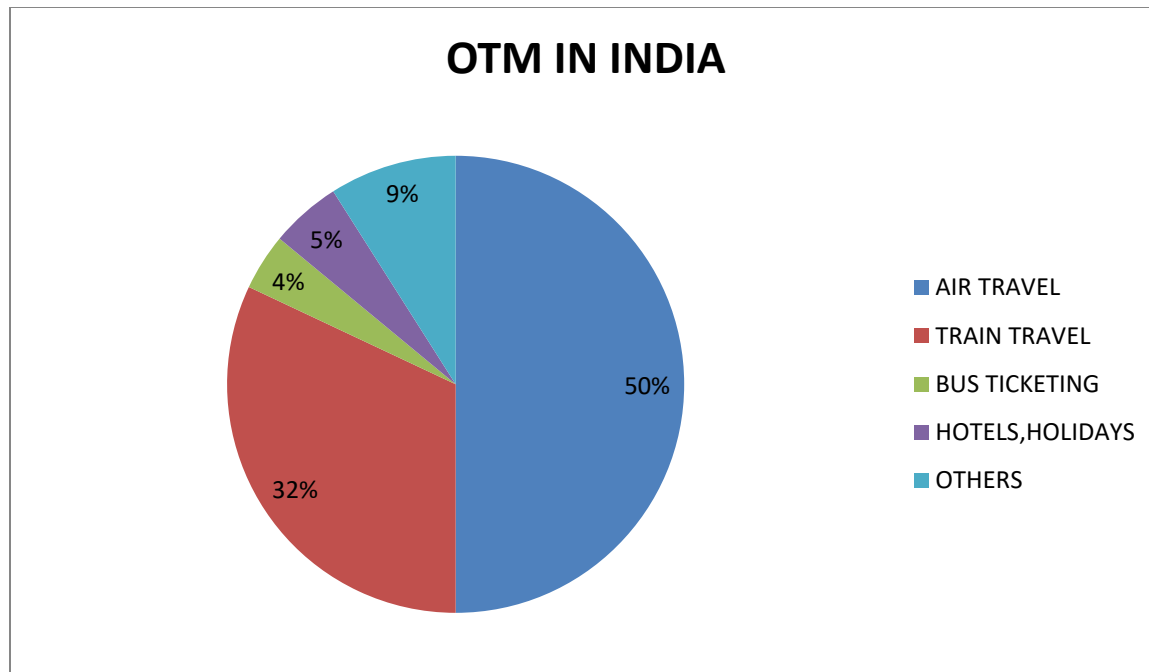
From the above graph, USA shows 38% market penetration followed by , Europe 33 %, India 28% and china 16%.

India is measuring up to the global benchmarks whereas China is behind with 16%. Even several developed countries such as Italy, Spain, Japan etc. lag behind. Online Travel Market in India is currently

estimated at Rs. 24,900 Crores in 2011. This shows India is one of the most lucrative and rather preferred markets in online travel.

**INDIAN ONLINE INDUSTRY**

Online Travel Market in India mainly consists of Air travel, Train travel, Bus Ticket booking, Hotels and Holiday Packages.

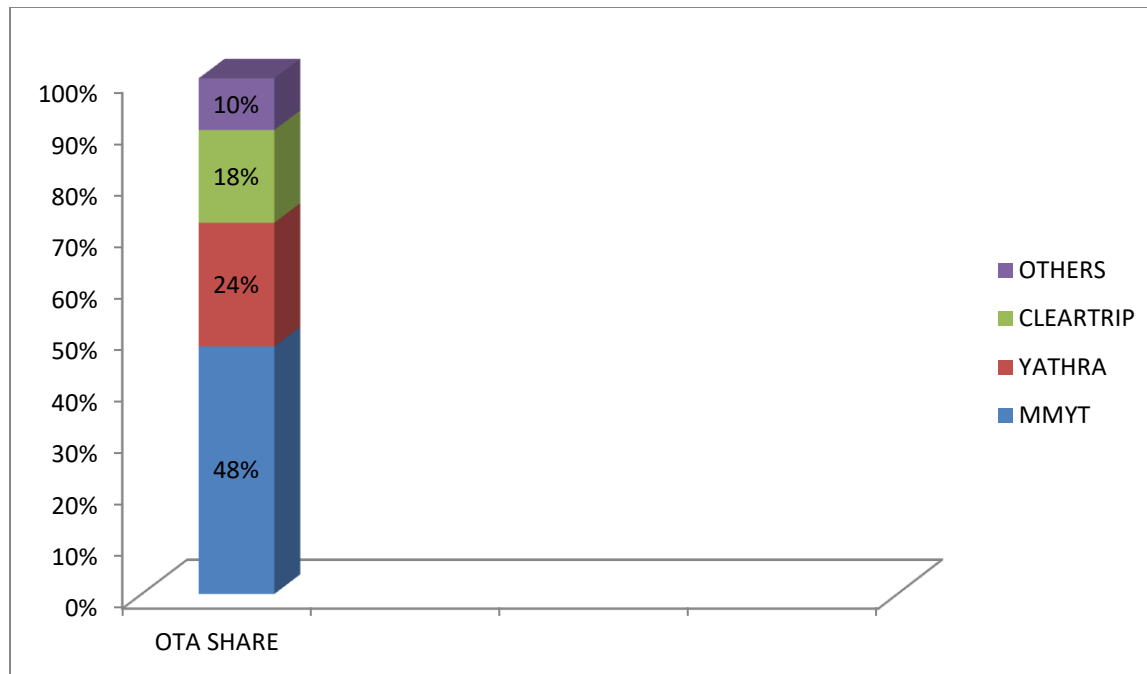


Source: Avendus survey 2011

The online penetration of air travel is around 50%, train travel is around 32%, bus ticket booking is 4%, hotel and holiday packages to 5% and balance amount to other than these. Online Travel Market in India consists of both suppliers (airlines and railway) as well as OTAs (Online Travel Agents).most of the suppliers’ websites are rated top fifteen websites in the world; Indian railways in the topmost position, jet airways at 8<sup>th</sup>,indigo,spicejet and air India at

9<sup>th</sup>,10<sup>th</sup> and 11<sup>th</sup> positions respectively. By this it is clear that the OTAs have to face severe competitions from the supplier’s websites.

Major OTAs include Make My Trip, Yathra (MMYT), Cleartrip, Redbus etc.Among these Make My Trip holds the major part of online market penetration ie, 48% of total business by OTAs.The following chart depicts the share of major OTAs in India



Source: Phocuswright-June 2011

**ONLINE AIR TRAVEL SEGMENT IN INDIA**

Online air travel industry holds the lion share of 50% of whole online travel industry in india.the suppliers hold 61% of air travel market poising a great competition to OTAs.OTAs have come forward with various strategies like introducing COD payment mechanism instead of credit system, widening of agent networks, concentrating in business travel opportunities etc to face the above mentioned challenges. Acquisitions and mergers are also taking place among OTAs to reduce cost and acquire more business. Yatra’s acquisition of travel 20 service

international in 2010 is a best example.the online travel industry is still in its evolving stage.

**INDIAN RAILWAYS-A MONOPOLY IN TRAIN TRAVELING**

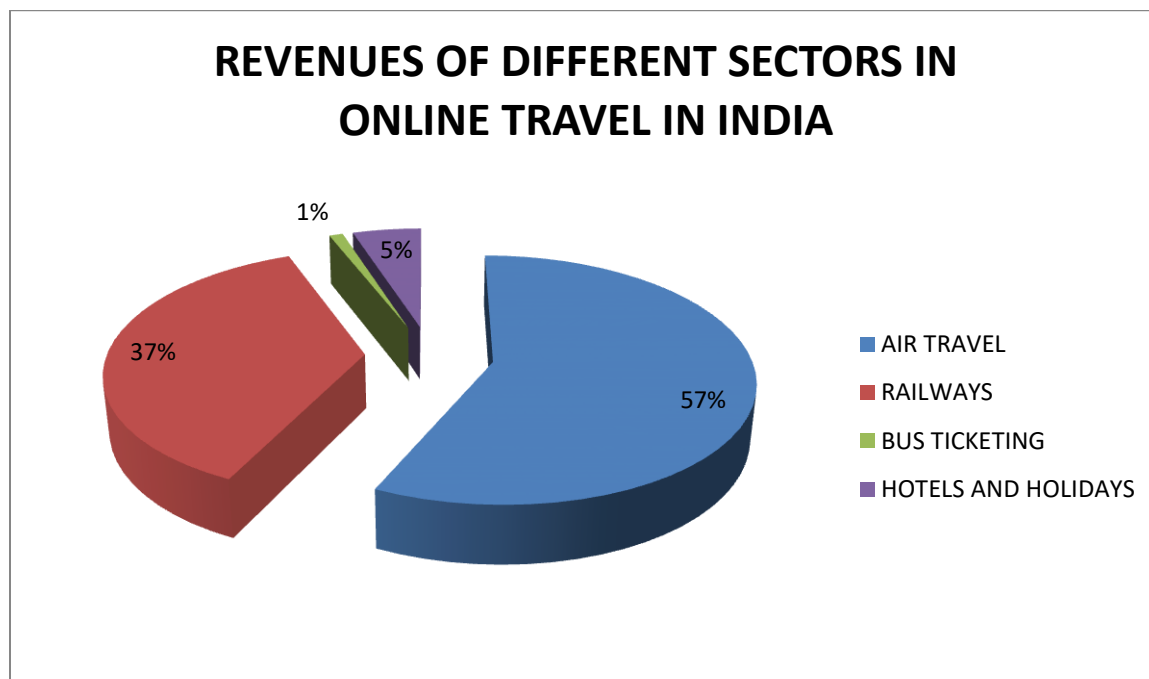
India railways are a monopoly industry. Online train ticket booking shows revenue of Rs 8000 Crores in 2010-11, i.e., 27% of the overall ticket bookings in india.its estimated to reach 10000 Crores in the end of 2012.IRCTC (Indian Railway Catering and Tourism Corporation) plays a pioneering role by offering the first online transaction facility to customers.

**BUS TICKETING SEGMENT**

Bus ticketing is a segment which is yet to be developed .the segment contributes 300 Crores to the total share i.e, 1% of the total online travel revenue in India. It is an unorganized sector compared to air travel as well as train ticketing. Redbus is the dominant player in this segment having top 20 travel sites in India. Ticketvala, travelyaari etc are the other players.OTAs is showing greater investor interest in this sector which gives a hope of boom in the particular sector.

Hotels and holiday package segment is yet another segment expecting a significant development. The customers are showing high interest in this segment with almost 50% of travel Searches in Google corresponds to hotel segment (Google survey-2011).this is also an unorganized sector with not any known brands or chains in the execution. The suppliers share in the segment is up to 20% only and OTAs hold the major proportion. As a strategy to face this, hotel have started their own online portals for customers booking.

**HOTELS AND HOLIDAY PACKAGES.**



Source: Avendus estimates 2011

**RECOMMENDATIONS AND SUGGESTIONS**

From the study the following recommendations are made.

1. The players should concentrate the unorganized sectors like bus ticketing, hotels and holiday packages etc to widen their business prospects.
2. The various players should create efficient portfolios of services and thereby emerge as full service providers.
3. They should adopt superior technology capabilities to attract more customers.
4. Mergers and acquisitions can be encouraged to reduce cost and capture large areas of market.
5. The players should also concentrate in domestic market as well.

### **CONCLUSION**

India's online travel market is growing at a steady rate due to an increased awareness coupled with confidence among customers to make online transactions. It is a driving force among e-commerce segment in India. Exploiting the mobile platform has become an essential because mobile phone penetration has increased considerably in the past few years. The number of people assessing

internet through mobiles have increased tremendously.

Today the online travel market in India is crowded with more than 20 OTAs. Both domestic and international players have entered the market vying for Indian traveler's attention and preference. The industry will be in its glorious era in the coming years.

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