

**ASIA-PACIFIC ONLINE  
TRAVEL REPORT 2011**

**December 2011**

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

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## Executive Summary

The Asia-Pacific region includes online economies at opposite ends of the development spectrum. Australia, Japan and South Korea have advanced digital infrastructures with mature e-commerce and online travel sectors. At the other end of the spectrum, countries such as Vietnam, Indonesia and Malaysia are less developed but fast-growing. However, it is the massive travel markets of China and India that are driving regional growth.

The **Asia-Pacific Online Travel Report 2010** analyzes the diverse digital economies of the region with special emphasis on India.

A growing Indian middle class today has become more comfortable buying railway and budget airline tickets online, and a slew of online travel agencies (OTAs) have been established to meet growing demand. The online travel market in India will grow by an average of 45.6% annually from 2006 to reach a total value of \$3.9 billion in 2011.

### Key Metrics for Online Leisure/Unmanaged Business Travel Bookings in China, India and the Asia-Pacific\* Region, 2006 & 2011

	Bookings (billions)	CAGR** 2006-2011	2006 share of Asia-Pacific total	2011 share of Asia-Pacific total
<b>China</b>	\$1.5	59.9%	10.7%	36.9%
<b>India</b>	\$0.6	45.6%	4.4%	9.4%
<b>Asia-Pacific*</b>	\$13.8	24.8%	100%	100%

Note: includes all online travel bookings, whether paid for online or offline;

\*Australia, China, India, Japan, New Zealand, South Korea;

\*\* CAGR=compound annual growth rate;

Source: eMarketer Data, and eStatsIndia Analysis

### Issues and Questions?

- How large are the online travel markets in India?
- What is driving growth in the Indian markets?
- What are the unique features of India online travel markets?
- What are the major risks and hurdles of the online travel business in the Asia-Pacific region?
- And many others...

The **Asia-Pacific Online Travel Report 2011** aggregates the latest data from international marketing and communications researchers along with eStatsIndia.com analysis and proprietary data to provide the data cuts to aid you in making the right business decisions. All the prices in this report are in USD as per the rate of conversions in that respective year.

## The eStatsIndia.com View

### Key eStatsIndia Numbers – Asia-Pacific Online Travel in 2011

<b>\$41.7 billion</b>	Online leisure/unmanaged business travel bookings in the Asia-Pacific* Region in 2011, up from \$13.8 billion in 2006
<b>\$15.4 billion</b>	Online leisure/unmanaged business travel bookings in China in 2011, up from \$1.5 billion in 2006
<b>\$3.9 billion</b>	Online leisure/unmanaged business travel bookings in India in 2011, up from \$0.6 billion in 2006

*Note: includes all online travel bookings, whether paid for online or offline; \*Australia, China, India, Japan, New Zealand, South Korea; Source: eStatsIndia Analysis*

### China and India: Two Great Giants

The Asia Pacific Region is home to one of the two largest populated countries in the world. Most of the times both the countries are compared but many a times the comparisons lead to heartbreaks on either side.

Be it Economy, Infrastructure or other related parameters under consideration for comparison both countries still contribute a lot to the overall total GDP growth of the Asia Pacific region. Travel off late has seen a surge in these two countries that in turn drives the Asia Pacific Online Travel Market. The 300m strong middle class in India and similar populace in China are driving the travel Industry.

The baby boomers along with early adopters make a sizeable number in these two countries. The numbers tells a telling story. India's international medical tourism industry is now well known, but the first ever figures on domestic medical tourism are simply staggering.

### China

China's travel industry growth story is similar to that of India to certain extent. Owing to its vast and varied geographies and even different cultural bearings Chinese travel a lot in their domestic sector. Migration and Inter-city travel fuels the domestic travel while International travelers also constitute huge numbers of travelers travelling into mainland China.

Both China and India successfully conducted two big ticket sporting events in 2010, which were watched worldwide. These events fuelled not just the overall economic scenario but at the same time very positively affected the travel industries in these two countries. Along with the travel industry, related industries like transportation, hotel bookings, domestic tours and travels, car rentals and ticketing industries also gets a fillip.

While driving on their strong double digit economic growth trajectory both India and China needs to further scale up their infrastructural capabilities in a major way. This will boost not just international travelling but at the same time will positively drive the domestic travel sector also.

Quite recently, China has also invested huge amounts of money to upgrade their overall infrastructure including their travel sector infrastructure. China has invested and undertaken one of the largest Rail Road laying projects in the world and have connected far flung and remote areas of their country with their top cities like Beijing.

However both India and China needs to invest more and more in such projects to seriously boost the overall growth of their respective travel industries.

## India

Indians made 126 million domestic trips for medical purposes, spending over \$ 5.0 billion (Rs 23,000 crore) on such trips, over the span of one year (2008-09) alone. The data is part of the National Sample Survey Organization's (NSSO) 65th round on tourism which estimates the number and purpose of "trips" taken by persons in its representative sample of seven lakh persons as well as the expenditure on them.

The survey defines a "trip" as the movement - for a period of not more than six months - by one or more household members traveling to a place outside their usual environment and return to their usual place of residence for purposes other than migration or employment and which is outside their regular routine of life.

The survey data further shows that trips for 'health and medical purposes' form 7% of overnight trips for the rural population and about 3.5% for the urban population. While "social" purposes were the main reason for travel for both rural and urban residents, holidaying and leisure accounted for even less than medical travel - 2% and 5% for rural and urban India respectively.

Similarly, 17% of same-day trips for in rural India and 8% in urban India were for health reasons. Furthermore, there were roughly 300,000 international visits into India for health treatments in 2009 and the size of the industry is estimated at \$1.8 billion (Rs 8,500 crore), less than a third of domestic 'medical tourism' spending.

India needs to upgrade its infrastructural capabilities also. Recent revival of T3 Terminal for International Air travelers at IGI Airport in New Delhi and Metro Train in New Delhi, India are recent successful projects in the right direction. This has made both International as well as domestic travelers in India much more confident in the country's infrastructure and has positively impacted the growth of travel sector in India.

The India online travel market space is fast maturing. From earlier days of plenty players at play scenario to today's market scene the market has matured and has surely moved up the learning curve. Today the market is dominated by few lead players like makemytrip.com, cleartrip.com, yatra.com. However, currently market is witnessing a consolidation trend.

Though most of these Online Travel Agency's (OTA's), scaled up their operations primarily based on funding from investors, makemytrip.com among these players stands at the top of the market. This particular OTA scaled up its operations in a major way and has been marching on a very positive growth trajectory since it started its operations few years back.

They have been consistently differentiating their product portfolio and have been constantly innovating newer tools and methods to enhance their customer touch-points. They focus more and more on offering client's innovative applications rather than just serving them plain vanilla services like most of the other players in this space are focusing on. Market capitalization numbers along with their market shares establishes makemytrip.com the current market leader in the OTAs space in India.

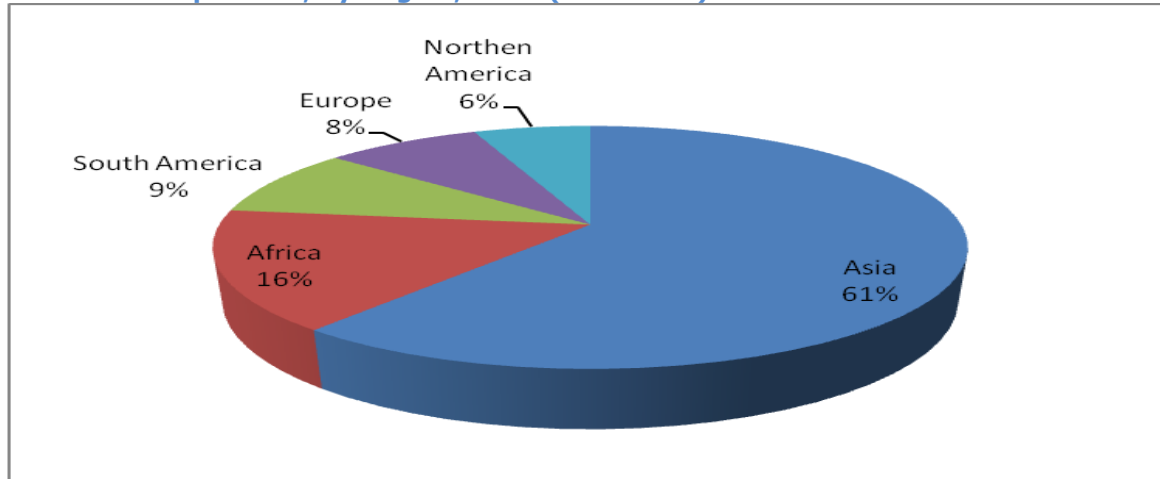
Some of the early players like Indian Railways established themselves as the biggest e-commerce player in the travel industry in India owing to their sheer scale of operations. The popularity of low cost carriers, which rely on a diversified portfolio to keep costs down, has provided additional momentum.

Although infrastructural issues need further fillip other critical areas like online payment usage proliferation also needs to scale up. As in China, in India also online payment infrastructure needs further development to offer consumers more options to pay online.

## Asia Pacific Overview

With about 61% of the world's population living in the region in 2009, Asia-Pacific is a huge consumer market, according to the US Census Bureau estimates.

### Worldwide Population, by Region, 2009 (% of total)



Source: US Census Bureau, International Data Base, July 2009; eStatsIndia Calculations

### Risks

Apart from the environment threats and issues, one of the key challenges that need addressing is curbs related to terrorism and other such related threats. Regular travel advisories, law and order confidence levels and other confidence building measures needs to be regularly published through collaboration between leading stakeholders and the Government of India.

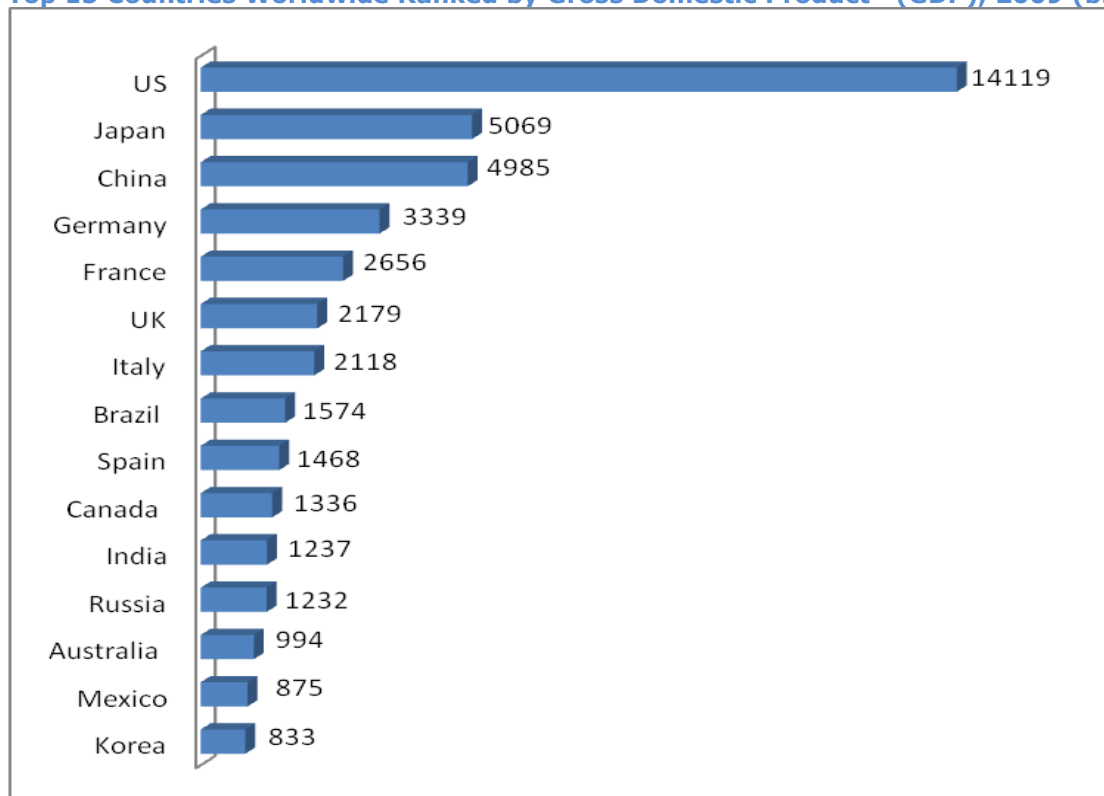
Mobile penetration among Asia Pacific countries is currently highest worldwide. All stakeholders are gearing themselves up to make best use of this most advanced mobile infrastructure in the world. Network speeds and more than optimum utilization of spectrum make countries like India one of the lowest telecom tariffs charging countries in the world. Overall this is an ideal environment for Indian mobile operators on which to layer mobile travel services.

The WTTC forecasts that China, India and Indonesia will be among the world's fastest-growing countries in travel and tourism spending between 2008 and 2017. Personal travel and tourism in China is forecast to grow at an 11% compound annual growth rate in this period.

The economies of China and India are showing double digit growth since last few years and are growing at spectacular rates. The Asia-pacific region does not have just huge population but also have superior economic power. The IMF projections for 2009 show Japan as the world's second –largest economy in the world after the United States.

China is listed as the third largest economy, bigger than the United Kingdom and Germany. India comes at 11<sup>th</sup> place.

## Top 15 Countries Worldwide Ranked by Gross Domestic Product\* (GDP), 2009 (billions)



Note: \*based on current prices in US\$

Source: International Monetary Fund, World Economic Outlook Database, 2010

Two of the technology underpinnings of an e-commerce economy are the size of its Internet population and its rate of broadband penetration. eStatsIndia.com, data highlights the digital divide existing between countries in the Asia-Pacific region.

China and India lag far behind the advanced economies of Japan and South Korea. China is still ahead then India when it comes to Internet penetration. India still has lot of catch up to do.

## Internet Users and Broadband Households, in Select Countries in the Asia-Pacific Region, 2006 & 2011

	2006	2011
<b>Australia</b>		
<b>Internet users (millions)</b>	13.1	15.3
<b>Internet penetration (% of population)</b>	64.5%	72.5%
<b>Broadband penetration (% of households)</b>	45.5%	78.7%
<b>China</b>		
<b>Internet users (millions)</b>	133.5	245.5
<b>Internet penetration (% of population)</b>	10.2%	18.1%
<b>Broadband penetration (% of households)</b>	12.6%	23.0%
<b>India</b>		
<b>Internet users (millions)</b>	25.5	71.6
<b>Internet penetration (% of population)</b>	2.3%	6.0%
<b>Broadband penetration (% of households)</b>	1.2%	5.1%
<b>Japan</b>		
<b>Internet users (millions)</b>	87.2	95.4
<b>Internet penetration (% of population)</b>	68.4%	75.1%
<b>Broadband penetration (% of households)</b>	52.3%	76.1%
<b>South Korea</b>		
<b>Internet users (millions)</b>	34.4	38.4
<b>Internet penetration (% of population)</b>	70.5%	77.3%
<b>Broadband penetration (% of households)</b>	78.8%	81.9%

Note: eStatsIndia.com defines an Internet user as a person who accesses the Internet at least once per month; broadband includes ADSL, cable, satellite, fixed wireless, fiber, powerline, WiMAX and emerging broadband technologies accessed at home

Source: eStatsIndia.com "Internet Users & E-commerce Market Model Version 1.0"

The Asia-Pacific region is ripe for mobile travel services owing to the fast pace of growth of mobile penetration in the region. There exist large and fast growing mobile phone markets, in China, India and Indonesia. However as PC-based Internet broadband access is typically low in such developing economies of the Asia-Pacific region, so mobile phones provide an effective alternative means to connect to the Internet.

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***These markets benefit from few of the most advanced mobile infrastructure in the world, not only in terms of network speeds and handset features, but also in terms of mobile payments initiatives such as mobile wallets, mobile ticketing and mobile TV. That's an ideal environment on which to layer mobile travel services.***

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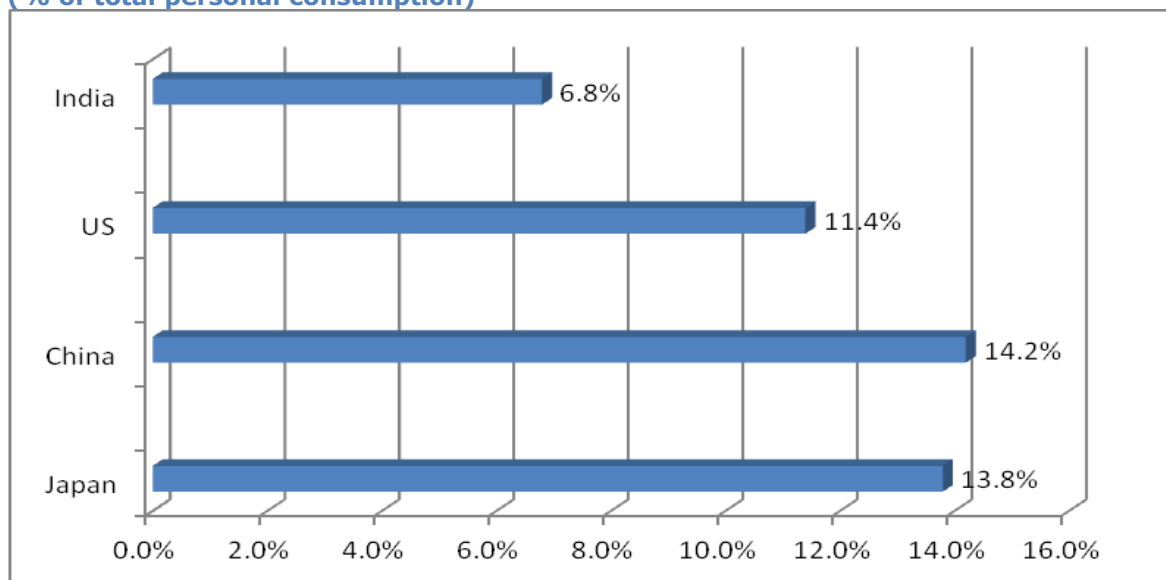


## Mobile Phone Subscribers, Population, and Penetration in the Asia-Pacific Region, 2009-14 (in thousands)

	2009	2010	2011	2012	2013	2014	CAGR
<b>Subscribers</b>	1,891,578	2,186,822	2,449,974	2,670,948	2,849,745	2,992,232	9.61%
<b>Population</b>	3,651,445	3,687,229	3,722,626	3,757,991	3,792,941	3,827,457	0.95%
<b>Penetration</b>	51.8%	59.3%	65.8%	71.1%	75.1%	78.2%	8.58%

Source: Key Stats on the Asia/Pacific Wireless Market July 2010, by iGillottResearch Inc., 2010

## Personal Travel and Tourism Spending for Select Countries/Regions Worldwide, 2011 (% of total personal consumption)

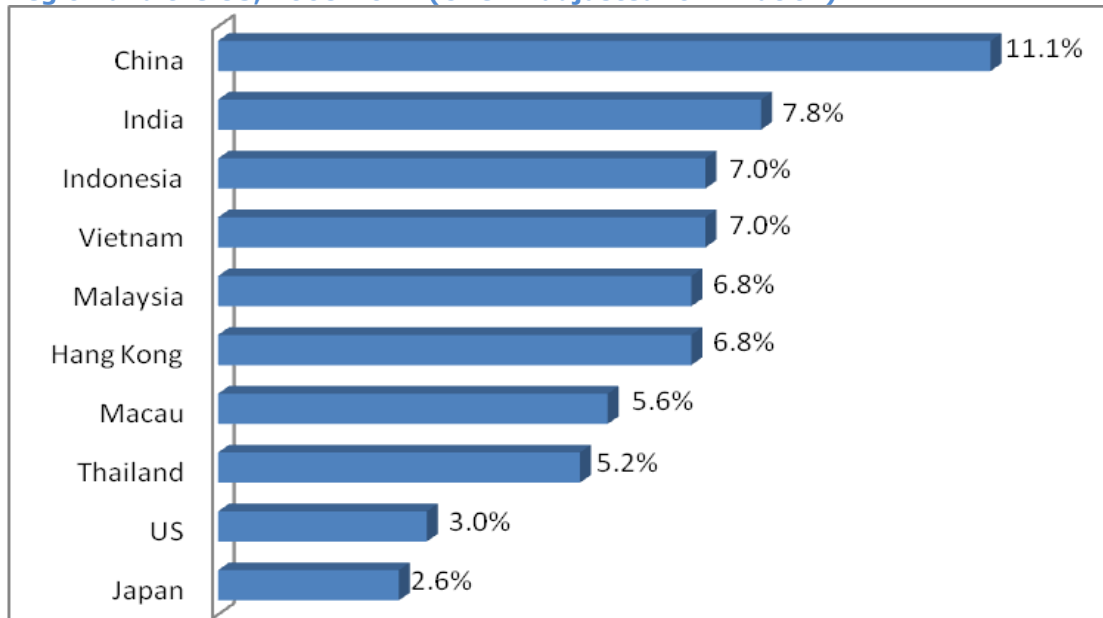


Note: includes all purchases by an economy's residents on lodging, transportation, entertainment, meals, financial services and durable and nondurable goods that may occur before, during or after a trip; Source: Hard data from World Travel & Tourism Council produced by Oxford Economic Forecasting and sponsored by Accenture, "World Travel & Tourism: Navigating the Path Ahead," March 2007 and eStatsIndia Calculations 2011

In 2009, Indians spent a smaller percentage of their total personal expenditures on travel and tourism than many of their counterparts in Asia-Pacific and the rest of the world, according to our analysis as indicated in the table above.

Although this trend will continue in the year 2011, however by taking into consideration factors like growing Indian urban middle class and its increasing buying power and traveling needs the Indian numbers will not only surge ahead but it will be a volume driven growth in the Indian travel market space.

## Personal Travel and Tourism Spending Growth for Select Countries in the Asia Pacific Region and the US, 2008-2017 (CAGR\* adjusted for inflation)



*Note: includes all purchases by an economy's residents on lodging, transportation, entertainment, meals, financial services and durable and nondurable goods that may occur before, during or after a trip; \*CAGR=compound annual growth rate*

*Source: Hard data from World Travel & Tourism Council produced by Oxford Economic Forecasting and sponsored by Accenture, "China Travel & Tourism: Navigating the Path Ahead," March 2007 and eStatsIndia Calculations 2011*

## The Regional Online Travel Market

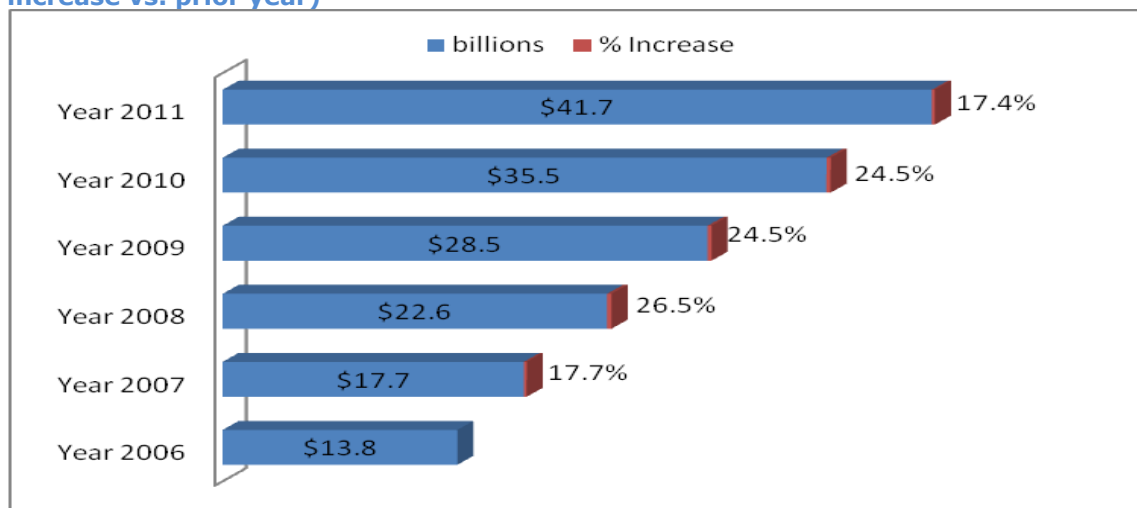
The Online travel market can be divided into two segments: business-to-consumer (B2C), which includes leisure and unmanaged business travel, and business-to-business (B2B), which includes managed business travel (also known as corporate travel).

The online-booking behavior of unmanaged business travelers is indistinguishable from that of leisure travelers. People who are self-employed or work for small companies generally use the same Web sites and follow the same booking procedures as leisure travelers. Thus these two groups of buyers are treated as one customer segment.

Managed business travelers, however, book travel as part of volume purchase agreements that their corporate travel departments negotiate with travel suppliers. Unless otherwise noted, the data in this report refer to the B2C market.

In 2010, \$35.5 billion worth of leisure or unmanaged business travel will be booked online in the Asia-Pacific region, up 24.5% from 2009. Strong future growth will ensure that the market approaches \$42 billion in 2011.

### Asia-Pacific\* Online Leisure/Unmanaged Business Travel Bookings, 2006-2011 (billions and increase vs. prior year)



Note: includes all online travel bookings, whether paid for online or offline;

\*Australia, China, India, Japan, New Zealand, South Korea

Source: eStatsIndia Calculations & Analysis 2011

Euromonitor International and PhoCusWright both publish market size forecasts of the Asia Pacific online travel market, although the set of countries in each model vary, affecting the size of the projections. Euromonitor has the lowest estimates as it excludes Australia, one of the region's largest markets.

## \*Comparative Estimates: Asia-Pacific\* Online Leisure/Unmanaged Business Travel Bookings, 2006-2008 & 2011 (billions)

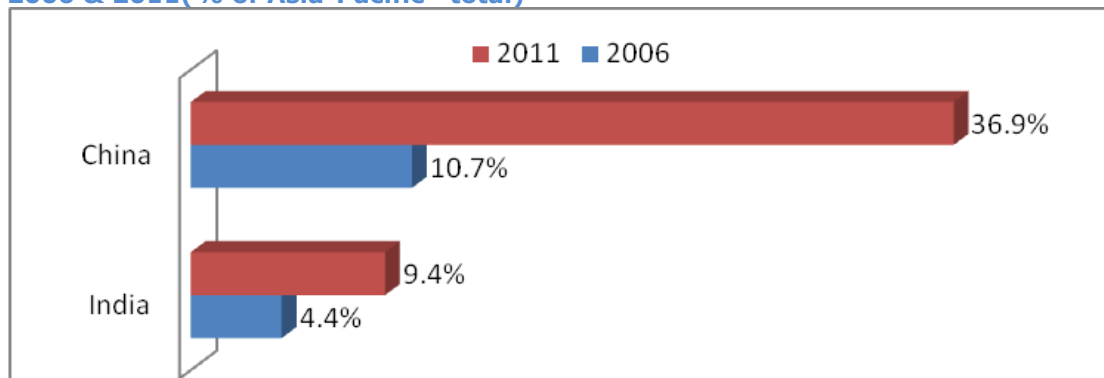
	2006	2007	2008	2011
<b>eMarketer, September 2007</b>	\$13.8	\$17.7	\$22.6	\$41.7
<b>Euromonitor International, March 2007</b>	\$12.2	-	-	\$21.2
<b>PhoCusWright, December 2006</b>	\$20.4	\$25.6	\$32.0	-

Note: includes all online travel bookings, whether paid for online or offline; \*Australia, China, India, Japan, New Zealand, South Korea; PhoCusWright also includes Hong Kong, Singapore and Taiwan; Euromonitor excludes Australia and New Zealand but includes Indonesia, Malaysia, Philippines, Thailand and Vietnam

Source: eMarketer; Euromonitor International; PhoCusWright

China and India are two of the region's largest and fastest-growing online travel markets. In the year 2006 while they together captured just over 15% of the total online travel market share. By 2011, their share will triple to 46.3%.

## Market Share of Online Leisure/Unmanaged Business Travel Bookings for India and China, 2006 & 2011(% of Asia-Pacific\* total)

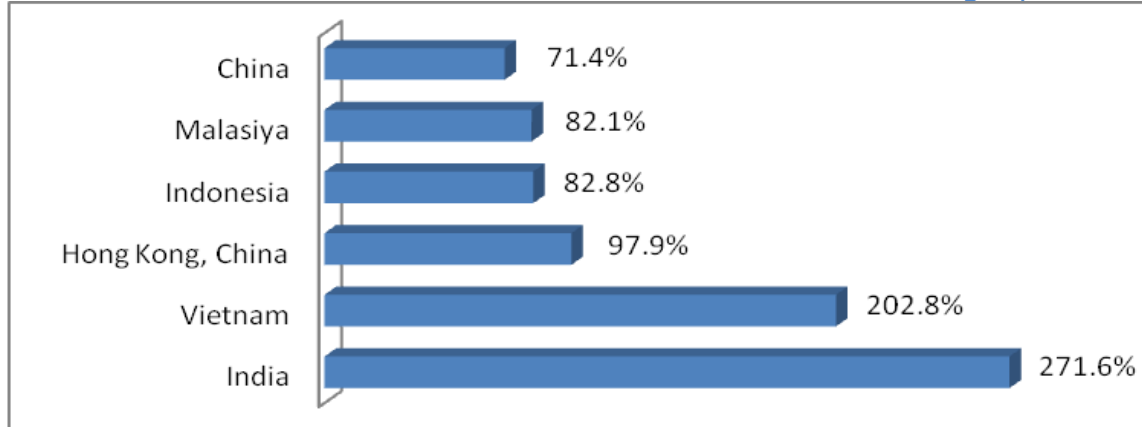


Note: includes all online travel bookings, whether paid for online or offline; \*Australia, China, India, Japan, New Zealand, South Korea

Source: eMarketer Hard Data 2007 and eStatsIndia Analysis 2011

Other Asia-Pacific markets will also register strong sales growth according to our latest analysis. Vietnam, for example, is expected to see sales in 2010 that are some 200% higher than they were in 2006. India is the star player, with projected online travel sales in 2011 about 272% higher than in 2006.

## Growth of Online Travel Sales in Select Countries in the Asia-Pacific Region, 2006-2011



Source: Euromonitor International, January 2007 as cited by [eyefortravel.com](http://eyefortravel.com), March 2007, and eStatsIndia Analysis 2011

There is plenty of room for online travel sales growth. A 2007 PhoCusWright analysis found that, in 2008, online travel sales accounted for only 20% of total travel sales in Asia-Pacific, compared with 60% in the US and 41% in Europe. However the growth in the numbers will continue to surge ahead in the years to come.

## Online Travelers

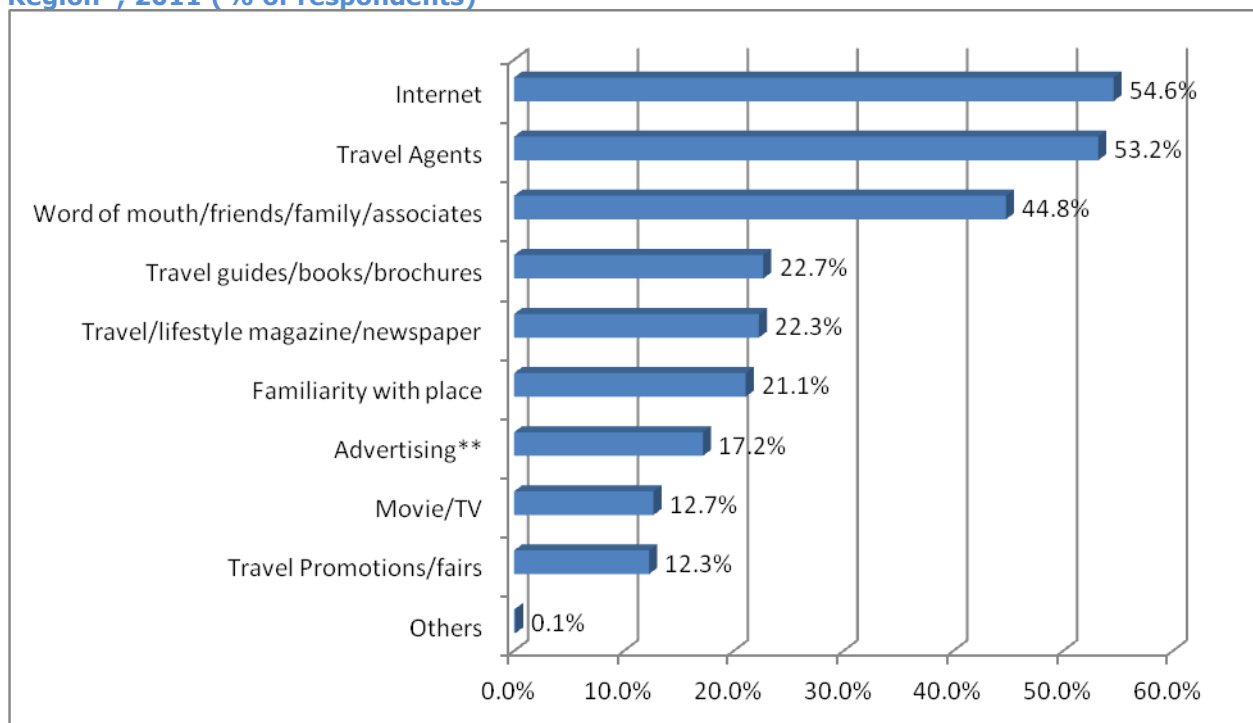
The MasterCard MasterIndex of Travel Survey conducted semiannually and covering 13 countries in the Asia-Pacific region, examines the travel behavior of urban middle-class adults who may or may not be Internet users. Their findings for the year H2 2008 have been used as input numbers in our own model to forecast 2011 numbers.

The Internet is not far behind travel agents as the leading source that Asia-Pacific residents use to plan vacation trips.

In countries with high Internet adoption rates, such as Japan, South Korea and Singapore, the Internet is either equal to or more important than travel agents as a travel planning resource.

Conversely, in countries with relatively low Internet usage rates, such as India, the Philippines and Vietnam, the Internet lags behind travel agents in influence. Word-of-mouth is also an influential source, particularly in Australia, where it ranked higher than travel agents and the Internet.

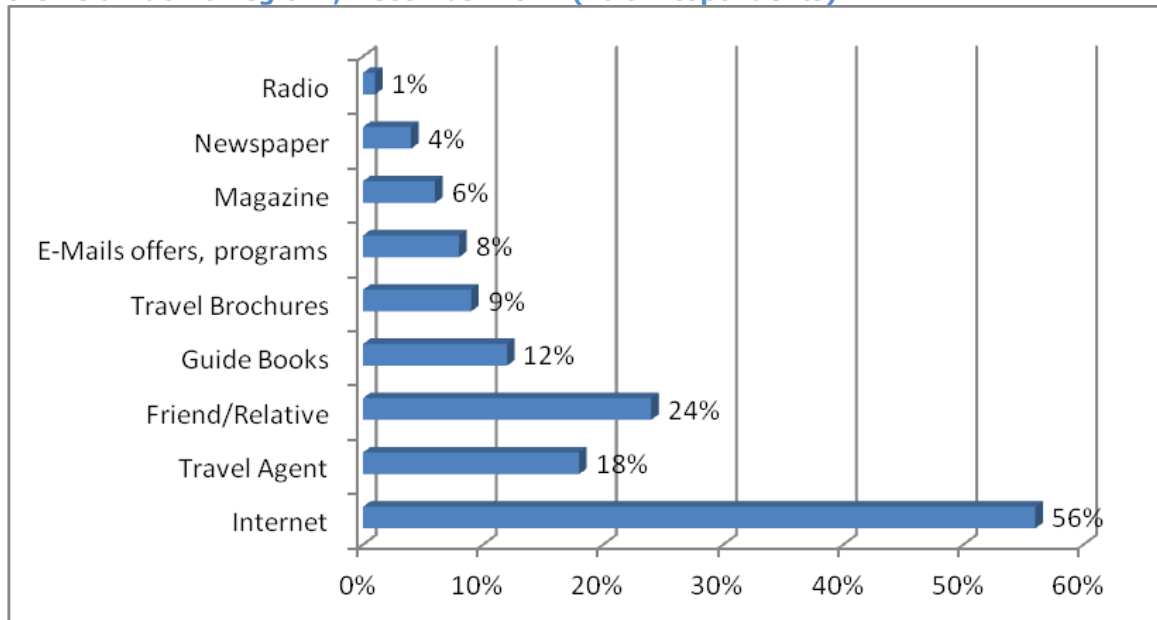
### Sources Used for Determining Vacation Destination according to Adults in the Asia-Pacific Region\*, 2011 (% of respondents)



Note: \*includes Australia, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam; \*\*includes airlines, travel agencies, national tourism associations; Source: MasterCard, "MasterIndex of Travel," H2 2008 and eStatsIndia Analysis 2011

When the analysis is restricted to Internet users, the Internet (50%) dwarfs travel agents (13%) as the preferred resource for planning or researching travel.

## Most Important Resource for Planning or Researching Travel according to Internet Users in the Asia-Pacific Region\*, December 2011 (% of respondents)



Note: \*Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand

Source: Hard data from the Microsoft Digital Advertising Solutions, "Online Travel Survey" conducted by Synovate and eStatsIndia Analysis 2011

The Nielsen Company conducted a survey in March 2010 and polled over 27,000 Internet users in 55 markets from Asia Pacific, Europe, Middle East, North America and South America to look at how consumers shop online: what they intend to buy. This Nielsen survey is based on the behavior of respondents with online access only. Internet penetration rates in the Asia-Pacific region are 20.1% as reported by Internet World Stats.

### Top 5 Products/Services Global consumers expect to Purchase Online 2011

Top 5 Products/Services Global consumers Expect to Purchase Online	
Rank	Products/Services
1	Books
2	Clothing/accessories/shoes
3	Airline tickets
4	Electronic Equipment
5	Tours/hotel reservations

Source: Nielsen Q1 Global Online Survey March 2010 and eStatsIndia Analysis 2011

The Microsoft's survey highlights the success of the Internet as a tool for researching airline flights and hotel rooms. Even though most of these online consumers subsequently purchase or book their travel online, many still prefer to buy their travel services offline.

The data also show that consumers are more likely to purchase complex travel products, offline such as travel insurance, travel packages and cruises, offline.

## Travel Services Researched and/or Purchased\* Online by Internet Users in the Asia-Pacific Region\*\*, 2011 (% of respondents)

	Researched Online	Purchased/booked Online	Purchased offline
<b>Hotel</b>	58%	38%	28%
<b>Air Tickets</b>	57%	40%	28%
<b>Travel Packages</b>	40%	16%	22%
<b>Sightseeing tours</b>	38%	12%	21%
<b>Event Tickets</b>	34%	21%	22%
<b>Rental Cars</b>	20%	12%	16%
<b>Other Travel related Services</b>	36%	12%	18%

Note: \*in the past 12 months; \*\*Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand

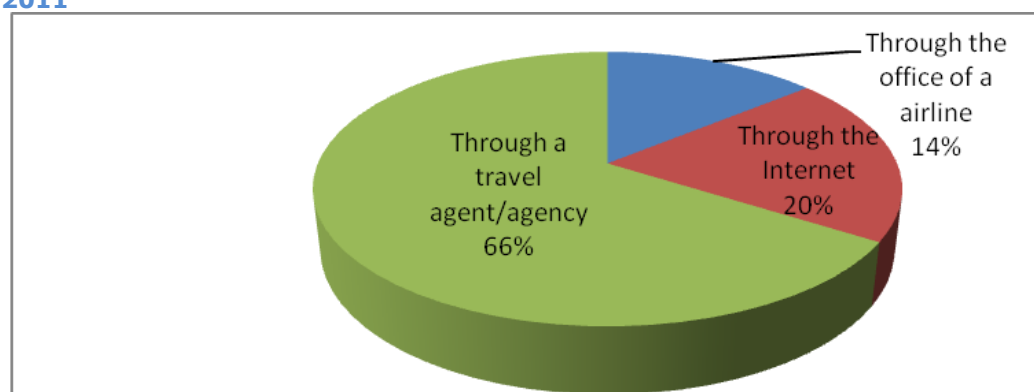
Source: Microsoft Digital Advertising Solutions, "Online Travel Survey" conducted by Synovate and eStatsIndia Analysis 2011

Our analysis suggests that the vast majority of travelers in Asia-Pacific rely on travel agencies to book air flights and hotels. In the year 2011, Australians are an exception in that they are more likely to book hotel rooms over the Internet (62%) than through a travel agency (36%) or hotel sales office (12%). Japanese travelers rarely use airline and hotel travel sales offices, so their usage of both travel agencies and the Internet to book airlines and hotels exceeds the average.

**"In Asia, majority of travel bookings still happen through travel agents. The market space will be dominated by lead players who will continue to play a key role in the industry. The key for them is to differentiate their services and undertake innovative best practices and at the same time factor-in more and more technology based products"**

**—Vikram Bhardwaj from eStasIndia.com, November 2011**

## Method Used for Booking Airplane Tickets according to Adults in the Asia-Pacific Region\*, 2011

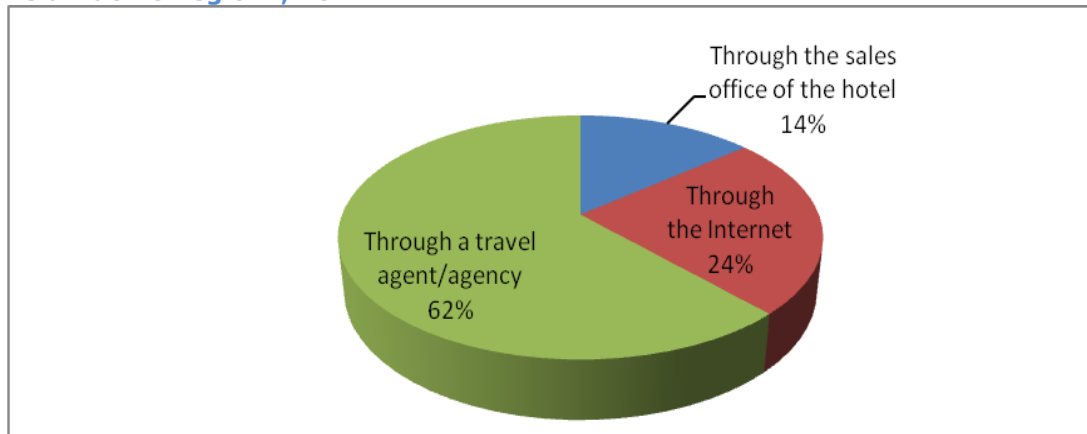


Note: \*includes Australia, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam

Source: eStatsIndia Analysis 2011



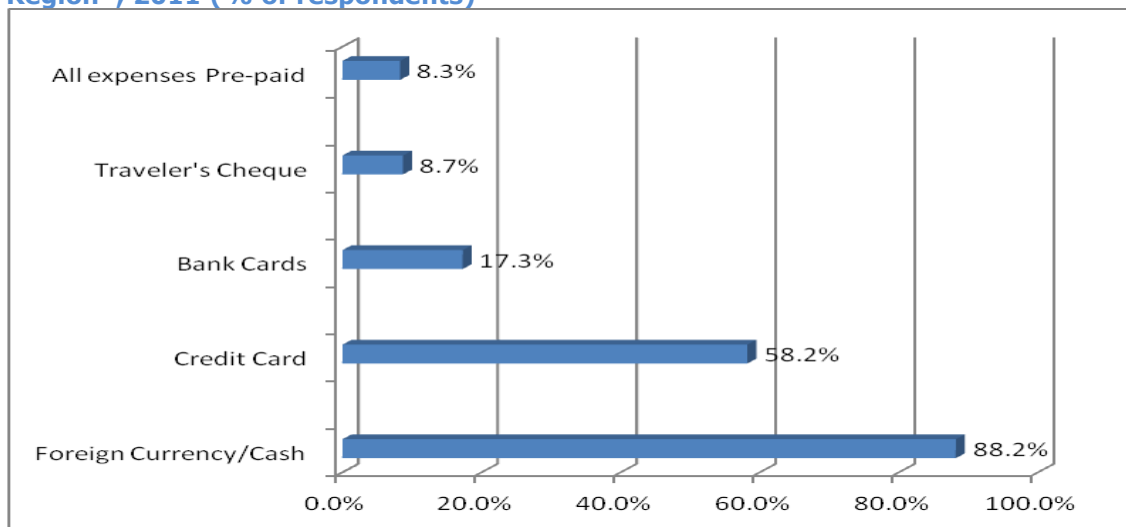
## Method Used for Making Hotel Reservations or Accommodations according to Adults in the Asia-Pacific Region\*, 2011



Note: \*includes Australia, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam

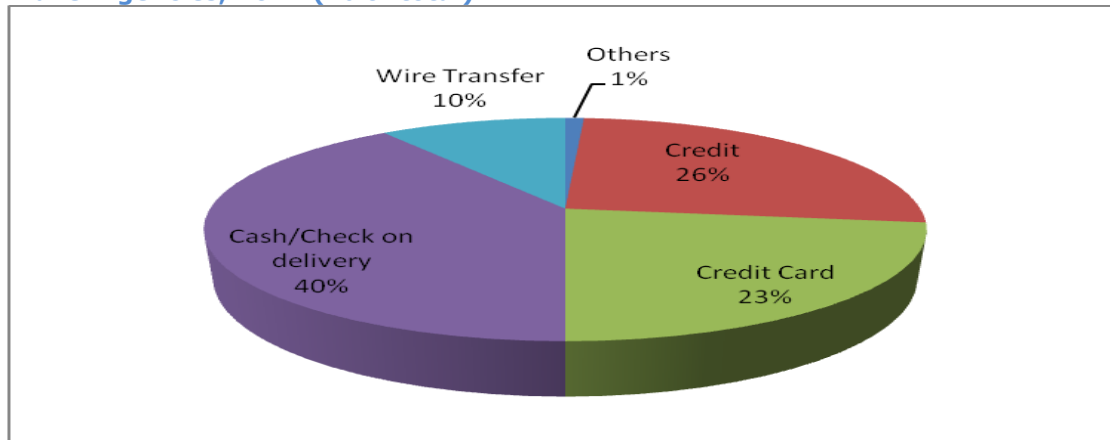
Source: eStatsIndia Analysis 2011

## Payment Method Used for Traveling Expenses according to Adults in the Asia-Pacific Region\*, 2011 (% of respondents)



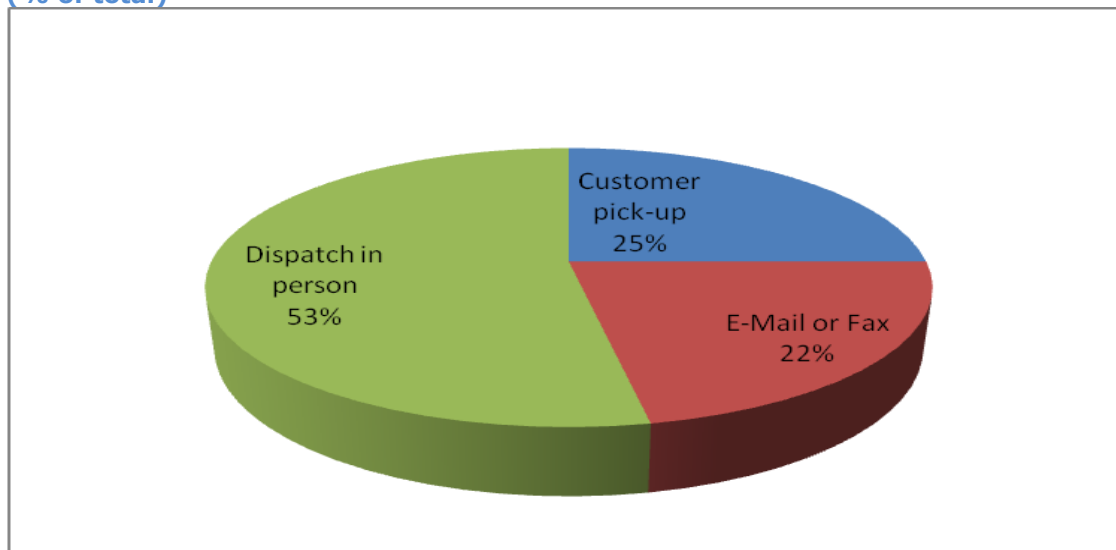
Note: \*includes Australia, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam; \*\* that can be used internationally, \*\*\* that can be used at ATMs in foreign countries to get currency; Source: MasterCard, "MasterIndex of Travel," and eStatsIndia Analysis 2011

## Preferred Payment Method of Travel Buyers in the Asia-Pacific Region according to Retail Travel Agencies, 2011 (% of total)



Source: Base data from Travelport and TTG Asia, "Asia Retail Travel Agent Benchmarking Survey" conducted by MarketShare, surveyed 445 retail travel agencies, and eStatsIndia Analysis 2011  
 Low credit card usage and an immature financial system in many of the countries explain why cash is the predominant payment method used for travel expenses. This adversely affects the online sales channel where credit cards are the primary means of payment.

## Ticket Delivery Methods of Retail Travel Agencies in the Asia-Pacific Region, 2011 (% of total)



Source: Travelport and TTG Asia, "Asia Retail Travel Agent Benchmarking Survey" conducted by MarketShare and eStatsIndia Analysis 2011

## India

### India E-Travel Market Size 2006-2009 (\$ Millions), CAGR of 46.88%

India E-Travel Market Size 2006-2009 (\$ Millions)				
	2006	2007	2008	2009
<b>E-travel Bookings</b>	221	442	885	1550
<b>Railways</b>	79	124	177	221
<b>Air no-frills</b>	88	177	332	664
<b>E-ticketing, hotel bookings, E-tours</b>	11	26	55	77
<b>Other Air Domestic &amp; International Airlines Other</b>	13	15	17	19
<b>Total E-travel</b>	<b>414</b>	<b>786</b>	<b>1468</b>	<b>2533</b>

Source: B2C E-Commerce Report 2010 by eStatsIndia.com; above figures do not include mobile Internet bookings and bookings made through devices capable of accessing Internet other than PC's

India is witnessing a double digit growth since last few years and along with China is fuelling the overall Asia-Pacific economy. Asia-Pacific region is already home to one of the fastest growing economies in the world owing to these two countries. The Indian growth has resulted in a burgeoning middle class and expansion of the domestic market. The World Economic Forum forecasts that India's economy will grow between 8% and 10% in the next five years.

**Growth Opportunities and Threats**

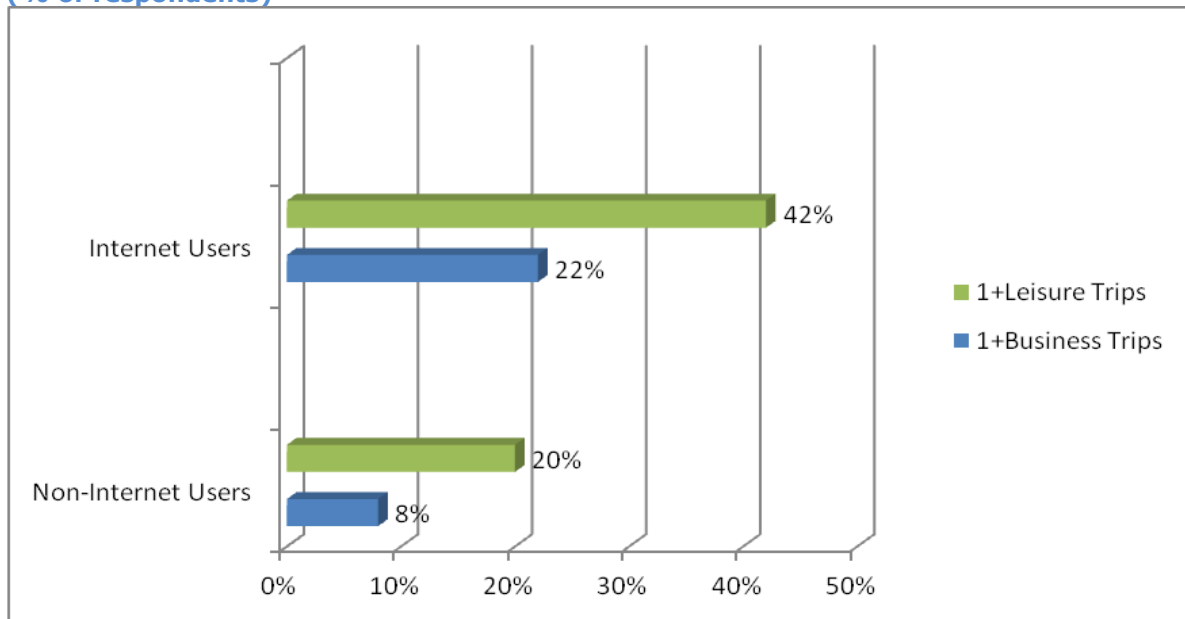
Economic success has led to spawning of an affluent middle-class in India. Rising salaries are leaving consumers with more disposable income and increasing opportunities to travel. Rapid growth of the urban population, who have a higher degree of Internet access, mobility and employment prospects are the locus of the growth.

The online travel segment has been a key beneficiary of e-commerce developments. The early online success of Indian Railways, coupled with the rise in low-cost airlines, has helped the travelers to align their travel requirements accordingly.

Travel and Tourism related research from Euromonitor predicted that the total number of outbound travelers is set to reach 16.3 million in 2011, a 132% increase over 2006. Travelers are using low-cost carriers to fly to South East Asia, with Singapore being the main beneficiary.

Euromonitor predicts that the US will be the preferred destination for the Indian travelers by 2011, receiving 10.2% of outbound tourists. The UK and the Middle East, including Dubai, are also popular long-distance destinations. However there are still some significant hurdles like infrastructure that must be overcome before India's online travel segment can realize its full potential. Many Indians are wary of online payments and have had limited exposure to the Internet, except for the younger generation.

**Affluent Consumers in Asia-Pacific, by Yearly Leisure Trips, 2011  
(% of respondents)**



Source: Synovate, Oct 2009; PAX Survey Findings, across 11 markets including Hong Kong, Singapore, Korea, Taiwan, Thailand, Malaysia, India, Indonesia, the Philippines, Japan, Australia; Survey is conducted year-round and Synovate spoke with 20,245 affluent consumers in Asia-Pacific to get the 2009 results and eStatsIndia Analysis 2011

Synovate Oct 2009 PAX survey shows 36% affluent consumers who are Internet users go on one or more leisure trips compared to 14% affluent consumers who are non Internet users.

### Asia-Pacific: Average Ticket Prices (ATPs)

Asia-Pacific represents a truly heterogeneous air pricing landscape, varying on a market-by-market basis. Driving the pricing increases is greater demand for business travel into China and India and the strength of the dollar, which has resulted in higher fuel costs for many APAC carriers. Many markets also showed substantial decreases, especially in Australia where the competition for domestic routes heated up between JetStar and Virgin Atlantic, as well as Tiger Airways. Many Asia-Pacific carriers have maintained or increased capacity in contrast to their European and North American counterparts, resulting in decreased prices.

#### Q1 YoY Average Ticket Prices (ATPs) figures, in top business destinations for Asia-Pacific (APAC) Points of Sale (POS)

APAC POS	ATP Change YoY
Delhi	32%
Mumbai	16%
Beijing	9%
Hong Kong	7%
Tokyo	-7%
Shanghai	-8%
Singapore	-8%
Melbourne	-25%
Sydney	-27%
San Francisco	13%
New York	4%
Los Angeles	0%

*\*Reflected in local currency; Source: Egencia's 2010 Corporate Travel Global Benchmarking Study and Travel Manager Research June 2, 2010*

### Hotel Average Daily Rates (ADRs)

Hotel average daily rates dropped in major business destinations. Contributing to this, the meetings and incentives business has yet to fully recover and the recent influx of supply coming on the market over the last several years has resulted in an over abundance of hotel capacity in many cities. While corporate demand has begun to rebound, higher average ticket prices and lower air capacity brings less business travelers, resulting in decreasing hotel rates. With improved occupancy and a decreasing amount of new hotel supply coming into the market, hotel prices in select European and Asia-Pacific markets were actually flat to up.

#### Average Daily Rates (ADRs) figures, Q1 2010 YoY in selected business travel destinations in Asia-Pacific

APAC	ADR Change YoY
Beijing	-3%
Delhi	-4%
Hong Kong	17%
Melbourne	-4%
Mumbai	-10%
Shanghai	-1%
Singapore	0%
Sydney	2%
Tokyo	4%

*\*Reflected in local currency*

*Source: Egencia's 2010 Corporate Travel Global Benchmarking Study and Travel Manager Research*

**Average Room prices paid by Indian travelers when travelling within own country versus those paid overseas: Q2 2010 (dollars)**

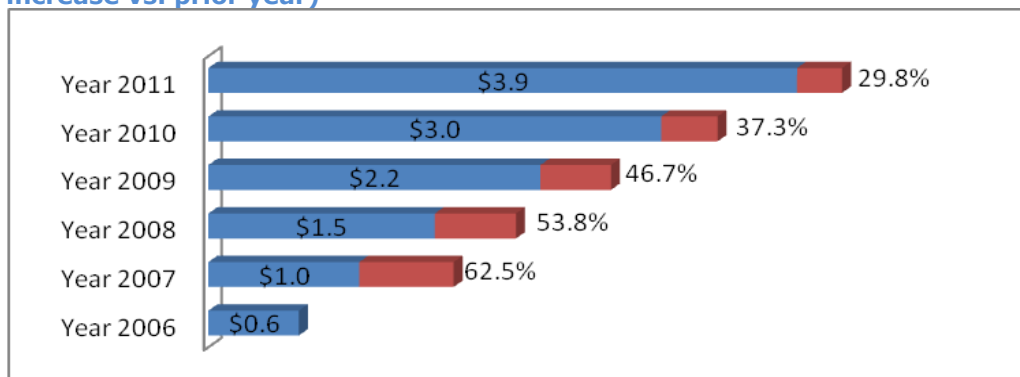
Country	Average price paid per room when travelling within own country	Average price paid per room when travelling abroad
<b>INDIA</b>	92	151

Source: Hotel Price Index (HPI) – India Version, Review of global hotel prices: Summer 2010  
 HPI by Hotels.com is a regular survey of hotel prices in major city destinations across the world.  
 The HPI is based on bookings made on Hotels.com and prices shown are those actually paid by customers (rather than advertised rates) in the first half (and particularly Q2) of 2010

## Market Data

In 2010 \$3 billion worth of leisure or unmanaged business travel will be booked online in India, up 37.30% over 2009. Strong future growth will assure that the market grows fourfold to \$3.9 billion by 2011. The largest online travel segment is airline tickets (mainly low-cost carriers), followed by rail tickets. Hotel accommodation accounts for only a small amount.

### India Online Leisure/Unmanaged Business Travel Bookings, 2006-2011 (billions and % increase vs. prior year)



Note: includes all online travel bookings, whether paid for online or offline  
Source: eStatsIndia Analysis

Research firms generally agree on the size and growth rate of the online travel market in India between 2006 and 2011.

### Comparative Estimates: India Online Leisure/Unmanaged Business Travel Bookings, 2008-2012 (\$ Millions)

	2008	2009	2010	2011	2012
<b>eStatsIndia* Nov 2010</b>	\$2,007	\$3,023	\$4,449	\$6,293	\$7,392
<b>PhoCusWright, October 2010</b>	\$2,907	\$3,342	\$4,362	\$5,524	\$7,027

Note: converted at average annual exchange rates (projected for future years); includes all online travel bookings, whether paid for online including mobile and other devices capable of accessing Internet apart from PC's or offline; \*includes online business travel bookings;

Source: Based on Inputs from eStatsIndia.com "India Internet Statistics Compendium 2010 & eStatsIndia.com Internet Users & E-commerce Market Model Version1.0.xls; PhoCusWright Inc. Presentation titled, "The Emerging Online Travel Marketplace in China, India and Brazil ETC e-Business Academy Belgrade October 20, 2010; 2010-2012 are projected figures

PhoCusWright estimated that in India the year 2008, online channels share of total travel gross booking, was around 10%. This will grow further in the years to come, at a fast rate.

**Indian Railways and the Low-Cost Carriers**

**Irctc.co.in**

The concept of e-ticketing or booking tickets online through electronic medium is not a new concept but doing it the way it is being done by irctc.co.in could be considered a new successful B2C model for Internet. Irctc.co.in is the online arm of PRS (Passenger Reservation System) of Indian Railways and offers services of e-tickets to railway passengers throughout India.

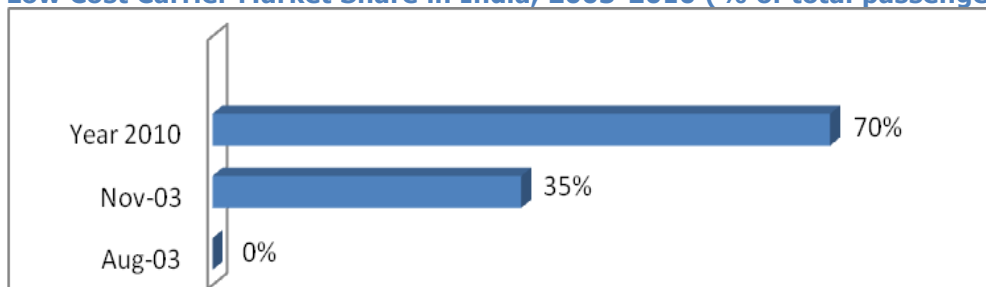
The service is already breaking records of railway bookings on per month basis. March 2004 to April 2005, was the first profitable year for them in terms of operations.

It all started with an experimental approach and soon in the very first year of its operations the service got huge traffic with a good lead to conversion ratio. The business model adopted by irctc.co.in is a typical "hub-and-spoke" model. The hub resides on the servers at the centralized railway passenger reservation system (PRS) and all other offices are spokes to this hub. At present irctc.co.in have 180 hubs in India and plan to come up with a printing center in Mumbai very soon.

In March 2007, the Centre for Asian Pacific Aviation (CAPA) said that in the past 18 months incumbent full-service carriers such as Indian Airlines and Jet Airways have been losing market share to the low-cost carriers at a rate of almost 1.5% a month. CAPA forecasts that by 2010 the low-cost carriers will have a 70% market share, one of the highest in the world.

CAPA surveyed almost 2,000 passengers at major airports in India and found that travelers were willing to go online to book tickets with low-cost carriers. An important way that budget airlines keep costs down is by encouraging customers to book their tickets online. In the process, they are teaching consumers to become comfortable with the online buying process.

**Low Cost Carrier Market Share in India, 2003-2010 (% of total passengers)**

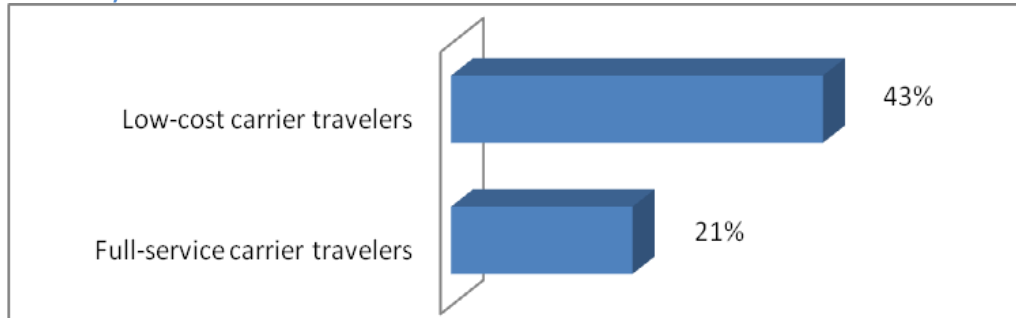


Source: Centre for Asia Pacific Aviation (CAPA), "Outlook 2007" as cited in press release, March 6, 2007

**Though years ago many arguments were put forward that Indian LCCs [low-cost carriers] would inherently fail due to the low Internet and credit card penetration in the Indian market. The LCC model would not work in India, however not only the model has survived but it has flourished to represent one of the fastest growing B2C E-commerce segments. -Amita Sharma from eStatsIndia.com, November 2010**



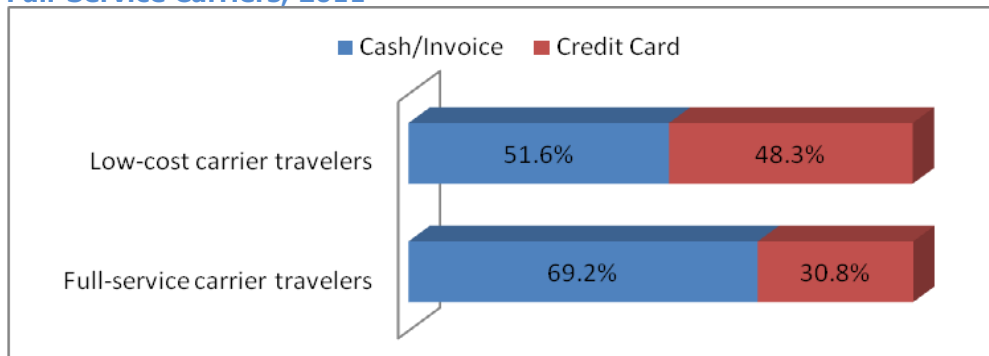
## Airline Travelers in India Who Purchased Tickets Online from Low-Cost vs. Full-Service Carriers, 2011



Source: eStatsIndia Analysis

Low-cost carriers are also helping to raise credit card penetration usage and to make consumers comfortable providing credit information online.

## Payment Method of Airline Travelers in India Who Purchased Tickets from Low-Cost vs. Full-Service Carriers, 2011



Note: numbers may not add up to 100% due to rounding

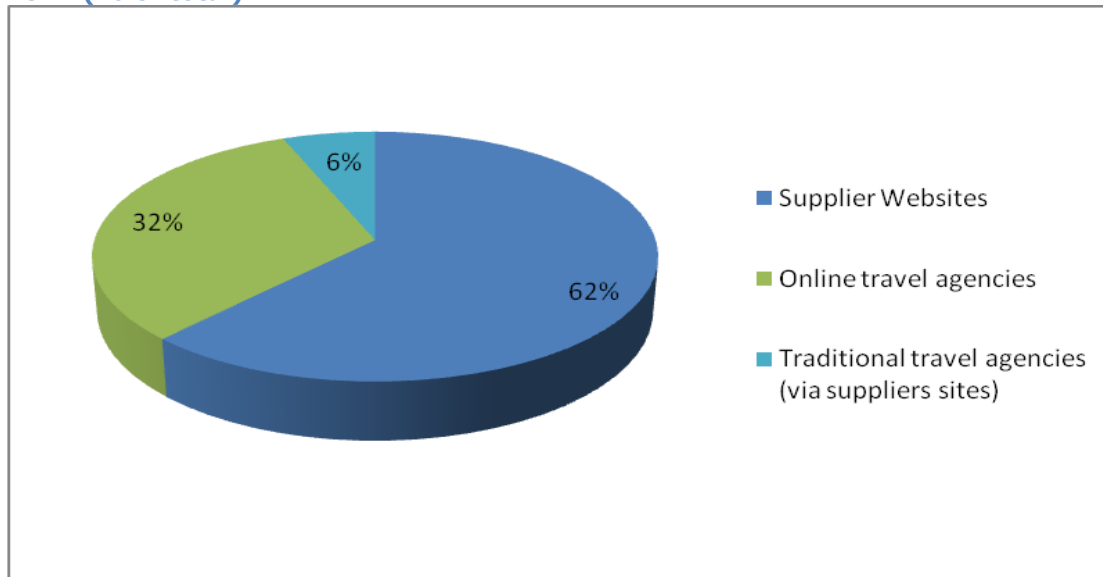
Source: eStatsIndia Analysis

## Online Travel Distributors

PhoCusWright data reveal that supplier direct sales dominate the online channel, led by low-cost carriers that have shown explosive growth. Traditional travel agencies serve as a bridge to the online world, mainly by booking low-cost carrier flights for their customers.

As OTAs prove themselves and consumers become more comfortable with the online booking process, OTAs will take share away from the traditional travel agencies.

### India Online Leisure/Unmanaged Business Travel Market Share, by Distribution Channel, 2011 (% of total)



Source: eStatsIndia Analysis

### Online Travel Agencies

A number of travel agencies were launched in India around the year 2006. OTAs space has been witnessing tremendous funding from investors since their early days. Factors like a burgeoning middle class, increasing mobile penetration and rising e-commerce revenues are fuelling the growth of the OTAs in India.

### Makemytrip.com

MakeMyTrip Limited is the parent company of MakeMyTrip (India) Private Limited and MakeMyTrip.com Inc., India's largest online travel company based on 2009 gross bookings. The company's services and products include air tickets, customized holiday packages, hotels, rail tickets, bus tickets, car hire and facilitating access to travel insurance. MakeMyTrip now is the only travel portal to receive certification from the Payment Card Industry Standards Council

MakeMyTrip Limited (NASDAQ: MMYT), announced its unaudited financial and operating results for its second fiscal quarter ended September 30, 2010. This is the company's first post-IPO publicly announced quarter. MakeMyTrip Limited successfully completed its initial public offering on August 17, 2010. The company is listed on the NASDAQ Global Market under the symbol "MMYT".

The numbers reflect a very robust growth prospect for the company;

**Revenues** increased by 40.5% year over year to \$23.8 million. Revenue less service costs, further increased, by \$3.8 million to \$12.9 million, representing a growth of 41.5%, year over year.

**Gross bookings** for Air ticketing and Hotels and packages combined increased by \$51.2 million to \$156.0 million, representing growth of 48.8% year over year.

## Yatra

Yatra Online Pvt Ltd is an online travel company that runs the portal **Yatra.com** in the online travel reservations space. Yatra was launched in August 2006 and is India's leading online travel company. Yatra provides information, pricing, availability, and booking facility for domestic and international air travel, railway reservation, hotel bookings, holiday packages, buses, and car rentals.

Based in Gurgaon, India, Yatra is a one-stop-shop for all travel-related services. A leading consolidator of travel products, Yatra.com provides reservation facility for more than 3,800 hotels across 336 cities in India and over 90,000 hotels around the world.

Since its inception, Yatra has shown an impressive growth by posting average revenue of \$30 million a month with a volume of 10,000 tickets and 350 rooms a day. The company achieved a gross turnover of \$250 million for FY 2010.

Yatra.com is backed by various investors viz., Promod Haque's Silicon Valley-based Norwest Venture Partners (NVP), Reliance Anil Dhirubhai Ambani Group's Reliance Venture Asset Management, Raghav Bahl-promoted Television 18 Group, and Intel Capital, the strategic investment arm of Intel.

## Travelguru

Travelguru, a Harvard Business Plan contest winner, was launched in 2006 with the backing of Sequoia Capital India. The company initially focused on air ticketing, however, soon after changed its focus to hotels aggregation.

Travelguru is India's leading travel website, offering best prices on flights, hotels and holiday packages across India and the world. Travelguru makes planning and buying a holiday or a business trip easy and convenient.

Travelguru's current product offering consists of airline tickets, hotel rooms, vacation packages and cruises. We will shortly be expanding our services to offer a wide array of travel-related services including car rentals.

Strategic partnerships and deep supplier relationships give Travelguru the edge as an aggregator of travel services. Sorting hotels by user reviews and several other criteria are some of the distinctive value-added services. Prior to the acquisition by Travelocity, Travelguru's investors included Sequoia Capital, Battery Ventures and others. In August 2009 Venture capital firms Sequoia Capital India and Battery Ventures have committed \$25 million in two rounds of funding to Travelguru.

## Cleartrip

Launched in July 2006, Cleartrip is one of the top three online travel companies in India with 35% market share. Based on a straight forward premise of "making travel simple" for its customers, Cleartrip achieves this with its clean and clutter free website, a site that is fast to load, quick in providing relevant information, simple to navigate and offering an easy 4-step booking process.

Paying testament to service excellence, Cleartrip, was adjudged the Favourite Travel Portal by the prestigious Condé Nast Traveller's Readers' India Travel Awards 2010.

In the year 2008 Cleartrip, received \$18.5 million, making this the largest round of venture funding in 2008. The company has raised a total of \$30.2 million over the past three years from investors such as such as Sherpalo, Kleiner Perkins and Draper Fisher.

## Profile of Indian Online Travel Agencies, 2011

Profile of Indian Online Travel Agencies, 2011				
	Start date	Investors	Latest round of funding (millions)	Focus
<b>Cleartrip</b>	July 2006	Sherpalo, Kleiner Perkins, Draper Fisher	\$18.5	Cleartrip focuses on making travel simple” for its customers, with its clean and clutter free website, a site that is fast to load, quick in providing relevant information, simple to navigate and offering an easy 4-step booking process.
<b>MakeMy-Trip</b>	September 2005	Helion Venture Partners; Sierra Ventures; SAIF Partner ; Tiger Global	\$15	The company’s services and products include air tickets, customized holiday packages, hotels, rail tickets, bus tickets, car hire and facilitating access to travel insurance.
<b>Travelguru</b>	February 2006	Battery Ventures; Sequoia Capital India	\$25	Travelguru’s current product offering consists of airline tickets, hotel rooms, vacation packages and cruises. We will shortly be expanding our services to offer a wide array of travel-related services including car rentals. Travelguru.com is currently owned by Travelocity.
<b>Yatra</b>	August 2006	Intel Capital	\$17	Yatra provides information, pricing, availability, and booking facility for domestic and international air travel, railway reservation, hotel bookings, holiday packages, buses, and car rentals.

Source: Based on Publicly Available Information and Company Websites accessed as on Nov. 2011

Affluent consumers in India who own Internet-enabled mobile phones increased in one year from 12.3% to 13.7% in the second quarter of 2009.

### Affluent Consumers in India with Mobile Phones, % using Internet on mobile phones, 2011

Year End	India Mobile Devices % using Internet
Dec. 2010	5.2%
Dec. 2011	5.8%

Source: eStatsIndia.com proprietary model "Internet Users & E-commerce Market Model Version 1.0"

## Other Players

**Few other players like IxiGO.com, Yatra.com, and Cleartrip.com** - are also following the market leader makemytrip.com in the OTA space and are also in the process of securing further investment through various routes like IPO, PE or VC funding.

The most successful travel companies have reached their position in part through acquisition therefore recognizing that size matters in the travel agency business, the large companies with strong management and a highly controlled financial wherewithal are likely to acquire smaller companies and integrate them, in future.

## Conclusion

Growth engine of the next decade belongs to China and India, as these countries have been proclaimed as countries showing promising growth and economic miracle. Both countries have fast-growing online travel sectors, even though a large percentage of their populations have yet to try e-commerce.

China and India will have to overcome significant hurdles to develop thriving online travel sectors. China is hurt by an underdeveloped online payment system and low credit card usage. Consumers prefer to make purchases in person using cash. Indian consumers are also wary of online payments and many are yet not Internet savvy. Travel demand is also overwhelming India's airports and hotels.

Consumers are leading the charge in both online travel markets. A growing middle class is spending much of its new wealth on overseas travel. The US and other Western countries will become chief beneficiaries of this trend.

The effect of affluent and sophisticated consumers is evident by the growth in the fast-growing albeit small packaged-vacation market in China. The rise of low-cost air carriers especially is giving Indian consumer's confidence in the online purchase process. The next area of growth will be online hotel bookings.

Hungry for new revenue sources, online travel distributors in the West will increasingly turn their gaze east to China and India as well as the host of fast-growing secondary online travel markets. However, success could be elusive for them. Foreign firms have a history of underestimating and misreading the meaning of unfamiliar business and consumer customs.

## Related Information and Links

### Related Links

iGillottResearch  
<http://www.igr-inc.com>

MasterCard Worldwide  
<http://www.masterintelligence.com>

Egencia  
<http://www.egencia.com>

Hotel Price Index (HPI) – India Version, Review of global hotel prices: Summer 2010  
<http://www.hotels.com>

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