

# **ONLINE INITIATIVES IN INDIA'S OUTBOUND TOURISM**

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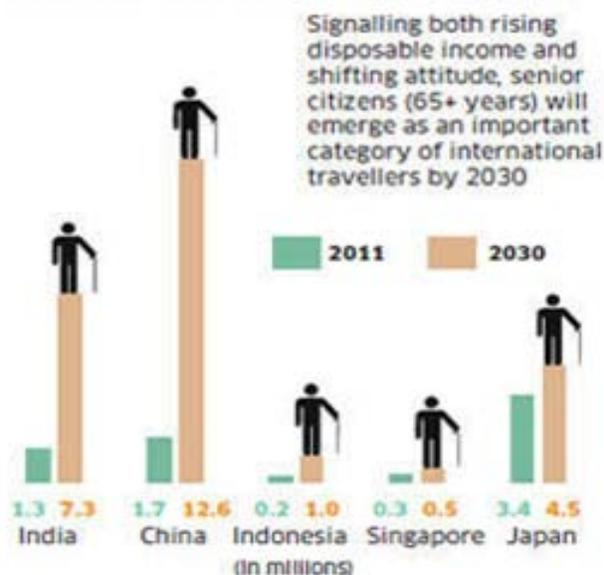
# “ONLINE INITIATIVES IN INDIA'S OUTBOUND TOURISM”

## Introduction:

After having accepted as a driving force for enhancing Indian economy, tourism sector has been given due importance by government and its allied sector. Subsequently the increase in disposable income of the rising middle class and affluent elite class has energized the sector to grow further and accordingly the outbound tourism is on its positive growth. The future projections enable the country to reserve secured place among its counterparts. Certainly India's importance in global tourism is widely accepted. With 17% of the world's population (and a median age of 25 years), India is ranked as one of the top five countries for potential outbound travel. Its growing and affluent middle class has a desire to travel, especially to new destinations. International tourism departures from India have grown from 3.7 million in 1997 and expected to reach over 20 million by 2015 with more than 1.3 billion inhabitants and GDP increasing by more than 8% (approx) every year, the country offers enormous potential for future growth in outbound travel. The UNWTO predicts that India will account for 50 million outbound tourists by 2020; the 'Kuoni Travel Report India 2007' predicts that total outbound spending will cross the US\$ 28 billion mark in 2020. The size of the Indian middle class currently stands at somewhere over 350 million: roughly the size of the population of the US and growing at an estimated 40-50 million a year. The outbound numbers have already crossed the 12 million marks and going by the WTTC's figure, the number will touch 50 million by 2020.

According to a new study by the McKinsey Global Institute (MGI), if India continues on its current high-growth path, the Indian market will undergo a major transformation over the next 13 years. Income levels will almost triple and India will climb from its current position as the world's 12th-largest consumer market to become the fifth largest by 2025. India's middle class will swell more than 10 times from its current size of 50 million to 583 million people. By 2025, more than 23 million Indians will be among the country's wealthiest citizens. Foreign tourist boards are gearing up to meet the growing number of Indians who are travelling abroad and splurging, including senior citizens (see chart).

### Golden Period for Senior Citizens

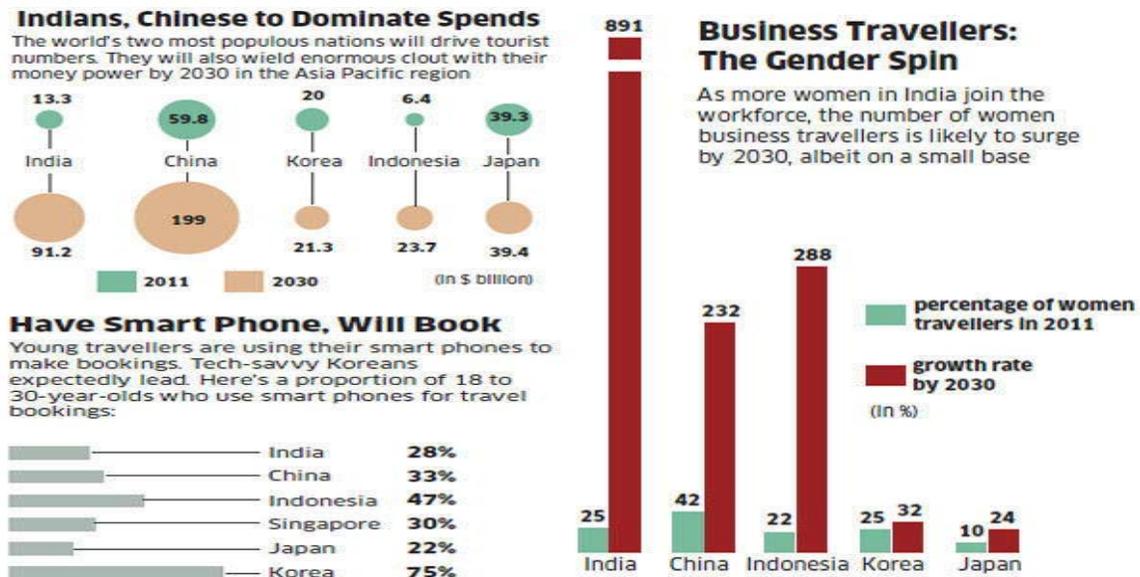


*The total count of Indian nationals' departures to other countries is compiled by the Bureau of Immigration (BOI), from Embarkation cards. The number of Indian nationals' departures from India during 1991 was 1.94 million, which rose to 13.99 million in 2011 with a compound annual growth rate (CAGR) of 10.95 %. The number of Indian nationals' departures from India during 2011 registered a growth of 7.7% over 2010 as compared to 17.4 % growth in 2010 over 2009.*

## Some positive notes on Indian outbound tourism

- ✓ India has emerged as the world's fastest-growing outbound market and in absolute numbers it is second only to China.
- ✓ The number of Indians travelling overseas is set to rise from around 15 million today to 50 million by 2020, according to Tourism Australia.
- ✓ According to a recently released Amadeus-Frost & Sullivan tourism industry report, Indians travelling to Asia-Pacific alone spent \$13.3 billion in 2011. This figure is set to zoom to \$91 billion by 2030, making Indians the second-biggest spenders, after China, in the world on overseas travel.
- ✓ South Africa Tourism Board too says India has become one of the key tourism generating nations for their country.
- ✓ Indian tourist arrivals to Thailand crossed the 1-million mark for the first time in 2012.
- ✓ The introduction of direct flights between India and Istanbul has led to a sharp rise in Indian tourists travelling to Istanbul, Kalra notes. Spotting demand, Turkish Airlines today connects many Indian cities including Delhi, Mumbai and Hyderabad with Istanbul.

**Fig.1** Various aspects compared between India, China and other countries.



## Reasons for increased Indian outbound travel

- ✓ It is found that certain core motivators including VFR (visiting friends and relatives) constituting 43% among leisure travelers from India as studied by Amadeus-Frost & Sullivan report.
- ✓ Extended weekends abroad, customized offerings and search towards gastronomical delicacies in abroad are influential motivators as found.
- ✓ Indians are moving into the 'cash rich/time poor' bracket wishing to explore many unearthed experiences.

- ✓ Simplified visa procedures. Countries including Ireland, the Netherlands, Spain, Poland, & South Korea opening their tourist offices in India shows positive growth of outbound travel.
- ✓ A survey shows that there is a overwhelming 132% rise of Indians travelling abroad over 2006-2011.
- ✓ 'Look east' policy – a desire to boost trade and travel relations with China (PRC) and North and Southeast Asia.
- ✓ Growth of low-cost airlines. Changing in buying habits of Indian tourists according to seasonality has developed a lot.

### Major Outbound markets

Mumbai, Delhi, Kolkota, Chennai, Bangalore, Hyderabad and Ahmedabad. Mumbai alone constitutes about 33% of market share of India's outbound travelers and New Delhi shares 26%.

**Table: 1 Outbound destinations for Indian Travelers**

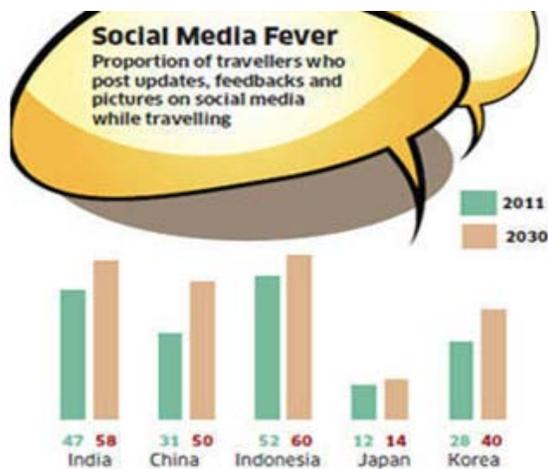
S.No	Country	Share
1	Middle East	8 %
2	Singapore	8.1%
3	Dubai	5.8%
4	USA	5.5%
5	Thailand	4.7%
6	United Kingdom	4.6%

### Online Initiatives

Internet technology changed the boundaries of the organisational boundaries and brought down the cost for transactions and distribution. Internet has paved the way for electronic commerce or execution of transactions electronically. This has affected mainly travel agents, whose main source of income was from selling air tickets. Greater proliferation of the Internet, growth in low-cost air carriers, secure payment mechanisms, and coming-up of the Indian railways portal have led to rise in online sales in the travel industry. A number of low-cost carriers operate on certain routes, and hence online booking offers choice of air carriers to customers. Airline ticket booking constitutes more than 70% of online travel sales. Deep Kalra, founder and CEO, Make My Trip says, "I think the online business is going to keep growing. Today, close to 40-percent of all business is online of which OTAs hold 50-percent of the travel-market share opines Kalra. Many companies like Travel Port, Ezfly, Eztravel etc. eye the emerging segment and continued to enjoy the share of online market over a period. The retail travel sector benefited at a large scale, where the customer behaviour also changed over a period. By the introduction of online travel business, the businesses of number of travel agents were severely affected. The concentration towards globalisation has found its presence in the minds of business houses and subsequently a new term called "*glocalisation*" from the equation (Globalisation + localisation = Glocalisation) is the main concept of business and the success of travel business is based on the factors like value addition, increased customer service, quality and

lower prices. The role of a travel agent has changed in to travel consultant from the levels of an executive, who just sit in the counter for providing travel information or book tickets. The functional area of a travel business has changed at a greater extent. The expertise of a travel agent depends in efficiently solving the problems of customers, suggesting the best alternatives, advising the right itinerary, and other supporting systems, facilitate customers through comparison, added values, and additional benefits discounts etc. followed by internet, social networking sites have become a major engine and source of sharing information for travel related research. It's found that 40% of respondents that had used social media sites to research and plan their last trip preferred Google+, making it the second most popular social network after face book for travel research. Major social media sites used to research and plan their last trip according to internet users worldwide evident from the below chart and table. India is leading users of social media compared to china, Indonesia, Japan and Korea for travel related usages.

**Fig 2 Countries using social media and shares of social media sites**



S.No	Social Networking Site	Percentage
1	Facebook	76%
2	Google+	40%
3	Twiter	21%
4	Flickr	7%
5	Instagram	7%
6	My Space	6%
7	Pinterest	6%
8	Orkut	4%
9	Others	25%

### Online travel business—the key factors

The emergence of online travel business is from information to reservation. The increased use of internet for searching information turns in to a business opportunity. Dell Systems, is one of the best examples of how internet is become the key intermediary in business. In travel business, technology adoption, information exchanges are two key elements of success. The website is changed in to internet content provider (ICP). Internet marketing also opened new vistas for direct sales. The roles of too many intermediaries are taken away by internet.

Websites provide the key information, flight/hotel availability, fares, reservations and ticketing. Various Global Distribution System (GDS) companies support the OTAs to perform these functions. The GDS companies enable the OTAs to trace the cheapest fare available inturn which will be offered to the customers through its website. Various researches show that the rate of growth of online sales is more than 60 per year (Clemons et al. 99). OTAs give a number of options to choose unlike the conventional travel agents. The web site display fares from cheapest to highest, direct or connections of different carriers, of a particular sector on a particular date. Certain websites also display tickets with comparison of other service providers enabling the users to decide accordingly.

## **The Indian picture**

Air Passenger traffic between India and the three main markets in Europe has increased at a rate of 28 percentages. The outbound travel growth from India has shown a trend of 34.1 percentage increase whereas the inbound tourism increased at a rate of 22.5 percentage (UN-WTO, 2006). Indian airports handled 51million domestic passengers in 2005-06 and predicted 400 million passengers by 2020. A recent survey conducted among the cities in India has shown that the number of internet users have gone up in millions. Availability of internet in even villages, connect the rest of the world very fast. The development of information technology has brought out a tremendous change in customer behaviour, which in turn resulted in the marketing strategy of many companies. The introduction of mobile banking by financial institutions have initiated technology revolution among the bank customers, such a new way have to be initiated in the travel trades in the years to come.

As a Business Process Outsourcing company the Make My Trip established in India in 2001, but it became one of the major Online Travel agent in a short period of Time. The big players in Indian online travel market are Make My Trip, Indiatimes, Sify, Yatra, Travelguru, e-bookers etc. Travelocity an international player has recently launched their services in India. Companies like Cox and Kings, akbar Travels are also launching their online division

### **Key products and services in the B2C domain:**

A2Z offers services in both the B2C as well as B2B domain. Presently its major thrust is in the B2C domain where through its popular websites, A2Z offers its potential customers opportunities to search and book rooms in about 1,000 independently owned and operated hotel (IOOs) properties across Thailand. In the travel and tourism industry, while the eventual service provider is certainly the most important part, firms which enable the end-customer to access the service provider like the travel agents also play a crucial part. This is primarily because of the peculiar nature of the tourism product as well as the large geographical distance that separates the eventual service provider and the end-user. For its B2C activities A2Z maintains and promotes a network of websites. Morethailand.com, the most popular among these websites has grown to become a very popular brand among tourists and hoteliers in Thailand. In order to understand the position of A2Z in the B2C domain of the tourism industry of Thailand, it is important to get a proper perspective to the travel intermediary sector of Thailand. Many online business concerns assist to initiate B2B and B2C operations in travel sector. They assist to make website, training in taking reservations and cancellations, maintenance of online accounting for B2C and making sub-agents of the created brand for B2B business. Travel boutique online.com is assisting those interested to engage in online travel business.

The on-line channel, depicted as the fourth route, is expected to be channel of the future. With increasing Internet penetration, the on-line travel industry has seen phenomenal growth over the years. The online channel itself comprises of different routes. Different channels considered as part of the on-line travel industry are Global Distribution Systems (GDS), on-line portals of large chains like best western or holiday Inn, on-line travel agents who operate on a global basis, as well as on-line travel agents with a regional presence. The GDS like SABRE, Amadeus, World Span, Galileo etc. have been in existence since the late 70s. These systems span the entire world and enable travel agencies to book airline tickets or hotel rooms anywhere in the world. Of these systems only World Span is available through the Internet. Large global

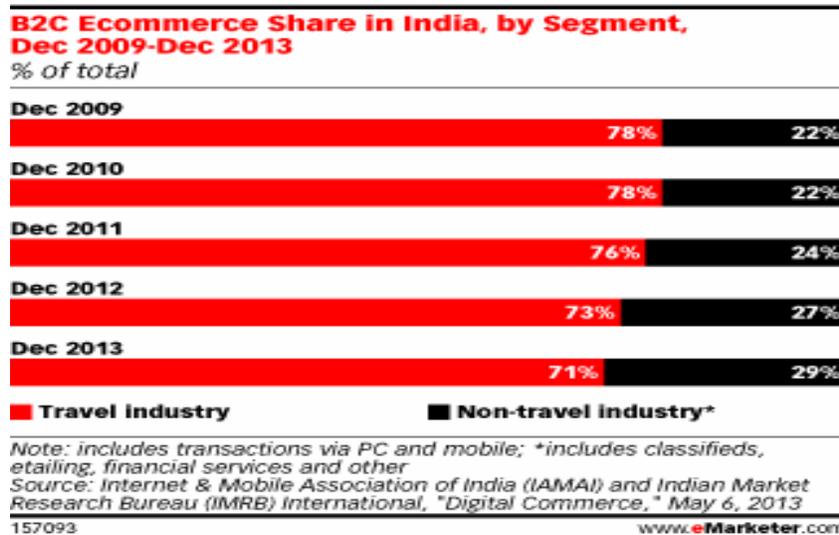
intermediaries like expedia.com, orbitz.com, travelocity.com, hotels.com etc. have a worldwide presence. They enable customers anywhere in the world to search for and book rooms in any part of the world. These websites often cater to large hotels or hotel chains that have a well-known brand. Another type of on-line travel intermediaries are the global marketing representatives like utell.com, best western, Concorde etc. These companies cater to IOO hotels, which are not large enough to invest in being a part of the GDS.

**Latest trends**

The luxury travel market has huge potential in India, with total revenue in India estimated to be around \$1.7 billion, and industry experts say it is growing by around 20 percent annually. Over the next 10 years, the market will grow around 15-20 percent every year.

Increased internet access throughout the world has facilitated strong growth in online bookings and according to the Internet & Mobile Association of India (IAMAI) and Indian Market Research Bureau (IMRB) International; it remains by far the biggest segment of B2C ecommerce sales. Totaling \$345.44 billion INR (\$6.44 billion) in 2012, online travel sales accounted for nearly three-quarters of all B2C ecommerce sales, as noted by the IAMAI and IMRB’s “Digital Commerce” report from May 2013.

**Table 2 Table showing e-commerce share in India by segment**



While travel remains dominant, other types of ecommerce are catching on, and the IAMAI estimates travel’s share will decrease to 71% by December 2013. Online retail sales—“etailing,” according to the report—are expected to grow more than 50% in 2013 and reach just more than \$100 billion INR (\$1.87 billion) by year’s end, driving non-travel sales’ increase in market share.

**Table 3 Table showing e-commerce share in India by category**

**B2C Ecommerce Sales in India, by Category, Dec 2009-Dec 2013**  
billions of Indian rupees

	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013
<b>Travel industry</b>	<b>149.53</b>	<b>204.40</b>	<b>265.72</b>	<b>345.44</b>	<b>449.07</b>
<b>Non-travel industry</b>	<b>42.96</b>	<b>58.23</b>	<b>85.70</b>	<b>128.05</b>	<b>180.60</b>
—Etailing	15.50	23.72	38.42	64.54	100.04
—Financial services	15.40	18.48	22.55	28.86	36.07
—Classifieds	7.75	10.85	16.82	23.54	30.61
—Other services	4.31	5.18	7.92	11.10	13.88
<b>Total</b>	<b>192.49</b>	<b>262.63</b>	<b>351.42</b>	<b>473.49</b>	<b>629.67</b>

*Note: includes transactions via PC and mobile; numbers may not add up to total due to rounding*  
*Source: Internet & Mobile Association of India (IAMA) and Indian Market Research Bureau (IMRB) International, "Digital Commerce," May 6, 2013*

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While other types of ecommerce are gaining steam in India, online travel sales are still rising fast, estimated to increase by \$103.63 billion INR (\$1.9 billion) in 2013, a greater raw increase than for total etailing sales, which is by far the largest not-travel category. The IAMA/IMRB report noted that transit tickets—air, rail and bus—comprised 97% of all online travel sales in 2012, with this category heavily dominated by domestic air tickets (50% of all online travel sales) and rail passes (39%). Only 2% of all online sales came for lodging accommodations, which means there’s still plenty of room for growth in online hotel bookings.

**Table 4 Online travel sales in India by Category.**

**Online Travel Sales in India, by Category, 2012**  
billions of Indian rupees and % of total

	Market size (billions)	% of total
Domestic air tickets	173.35	50%
Railway tickets	136.39	39%
International air tickets	19.26	6%
Hotel bookings	7.00	2%
Bus tickets	6.41	2%
Tour packages/travel insurance	3.03	1%
<b>Total</b>	<b>345.44</b>	<b>100%</b>

*Note: includes transactions via PC and mobile*  
*Source: Internet & Mobile Association of India (IAMA) and Indian Market Research Bureau (IMRB) International, "Digital Commerce," May 6, 2013*

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**Conclusion:**

Having made the access of technology to almost every business in India, the growth of technology based business is in the positive growth. It is well acknowledged by the people of India and started to accustom it. However in travel trade only few educate and affluent people are friendly with technology for their travel related bookings. Certainly it is expected to rise in the years to come with increasing access to face book, twitter and other social networking sites, both business providers and customers are aware on its functioning and its usage for the online travel booking and information dissemination. Online interactive portals have come up for certain companies and our government of India is keen about ensuring such portals for all service providers for the betterment of the users. It can be viewed as one of the successful effort which foreign nations have succeeded upon in attracting our tourists to their nations. Many motivating exercises have been initiated to ensure B2B and B2C rides smoothly in online travel business.

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