

Travel sites hurt as air fares skyrocket

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in New Delhi

RISING air fares are taking a toll on the business of online travel websites, which earn almost 50 per cent of their revenues from airline bookings. To offset this drag, most of these websites have adopted an innovation — offering bundled hotel packages with heavy discounts to consumers.

Said Keyur Joshi, chief operating officer, makemytrip.com, "Rising airfares have certainly had an impact on business. Now the focus is on hotel industry rather than on travel. We are offering a host of bundled and standalone offers on hotels across the country." Makemytrip recorded sales of Rs 1,000 crore in 2007-08.

Travel websites had bet big on online travel bookings. But with the average load factor on domestic and international routes down by 5-10 per cent, the negative impact on revenues has been over 20 per cent.

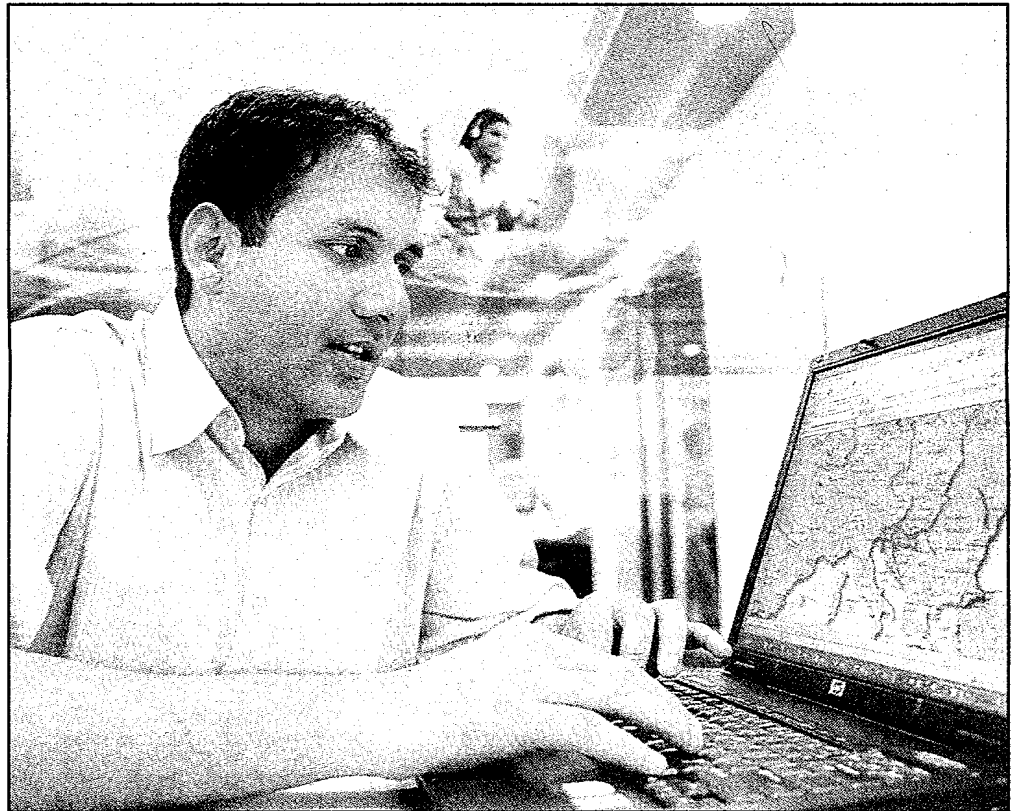
Traditionally, budget airlines such as SpiceJet, Indigo, Go and Air Deccan have

Room rents in most hotels have dipped by 20 per cent

been offering online travel websites almost two to three per cent commission per booking. But now with the rising fuel prices they are pulling back this commission. Instead, they are using their own network of travel agents and company websites. Booking tickets through airline website is two to three per cent cheaper than doing it through the online travel websites.

The rise in average ticket price, including surcharge and taxes, ranges between Rs 4,000 to Rs 7,000. This hike has also impacted corporate customers, with many corporates cutting down on their executive travel plans. Rising air fares have also impacted the hotel industry business, with room rates dipping by almost 20 per cent in many areas over the past few months.

"Hotel prices were abnormally high in the past. But now it is undergoing a correction. During monsoons we expect another 30 per



Most travel websites are offering bundled hotel packages with heavy discounts.

cent reduction in the room rates of five-star hotels," Joshi added.

The shift from airfares to hotel bookings through travel websites will help these website companies in the short term. Said Alope Bajpai, chief executive officer, iXiGO.com, a travel search engine, "The hotel side of the business is now being aggressively explored by travel websites. The air business as a standalone has taken a beating. Even our search engine, in the recent past, has indicated a considerable growth in the hotel vertical."

The business model of travel websites need to be more engaging, Bajpai added.

Travel websites cannot just rely on airline bookings but would have to explore new verticals to keep growing also get a boost, he said.

The online travel industry has been witnessing a growth of 40 per cent in the recent past and is estimated to be worth \$2 billion by 2008. According to industry estimates, the offline travel industry is expected to see its share drop from 32 per cent in 2005 to 10 per cent in 2008, owing to the growth in revenue of online travel agents. The online travel industry constitutes over 50 per cent of all e-commerce in India.

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