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## Focus on India

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India's booming economy benefits airlines around the world

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# Distribution in India: Anyone's Game

*A heightened interest for air travel presents new challenges and opportunities for India's travel distribution suppliers.*

By Emmanuel Phillips | *Ascend* Contributor

The travel industry in India is growing at an incredible rate, making it necessary for airlines, travel agencies, railways and other travel-related companies to leverage technology, adopt new business models and simply work smarter. And it's no different for distribution providers.

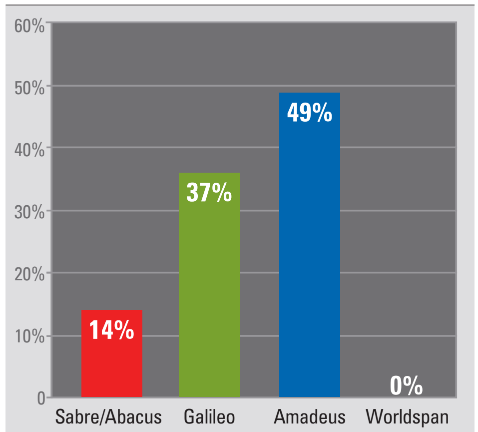
The increase of disposable income, utilization of the Internet and discounted airfares has given a boost to customers' willingness to travel. And global distribution systems are utilized to ensure customers have immediate access to updated information, last-minute availability and immediate confirmation.

Travel distribution in India is still predominantly performed through travel agencies, which account for nearly 90 percent of the country's travel sales, and they remain the primary point of access to customers. Travel agents, who rely on GDSs, continually concentrate on their bottom line and are increasingly becoming aware of the fact that technology provided by computer reservations systems has to be the frontrunner if they are going to successfully control costs.

India's travel business is expanding at a rate of 20 percent to 25 percent year over year, and all major GDS players are distributing their systems in India. Today, Amadeus holds 49 percent of the market, Galileo holds 37 percent and Abacus (a partner with *Sabre Travel Network*™) holds 14 percent. And with the recent entrance of Worldspan, combined with a rapidly changing environment, airline distribution is anyone's game.

Most business transactions will occur via the Internet in the near future, and GDSs will continue evolving to meet the needs of tomorrow's travelers. Electronic tourism has quickly gained a foothold in the Indian market, with an estimated 25 percent of travel sales being conducted through the Internet as of January

## Share of India Market




**Rapid expansion of travel in India may radically shift market share for the world's top GDSs.**

## +count it up

**239**
Number of paved runways at India's airports.

**49,973**
Number of airports in the world, according to the 2004 CIA *World Factbook*.

**28 million**
Number of direct, indirect and induced jobs worldwide provided by air transport, which is expected to rise to 31 million by 2010.

**130+**
Number of airlines in the European air transport industry. Europe also has a network of more than 450 airports and approximately 60 air navigation services providers.

**730,750**
Number of U.S. revenue passenger enplanements from June 2004 to May 2005, with 721,743 scheduled and 9,007 non-scheduled.

**1.6 billion+**
Number of passengers worldwide who use the world's airlines for business and leisure travel. Research indicates that by 2010, this number could exceed 2.3 billion.

2005. According to industry analysts, this figure will increase to 50 percent to 60 percent in the next five years. Electronic ticketing makes up the majority of the country's Internet sales and online hotel bookings are quickly rising. Online bookings are gaining momentum in India, as is evident from the recent announcement by Delta Air Lines that it has chosen India as its first Asian market to introduce online bookings.

Internet usage has reached whopping proportions in India, and projections call for a 54 percent growth during the next year. Travel portals are being launched at regular intervals. The online travel distribution market in India accounts for nearly 1.5 percent of the total travel market and is expected to grow to 10 percent in the next five years.

The GDS channel, though still strong, faces several challengers as content providers look to alternative distribution methods. The hospitality industry is increasingly looking toward online travel intermediaries in place of GDSs. In India, the rapid expansion of low-cost carriers is causing a clash of view with traditional airlines. Traditional carriers are operating through traditional GDSs while LCCs have moved to Internet-based models.

However, the traditional GDS model is still relevant in India. Airlines continue to pay commissions to travel agents, and recently, Kingfisher Airlines, one of the country's newest carriers, introduced a 10 percent commission per sale to travel agents and will distribute its inventory through GDSs.

One of the fastest-growing segments in India is travel insurance, and most of the insurance suppliers distribute their products through GDSs using their own Web sites.

## India Passenger Numbers (millions)

| Year | International | % change | Domestic | % change | Total | % change |
|---|---|---|---|---|---|---|
| 1990-00 | 13.3 | 2.9 | 12.9 | 6.9 | 39.0 | **5.5** |
| 2000-01 | 14.0 | 5.4 | 14.0 | 8.8 | 42.0 | **7.7** |
| 2001-02 | 13.6 | -2.7 | 13.2 | -5.9 | 40.0 | **-4.9** |
| 2002-03 | 14.8 | 8.8 | 14.5 | 9.6 | 43.7 | **9.4** |
| 2003-04 | 16.7 | 12.3 | 16.0 | 10.9 | 48.7 | **11.4** |
| 2004-05 | 19.5 | 17.0 | 20.1 | 25.0 | 59.6 | **22.3** |

**India has experienced significant growth in passenger traffic year over year, with an exceptional boost occurring between 2003 and 2005.**

*Source: Ministry of Civil Aviation*

Rich product offerings and unique features aimed at meeting diverse customer requirements has led to an increase in the number of travel insurance players aggressively promoting overseas travel.

Last year was an extremely healthy one for travel in India, and the biggest beneficiary of this unprecedented growth was the Indian consumer. The country's middle class and rapidly increasing domestic tourism segment is spurring growth in its high-end travel segment.

The years ahead will bring new challenges for distribution systems in India. This year, distribution companies will focus on making themselves more relevant to all sectors in the tourism industry — airlines, travel agents and other service providers. Going forward, every distribution channel will have to provide innovative offerings with cutting-edge technology that will provide products that will bring value to their customers.

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## Flight Plans

| Airline | Year founded | Number of planes ordered | Value* (in billions) |
|---|---|---|---|
| Air India | 1953 | 68 | US$8.1 |
| Indian Airlines | 1953 | 43 | US$2.2 |
| Jet Airways | 1993 | 50 | US$9.1 |
| Air Deccan | 2003 | 62 | US$2.6 |
| GoAir | 2005 | 50 | US$3.3 |
| Kingfisher Airlines | 2005 | 78 | US$6.0 |
| Paramount Airways | 2005 | 5 | US$0.14 |
| SpiceJet | 2005 | 20 | US$1.3 |

**Airlines from India are on an aircraft buying spree.**

**Includes options and plans as well as list and declared prices.*
*Source: Bloomberg*

Photo by K. Pichumani/The Hindu

**India's travel industry is rapidly moving toward electronic tourism, with an estimated 25 percent of travel in India being sold via the Internet.**