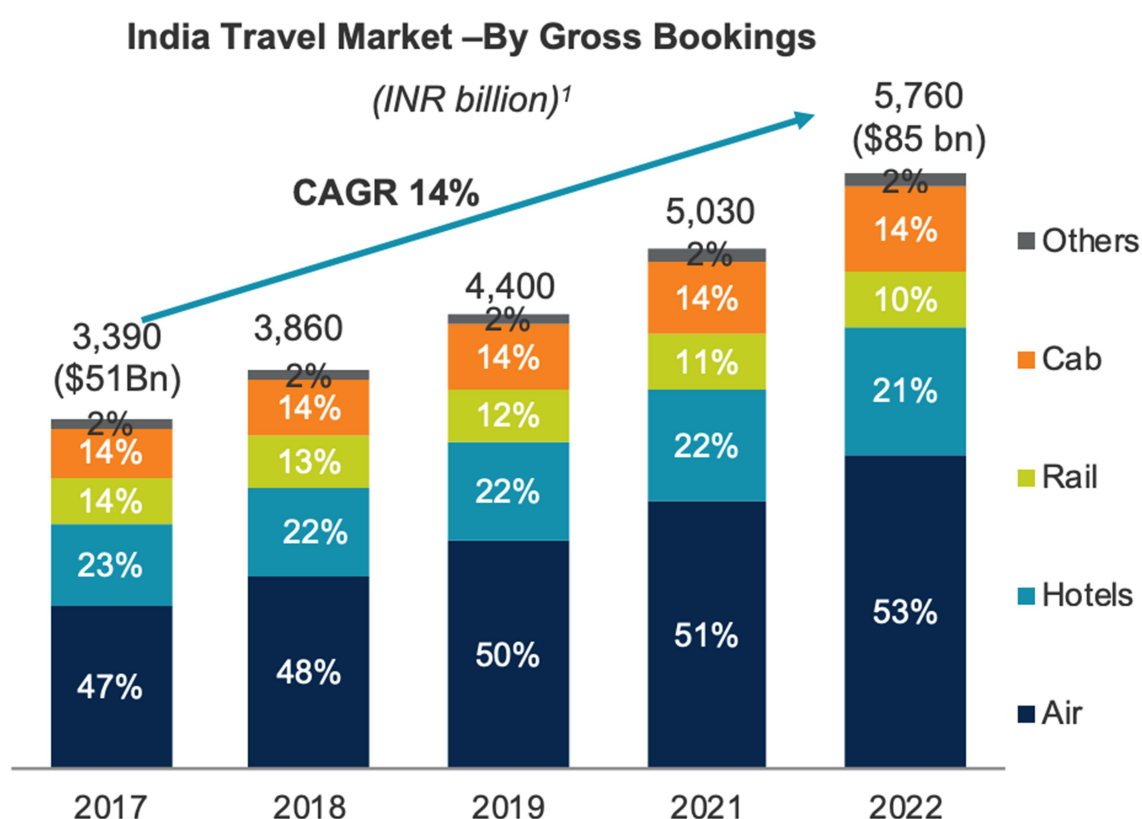


ANALYSIS OF ANNUAL REPORTS OF E-COMMERCE ENTITIES – PART 2 – TRAVEL E-COMMERCE

Two decades back, travel involved quite a lot of planning, from booking tickets to hotels, travel agents, people weren't looking for cheap, but at least reliable. The new age traveller is increasingly depending on planning and booking travel arrangements well in time before the actual trip via travel ecommerce sites.

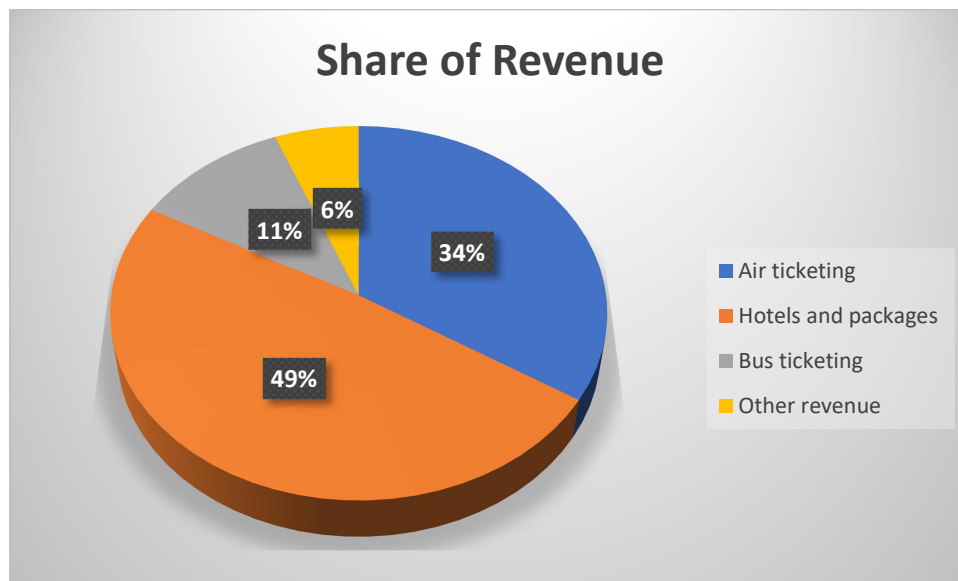
In early 2000, when the Indian audience was much less tech savvy, IRCTC brought the wave of eCommerce in India by launching its first transactional website. Following that, online travel players such as MakeMyTrip (MMT), Yatra, etc disrupted the industry at the turn of the millennium. Air tickets and hotel bookings could be done with a few clicks, services assured and confirmations on your email. Owing to the increased penetration of smartphones and internet there is huge scope for expansion of travel e commerce sector in the near future.



MakeMyTrip

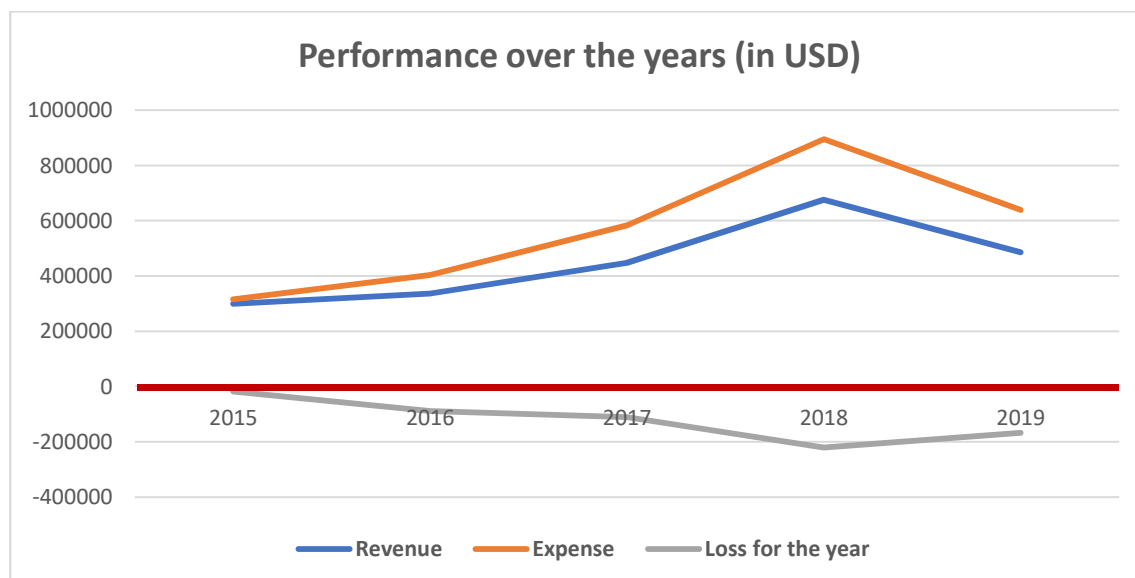
MakeMyTrip (MMT) started its journey 20 years back, in 2000. MMT was the first of its kind in India and constantly kept evolving both technologically, and in its offerings to its users. MMT continues to be the market leader with multiple well recognized online travel brands such as goibibo, redbus, etc.

MMT's revenue can be broken down into 4 streams:



Over the years, contrary to popular perception, the major revenue stream for MMT has always been Hotels and packages as compared to Air ticketing. Now, as revenue from air ticketing has steadily grown over the years, revenue from Hotel bookings has shown an erratic downtrend.

The major highlight in terms of expenditure is that that MMT has cut down its famed marketing budget from about \$450 million in 2018 to \$192 million in 2019. This seems to have had a corresponding impact on their revenue as seen in the graph below.



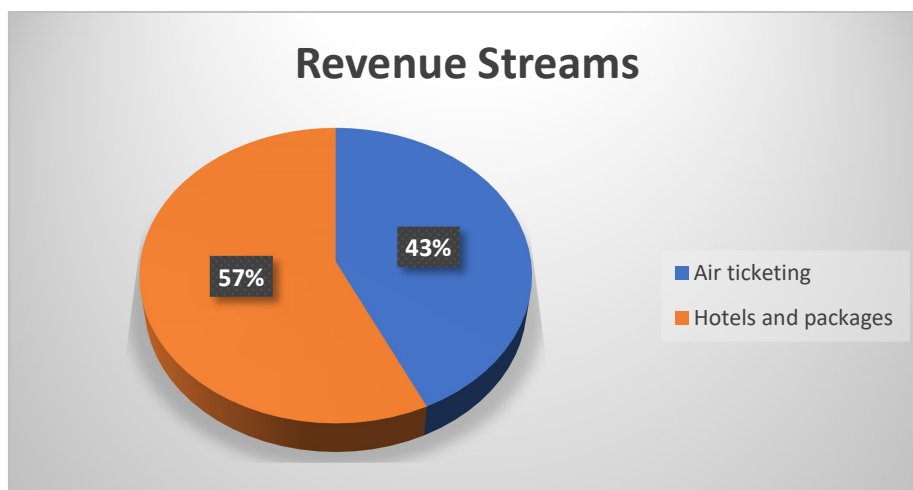
Another peculiar piece of information is that while sales of hotels and package services has shrunk, cost of procurement has more or less remained constant, all this leading to a net loss of \$167 million in 2019 for the market leader.

Yatra

Founded in 2006, Yatra prides itself to be the second largest online travel partner and a corporate travel partner with over 700 clients under its belt.

Compared to MMT, Yatra is a much smaller entity. To put it in perspective, MMT's marketing budget for 2018 is perhaps five times higher than Yatra's total revenue for the year.

Yatra revenue sources is broadly split into:



Similar to MMT, Yatra's revenue from Air ticketing has grown steadily over the years playing catch up with revenue from Hotel & packages.

Even though Yatra looks towards corporate clients, a looks the company spends around 33% of its total revenue on marketing costs.

Cost for provision services is about 40% for Yatra, while the same is only 35% for MMT. Much like MMT, in the year 2019, Yatra had also cut down its marketing by 80%. Although the financials of the company show an upward trend of overall revenue growth, there has been a dip of 23.6% in 2019. At the same time, the company has managed to cut down many expenses including its ambitious marketing budget and reduce its losses from \$27 million in 2018 to \$17.8 million in 2019.

Today MMT and Yatra have a considerable share in the Indian air ticketing space and a substantial presence in Hotel bookings.

Post Covid-19 Travel era:

COVID-19 has put travel and tourism businesses in a tough spot. The travel industry has come to a grinding halt with the imposition of travel bans and curfew across the world and it is unclear when travel restrictions will ease. Total online retail traffic has declined by 9% since March 2020. Tourism is going to look inwards, may be more domestic directed. Global travel seems bleak. Domestic prospects may be somewhat better. The pick-up of the travel & tourism industry is the farthest in the affected chain as it is inextricably linked to the return of normalcy, that too soonest.

In the Covid 19 pandemic, it is the ability to cope with change, cope with the new normal that is going to make all the difference.

The 5 key factors, however, in the overall travel scenario that is expected to drive the trend:

1. **Safety:** both perception and reality will matter
2. **Health:** government may introduce mandatory checks
3. **Hygiene:** There will be no compromise on this
4. **Brands:** Those that will stand for quality will win
5. **Value:** Good value for good money will be the new mantra

The depression in travel & tourism industry is set to change the dynamics for e-commerce operators. Can they continue to spend to ensure that the brand stays strong as ever remains the biggest question?