



## A Case Study on e- Business of Online Travel Agent cleartrip.com

**Dr. Keyurkumar M Nayak**

Director, Laxmi Institute of Management, Sarigam

**Prof. Pranav Raythatha**

Assistant Professor Laxmi Institute of Management, Sarigam

### ABSTRACT

*This case study is all about discussing e-commerce and online business in travel and tourism industry in Indian context. Increasing internet penetration and growth of internet savvy user base has attracted many local and global corporate players to invest substantially in e-commerce platform in tourism industry in India. The e-commerce in tourism is thriving due to strong economic growth and large populations with improved life standards and robust penetration of internet bookings and allied services of travelling at just one click away. Our main discussion is to analyse the position and penetration of cleartrip.com. It is visible that the company cleartrip.com has invested huge in online business platform with high end advertisements and promotion cost which results it to incurred losses since inception of 2006. But it is certain that once the company builds its large, strong and loyal customer base who visits frequently to website for transactions, it will generate surpluses above costs. Cleartrip.com follows web based business model only.*

*To garner the untapped opportunities in India about travel and tourism trip management, many domestic and international travel companies to started its travel business and foray into India with lucrative offers for new travel destinations within India and abroad with ease of convenience for complete journey. In India, e-commerce market for travelling and tourism has matured with strong visible competition from existing company such as cleartrip.com makemytrip.com and yatra.com as market leaders. e-commerce does not include only buying and order booking over internet, but it encompasses various business services like advertisement, new products and services launching, price comparison, shipment options and logistical support, service for usage process guidelines, payment options and customer grievances redressal.*

**KEYWORDS : Price Comparison, Customer Grievances, Loyal Customer, Internet Savvy User, Global Corporate Players**

### Introduction:-

India's growing middle class population's aspiration to work hard, earn smart and spend behind quality life is significant change that leads to come up with many leisure and luxury options to find new avenues for time spent and to get fresh blend of excitement through journey and visits. To garner the untapped opportunities in India about travel and tourism trip management, many domestic and international travel companies to started its travel business and foray into India with lucrative offers for new travel destinations within India and abroad with ease of convenience for complete journey.

### Company Brief:-

CLEARTRIP PRIVATE LIMITED is a private company registered on 12/05/2005. The company has an authorized capital of Rs 2,35,00,00,000.00 and paid-up capital of Rs 2,30,46,91,530.00.

Company has currently 9 director and falls under the jurisdiction of Registrar of Company-Mumbai.

Cleartrip was started by Hrush Bhatt, Stuart Crighton and Matthew Spacie. Spacie exited after a couple of years. Filings with the corporate affairs ministry show Cleartrip has a paid-up equity of Rs 178 crore and is owned by entities registered in Mauritius and Cayman Islands. (Cleartrip Mauritius owns 99.99 per cent in Cleartrip Pvt Ltd and its holding company is Cleartrip Inc Cayman Island.) The Gulf business is run separately.

Till now, Cleartrip has had five rounds of funding. The first was in 2006 from Sherpalo Ventures and Kleiner, Perkins, Caufield and Byers. Subsequently, it got funds in November of the same year and then in 2008. Crighton says till now, the company has raised \$67 million with the last investment coming from Concur.

Cleartrip was set up in July 2006 with a promise to make travel and tour planning simple and, more or less, succeeded. With two million registered users and a daily 15,000 air ticket transactions, Cleartrip is among the top three portals in the country. The company follows a web-only business model and is increasing its reach in the Gulf market but has not done any acquisitions like its peers.

The fast growth, however, has come at a cost. Shrinking commissions, thin margins and subdued demand for travel, with intense competition, are posing problems for online travel companies. Cleartrip's auditors, BSR & Company, in its report for FY12, said the "accumulated losses are more than 50 per cent of its net worth at the end of the financial year". Concur invested \$52 million in Cleartrip in two tranches in 2011 and 2012 in Cleartrip Inc and, thus, the actual funds raised by Cleartrip could be higher than \$67 million. Crighton refused to comment on the company's equity structure and declined to give a break-up of investments.

**Company profile and positions analysis:** Cleartrip.com, one of the top online travel agencies (OTA) in India, is understood to be readying the platform to raise as much as \$50 million through the private equity route. The company has already been backed by some of the blue-chip private equity fund including Kleiner Perkins Caufield & Byers, Sherpalo Ventures, DAG Ventures, Draper Fisher Jurvetson, besides a strategic investment from US-based Concur Technologies.

Cleartrip.com has strongly hold in e platform via e commerce website marketing and booking for various travel trips for individual customers and families as well network with corporate clients and a business network of all travel lines service providers, hotel chains, money exchangers, guides trip organizers as well local regulatory bodies to facilitate best travel experience with comfort.

The company, which oscillates between the second and third position with Yatra.com and market-leader Makemytrip-.com in India, is understood to be in various stages of appointing an investment banker to start the process. This move by Cleartrip.com to look at raising fresh resources comes at a time when goibibo.com, another OTA backed by cash-rich Naspers Group of South Africa, is on an overdrive in India and is fast gaining ground. Independent research reports have indicated that the traffic to goibibo.com has been on a sharp upswing. Cleartrip.com had last raised \$40 million during early 2011 from US-based Concur Technologies, which is a provider of integrated travel and expense management solutions for companies.

According e-commerce sector watchers, a consolidation is inevitable in the OTA sector and it is likely that goi bibo.com will lead that. They, however, declined to spell out whether Naspers will look at Cleartrip.com.

Given the context of the strong growth in the adoption of hand-held devices, Cleartrip has in the recent past been aggressively pursuing that strategy. Now, around 15 per cent of its bookings - out of the daily air transactions of 14,000-15,000 - are through hand-held devices, up from the earlier 5-7 per cent. The OTA gets around four million unique users a month.

#### **THE TRAVEL PITCH for Cleartrip.com**

Future plans of Cleartrip.com:

- Set to raise \$50 million through the PE route
- May draw good amount of interest as consolidation is inevitable
- **Had earlier raised \$70 million from Kleiner, Perkins, Caufield & Byers, Shergalo Ventures, DAG Ventures, Draper Fisher Jurvetson & Concur Technologies**
- **Cleartrip betting heavily on hand-held devices to drive growth**
- **Over 15% of bookings are being made on a mobile device against to 5-7% last year**

**Views and Reviews:-** According to travel industry research firm PhoCusWright, Cleartrip has a market share of 20 per cent and competes with rivals MakeMyTrip (47 per cent), Yatra (20 per cent). The company's balance sheet for FY12 reveals the standalone loss increased from Rs 39 crore in FY11 to Rs 51 crore in FY12. Its accumulated loss in March 2012 was Rs 169 crore, up from Rs 118 crore. (The company's balance sheet shows it had made a modest profit of Rs 6 crore in FY10.)

To be fair, its main rivals, MakeMyTrip and Yatra, are also losing money. So, what went wrong with Cleartrip? Its management answered it in the FY12 balance sheet. It said the company had incurred heavy advertising and promotion expenses and created goodwill for the brand and would accrue its benefit in future. It had also said the normal break-even period for online travel companies was three-five years. Over-dependence on the air travel business (Cleartrip earns 80 per cent of its revenue from air ticketing) and marketing and promotion costs are hurting. Sources say the cost of acquiring a customer in the online travel segment is high. Some experts put the figure at Rs 400-500 and, hence, the losses. In India, Cleartrip mostly advertises digitally. But in Dubai, Cleartrip has put up a giant billboard covering a large portion of the facade of a building on Shaikh Zayed Road (pictured), said to be the second largest billboard in the world.

"In the early days, OTAs were chasing market share. But it has evolved. The cost of acquisition is nowhere close to Rs 400. There are some parts of business as in hotel bookings, where it takes lot more to acquire customers. There we do spend Rs 400-500 but we also earn lot more from each transaction. We are not chasing market share," says chief operating officer Samyukth Sridharan. "We have grown from zero per cent in other business to 20 percent in the last three years. The way we see it, air ticketing business will remain important but its importance will continue to diminish as other businesses grow," Sridharan adds.

Cleartrip chief executive Stuart Crighton maintains the portal is not bleeding. "Our investors are satisfied with us. The last 12 months have been hard for the industry. There has been limited growth and that does put pressure on cost structures. We are responding to it well. We are reasonably well-capitalized and are executing our business plan," says Crighton. The company also sees mobile as the future. It currently has apps for the Android and the iOS platforms, while 25-28 per cent of the entire search volume is generated via mobile. Moreover, seven-eight per cent of the total transactions are also happening on mobile.

#### **Conclusion:**

This is shows that path is bright for nowhere easy going due to severe competition from its arch rival Make my trip.com and yatra.com to cover the vast untapped market. More infusion of funds and proper planning of advertising are the tools to generate better outcomes.

#### **Discussion Questions:**

1. Discuss the significance of Search, experience and credence attributes for E-commerce travel and tour organizing company Cleartrip.com.
2. What types of actions could a Travel Planning portal like Cleartrip.com take to encourage more news customers and visitors visit its website and book online reservations for travelling options.
3. How is the Internet and E-commerce changing the very nature of travel booking with sophisticated and convenient pricing and other services?
4. Reflect on your own role as a customer, to discuss your expectations from online bookings and travel offers for quality experience to influence you and others to revisit the website Cleartrip.com.

#### **Case Study Pedagogy and Teaching Aids:**

Increased use of real business examples and discussions in classroom with online internet support

Power point slides with analysis and research

Systematic learning approach with key lectures, panel discussions and role plays.