

# TRAVEL AND **TOURISM** INDUSTRY REPORT



5<sup>th</sup> November 2023



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# GLOSSARY

Abbreviations used	Full- form
B	Billions
FTA	Foreign tourist arrivals
GDP	Gross domestic product
GDS	Global Distribution System
KSA	Kingdom of Saudi Arabia
MICE	Meetings, incentives, conferences, and Exhibitions
OTA	Online travel agents
RPK	Revenue Passenger Kilometer
T	Trillions
TAM	Total addressable market
UNWTO	United Nation World Tourism Organization
WTTC	World Travel and Tourism Council

# EXCHANGE RATE TABLE

Year (FY)	Rs. Equivalent of one US\$	Euro equivalent of one US\$	Year (CY)	Rs. Equivalent of one US\$	Euro equivalent of one US\$
2015-16	66.33	1.13	2016	67.95	1.05
2016-17	64.84	1.08	2017	63.93	1.20
2017-18	65.04	1.23	2018	68.36	1.14
2018-19	69.17	1.12	2019	69.89	1.12
2019-20	70.49	1.08	2020	74.18	1.21
2020-21	73.20	1.18	2021	74.50	1.20
2021-22	74.50	1.16	2022	76.10	1.10
2022-23	80.32	1.04	2023Q2	82.36	1.07

Source: Reserve Bank of India, Macro trends, Average for the year

# EXECUTIVE SUMMARY

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## **Global travel and tourism industry is poised for steady growth over next 5 years**

The global travel and tourism industry market is estimated to be US\$ 1.9T in 2023 and is expected to grow at a CAGR of ~8%, reaching US\$ 2.6T by 2027. This growth is supported by factors such as rising prosperity in emerging economies and increasing disposable income, as well as the influence of social media on travelers' destination choices. The industry's contribution to global GDP is set to grow at a CAGR of 6% during 2023-2027, surpassing the overall economic growth rate.

Saudi Arabia's Vision 2030 initiative includes investment plans of US\$810 billion, to boost its tourism sector. In 2022, the country welcomed over 16.5 million international tourists and is projected to achieve 100 million international visitors by 2030. This is part of the broader goal to make tourism contribute significantly to the economy, targeting 10% of GDP by 2030 and potentially exceeding that to 15%. Business travel remains vital for professional relationships and market insights, with the direct market estimated to reach US\$ 510B by 2027. The travel and tourism loyalty programs market is estimated to be US\$ 24-27B in 2023 poised to grow at a CAGR of 10-12% from 2023 to 2030, with growing adoption of travel and tourism-related reward redemption.

## **Evolving demands of customers are driving tech-driven disruptions throughout the travel and tourism value chain**

Global outbound departures are in line to reach pre-pandemic levels. Europe led the departures with a 48% share, followed by Asia-Pacific at 26% and the Americas at 16.8% in 2022. Over 2010-2019, there was an average annual increase of over 50 million new outbound departures, highlighting the upward trend in global travel. Emerging economies, particularly China and India, are driving this growth. Gen Z travelers, influenced by social media, are now seeking unique and Instagram-worthy experiences, shaping the future of travel trends. Travelers' needs are diversified and complex, reinforcing the significance of travel buyers in addressing these diverse requirements.

## **The fragmentation of supply in the travel industry creates considerable friction and gaps in the travel buyer value chain, which B2B platforms address by serving as centralized hubs**

Distribution channels in the travel industry can be classified into online and offline channels. Online channels, encompassing direct channels, OTAs, meta-search platforms, cater to price-conscious customers, fostering intense competition. In contrast, the offline channel, consisting of numerous players like travel agencies and tour operators, serves travelers seeking assistance or customized itineraries, offering high-value whitespace with greater pricing flexibility.

The global travel buyer market has an estimated 1.5 - 2 million travel buyers worldwide. Notably, the United States, China, and Europe each have a substantial presence of travel agents/advisors, with around 100K, 42.4K, and 28.7K, respectively. This market is broadly divided into retail buyers (such as travel agencies and independent travel advisors) and enterprise buyers (such as Tour Operators (TO's), Travel Management Companies (TMCs), and Online Travel Agencies (OTAs)). However, top players represent only a fraction of the market, leading to fragmentation - the top 10 OTAs put together serve ~4% of the US\$ 1.9T global travel market and the top 10 TMCs put together serve only about <15% of the US\$ 374B global business travel market.

The Indian travel buyer market is expected to grow from US\$ 37.6 B in 2023 to reach US\$ 63.2B by 2027, at a CAGR of 13.9%. The Indian market, mirroring global trends, faces fragmentation across distribution channels. Addressing these fragmentation issues, B2B platforms serve as centralized hubs, connecting travel agencies with various service providers and offering supply and demand reach, operational efficiency, customer insights, and business support. These platforms streamline operations, provide valuable insights into customer needs, and empower suppliers with integrated marketing tools and digital solutions, ultimately enhancing the overall travel experience and efficiency within the industry.

## **Global and Indian travel suppliers show promising growth prospects**

Global air travel is composed of over 5,000 airlines, with IATA representing about 300 member airlines responsible for 83% of global air traffic. The global air (passenger) market is expected to be US\$ 709B in 2023. It's expected to grow at a 6% CAGR between 2023 and 2027, reaching US\$ 885B in 2027. Additionally, India's domestic air (passenger) market is flourishing, valued at US\$ 16.6B in 2023 and projected to grow at a CAGR of 15.8% to reach US\$ 29.8B by 2027. India's outbound air market is set to grow at a 6% CAGR from 2023 to 2027, reaching \$19.6 billion. In 2023, it's estimated to have 34 million passengers, with a market size of \$12.9 billion, driven by factors like first-time travelers seeking unique experiences and religious trips.

The global accommodation market, anticipated to be US\$ 885B in 2023, is projected to have a 10% CAGR, reaching US\$ 1,250B by 2027, powered by improved global economic conditions and experiential travel trends. B2B platforms are crucial for hotels, addressing challenges such as managing diverse buyers, inventory management, and cross-border payments. The global ancillary service market, including transfers, car rentals, and cruises, is expected to be US\$ 389B in 2023, and further grow at a CAGR of 8% over 2023-27.

## **Travel distribution platforms are emerging as key players to consolidate travel demand and travel supply**

New-age travel distribution platforms are driving transformative changes in the travel industry, catering to the diverse needs of a fragmented customer base. Travel distribution platforms are expected to enable global travel spend of ~US\$ 1.9T in 2023 and this is expected to grow at a CAGR of ~8% from 2023 to 2027, reaching ~US\$ 2.6T. Their growth is propelled by the aggregation of fragmented global inventories for hotels and airlines, as well as the resolution of concerns for travel buyers and suppliers, making them central players in the industry. TBO emerges out to be one of the leading travel distribution platforms in the global travel & tourism industry.

Key drivers for these platforms' success include the rise of incremental travel agents and travelpreneurs adapting to changing travel regulations and customer needs, the consolidation of the fragmented travel agent market, and the inter-dependency of tourism products, necessitating integrated platforms for a seamless customer experience. These platforms are revolutionizing the travel industry by streamlining operations, reducing marketing costs, and facilitating cross-border transactions, making them a vital force in the industry's ongoing transformation.

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The travel & tourism industry is poised for a significant growth which is secular over time periods



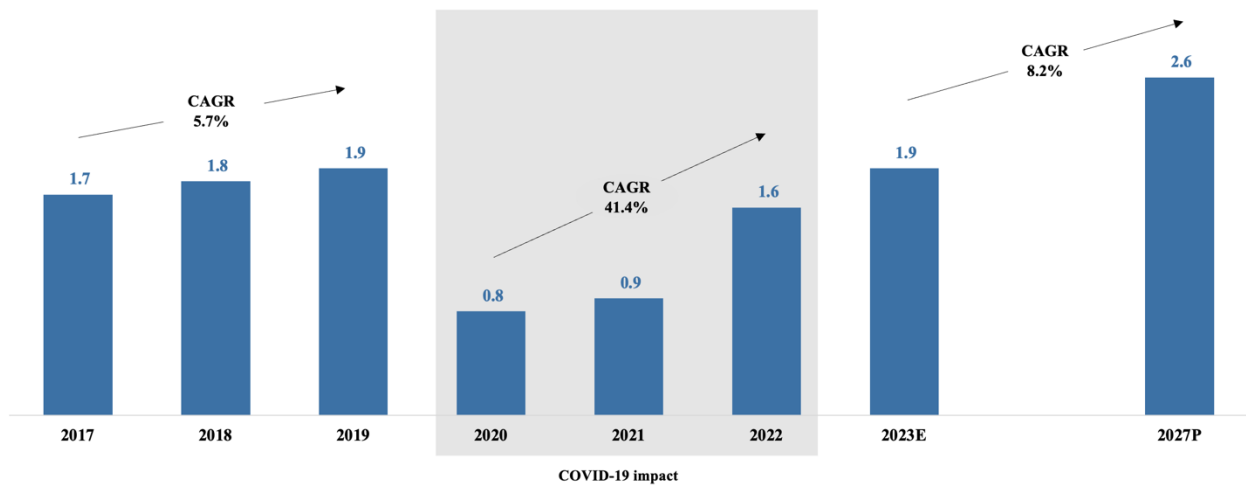
## 1.1. Global travel and tourism industry

Over the past 100 years, the travel and tourism industry has changed from a simple point-to-point travel solution to an ecosystem catering to both, business (B2B) and individual travelers (B2C), offering holistic solutions that encapsulate diverse customer needs and preferences across the entire travel journey.

### 1.1.1. The total market of travel and tourism industry in 2023

The global travel and tourism market was US\$ 1.7T in 2017. In 2023 the travel & tourism is estimated to recover at pace, growing 18.2% year-on-year from 2022 to reach US\$ 1.9T, and expected to grow at a CAGR of 8.2% to reach US\$ 2.6T in 2027.

Global travel and tourism market size  
(US\$ T, 2017-2027P)



Source(s): 1Lattice analysis

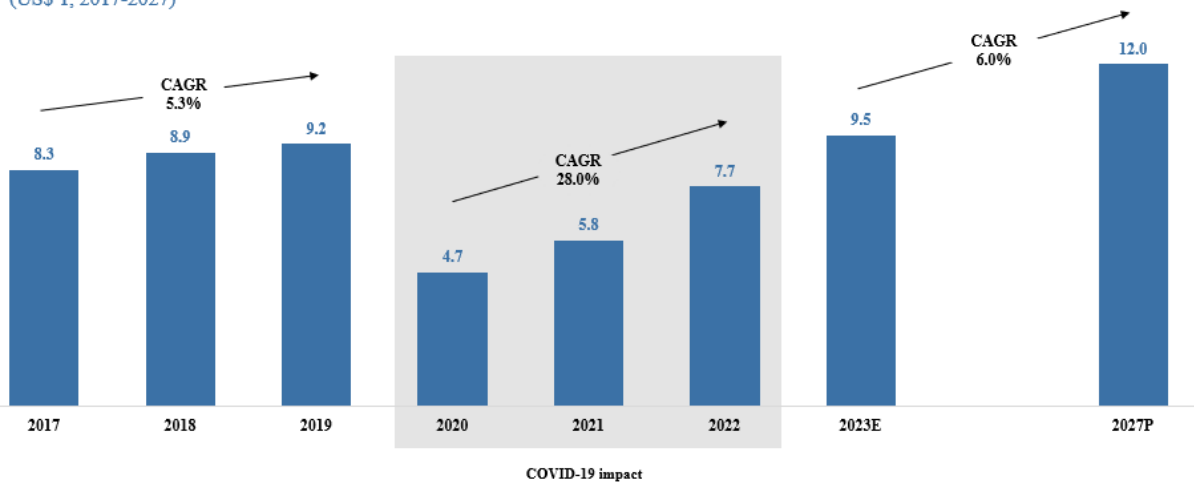
Note: All the numbers mentioned in the charts denotes CY / calendar year unless specified

As per UNWTO, international arrivals reached 80% of pre-pandemic levels in the first quarter of 2023. Over ~235 million tourists travelled internationally in the first three months, more than double during the same period in 2022. The key growth drivers for global travel industry are demographic shift, flexible work hours (work from home), staycations models, adoption of e-visa, improved value propositions, social media influence on new tourist location exploration, Rising prosperity in emerging economies etc.

### 1.1.2. Travel and tourism contribution to GDP is expected to grow at a CAGR of 6% during 2023-2027



**Global travel and tourism contribution to GDP**  
(US\$ T, 2017-2027)



Travel and tourism industry contribution to global GDP was US\$ 9.2T in 2019, has grown at 5% CAGR over 2017-2019. Travel industry faced a lot of challenges during COVID-19 and has bounced back from 2020, with 2022 contribution to GDP being US\$ 7.7T and expected to contribute ~US\$ 9.5T to the global GDP in 2023. The growth in travel industry is supported by rising prosperity in developing economies, increased disposable income among individuals, advances in booking technology, cost-effective travel in budgeted hotels and affordable airlines, rising influence by social media platform among young travelers and a better balance between work and leisure that drove travelers to expand their annual travel plans. In general, all these factors contributed to the emergence of travel and tourism as a major component of the global economy. Following the COVID-19 pandemic, 2022 experienced an extraordinary and unprecedented resurgence in worldwide travel as travel restrictions were relaxed, a phenomenon often dubbed 'revenge travel' This was an exceptional and timely reaction to the limitations imposed by the COVID-19 pandemic. Going forward, the travel industry is anticipated to progressively revert to its pre-pandemic practices.

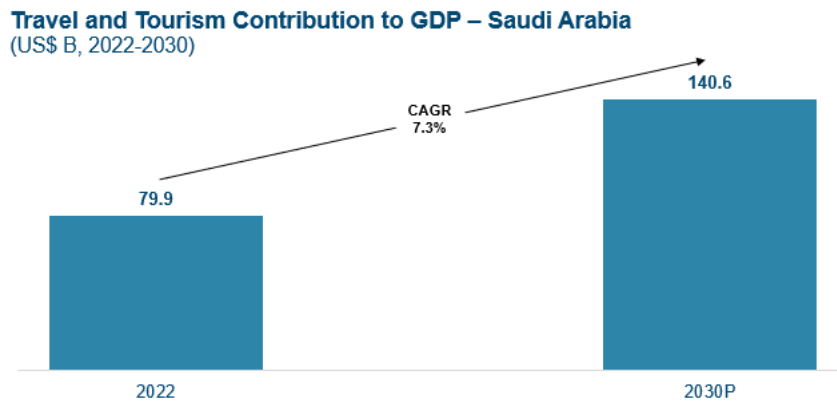
Despite the difficulties the sector has faced, projections point to a strong decade of growth. Travel and tourism contribution to GDP is expected to grow at a CAGR of 6% between 2023 and 2027, outpacing the growth of the overall economy. US\$ 4.3T forecasted spend to be added by travel industry between 2022 and 2027. Asia-pacific has been the leader with more than 1/3<sup>rd</sup> share of the global travel & tourism’s contribution to GDP basis in 2019 and 2022 as well.

## 1.2. Emerging opportunities in Global T&T industry

### 1.2.1. Saudi Arabia is the fastest growing tourist destination market in Middle East

Saudi Arabia is making a big push in the tourism sector, a central part of its Vision 2030 strategy for national transformation. Historically, Saudi Arabia was accessible primarily to individuals holding business visas, religious pilgrims, and expatriate workers. Saudi Arabia is making significant strides to transform with the aim of repositioning itself as a compelling travel option that can compete with its Gulf counterparts such as Dubai, Oman, and Abu Dhabi. According to the World Travel & Tourism Council (WTTC), Saudi Arabia is anticipated to experience rapid growth in its travel & tourism sector over the next decade, making it the fastest-growing in the Middle East.

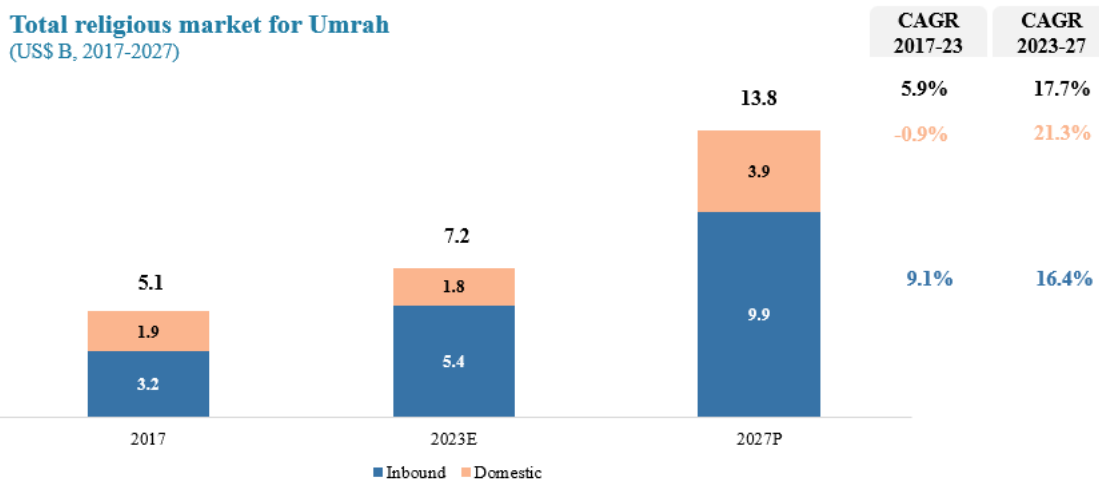
Due to the Vision 2030 initiative, Saudi Arabia is actively working to welcome global visitors. They have ambitious investment plans of US\$ 810B dedicated to cultural, leisure, and entertainment projects in the coming ten years. This forward-looking strategy has already boosted Saudi Arabia's appeal as a tourist hotspot. In 2022, Saudi Arabia welcomed over 93.5 million tourists, comprising 77 million domestic and 16.5 million international visitors and Saudi Arabia is projected to achieve 100+ million international visitors by 2030



Source(s): WTTC, IMF, 1Lattice analysis

The goal is to significantly boost the sector's contribution to the economy, aiming for it to represent 10% of the GDP by 2030. Remarkably, recent projections suggest it might even reach 15% of the GDP by 2030, exceeding the original target.

Umrah pilgrimage can be undertaken at any time of the year in Saudi Arabia which attracts millions from around the world. The Umrah travel market is expected to grow at a CAGR of ~18% between 2023 and 2027. In 2023, the Umrah travel market is expected to stand at US\$ 7.2B with ~18.9 million international Umrah pilgrims.



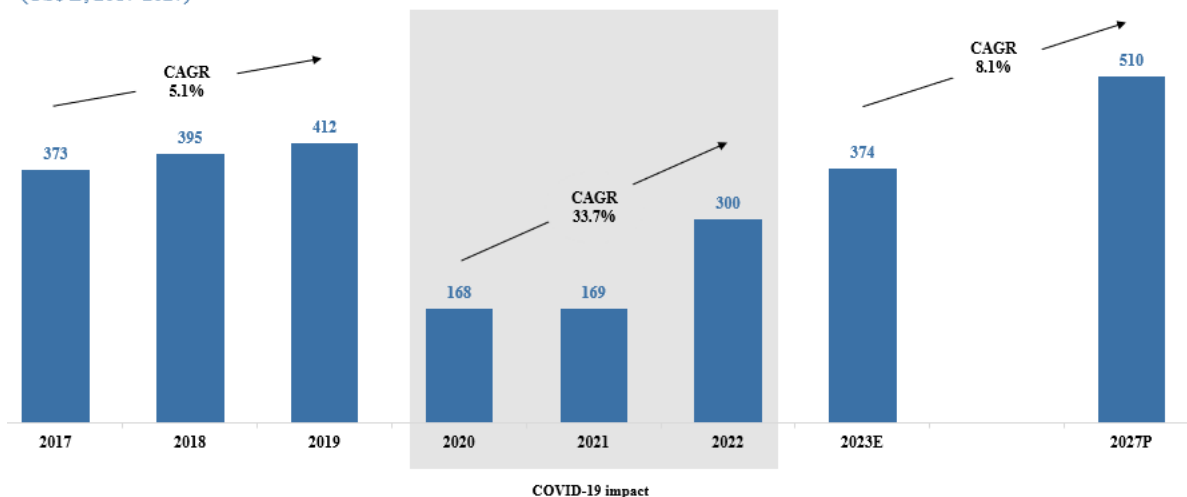
Source: KSA Ministry Statistics, 1Lattice analysis

The inbound Umrah travel market is expected to be US\$ 9.9B in 2027, growing at CAGR of 16% between 2023-2027. Domestic Umrah travel market is expected to grow to US\$ 3.9B at a CAGR of 21% between 2023 and 2027. Driven by the Saudi Government's initiatives and efforts to enhance capacity for Umrah visitors, the total number of Umrah pilgrims is expected to grow from 25.7M in 2023 to 30M by 2030.

### 1.2.2. Business travel market

Business travel is primarily undertaken for work or business purposes and is typically a short stay duration ranging from overnight to a few days. Despite video / audio conferencing gaining popularity during the COVID-19 pandemic, the significance of in-person attendance continues to remain paramount for essential discussions and meetings. Amongst many other benefits, business travel has proven to be vital in strengthening professional relationships, exploring new markets, and gaining valuable market insights.

### Direct business travel market (US\$ B, 2017-2027)



Source(s): I.Lattice analysis

The direct business travel market is estimated to be US\$ 374B in 2023 and expected to grow at CAGR of 8.1% to reach US\$ 510B in 2027. MICE (meetings, incentives, conferences, and exhibitions) tourism has shown significant potential in bringing large number of high spending visitors to a destination, thereby increasing the tourism revenues. Factors such as the expansion of cross-border trade, a preference for in-person meetings, and increased global participation in events and conferences, all contribute to the growing business travel market.

### 1.2.3. Loyalty program

The loyalty program is a marketing tool that businesses use to keep their current customers engaged and drive repeat purchases. These programs, supported by offer rewards, discounts, and special perks to customers. Loyalty programs / points have huge potential to be applied to travel related products like flights, hotels, car rentals, cruises, and lounge access. The emergence of loyalty programs in the travel industry is closely tied to the increasing use of these programs by travelers and potential travelers. This growing trend has transformed loyalty programs into a thriving market within the travel industry, offering advantages for both consumers and travel companies.

The global travel and tourism loyalty program market size is estimated to be ~US\$ 24-27B in 2023 and expected to grow at 10-12% over 2023 to 2030. Upon that, travelers are increasingly using loyalty programs for their travel requirements. While this concept has been around with air miles, and 'travel tickets' you can win in a lottery, using rewards to retain customers has become more mainstream. The travel and tourism industry benefits as it witnesses a significant share of spending of loyalty programs compared to other types of rewards provided by horizontal players or discovery apps

Consumers understand that participating in these programs can yield a variety of benefits, including discounted flights, complimentary hotel stays, and exclusive access to airport lounges. As travelers actively engage with loyalty programs, they contribute to the revenue of travel companies. Loyalty programs in the travel industry are experiencing unprecedented growth, driven by a surge in participation, personalized travel experiences, and attractive rewards and incentives.

Travelers are increasingly drawn to loyalty programs because they offer a variety of benefits, including:

- Access to exclusive offers and upgrades
- The ability to redeem rewards for future travel-related expenses
- Priority services for frequent travelers
- A sense of brand loyalty and trust

02

# Customer archetype and journeys



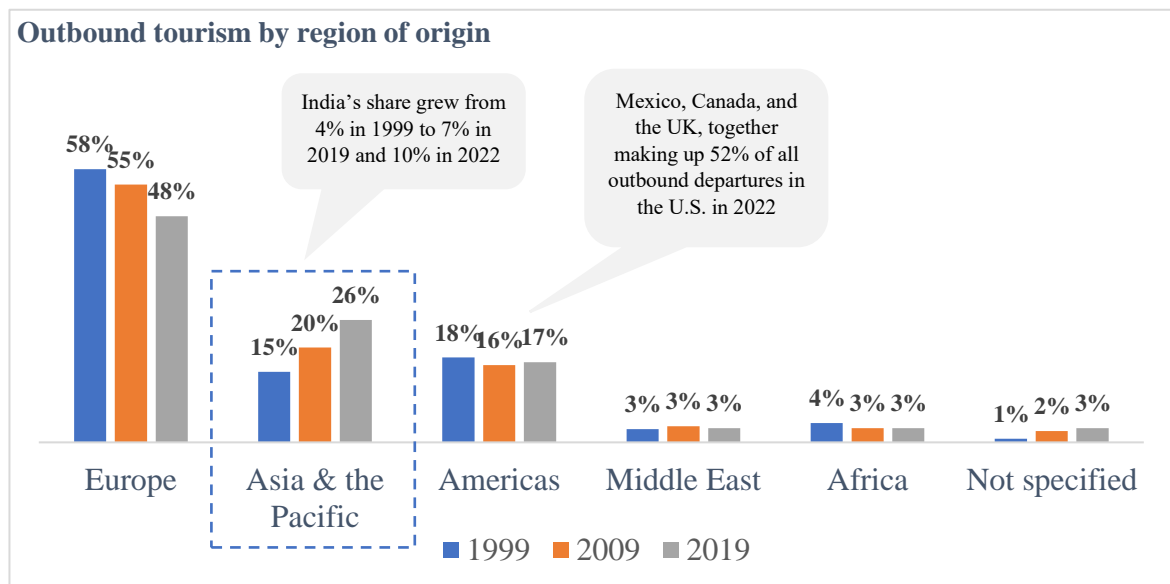
## 2.1 Changing customer needs is fueling tech-driven disruption across the value chain

The end customers can be distinguished into six categories:

1. First-time or frequent flyers who desire a unique experience;
2. Regular individual travelers who desire a budget-friendly or experiential journey;
3. Group travelers who require a particular type of sightseeing and destination;
4. Religious travelers who require coverage for religious shrines; and
5. Business travelers who wish to travel and stay in a business hotel.
6. Nichel travelers which includes travelers like student and marine travelers

In 2022, global outbound departures reached 963 million, with a 111.2% year-on-year growth compared to 2021, though still below pre-pandemic levels of 1.5B. In 2019, Europe led in number of departures with 48%, followed by Asia-Pacific at 26%, and the Americas at 16.8%, as per UNWTO data.

During 2010-2019, there has been on an average 50 million+ new outbound departures added each year, clearly highlighting an increasing trend of customers travelling globally. Asia-Pacific's share in international arrivals has seen a significant increase over the last two decades with the outbound traveler share growing from 15% in 1999 to 26% in 2019. The share of trips originating from Europe has reduced from 58% in 1999 to 48% in 2019, though Europe is still the leading contributor to outbound tourism accounting for almost 1 in every 2 trips in the world. Americas, Middle East, and Africa have maintained their share over the last 2 decades.

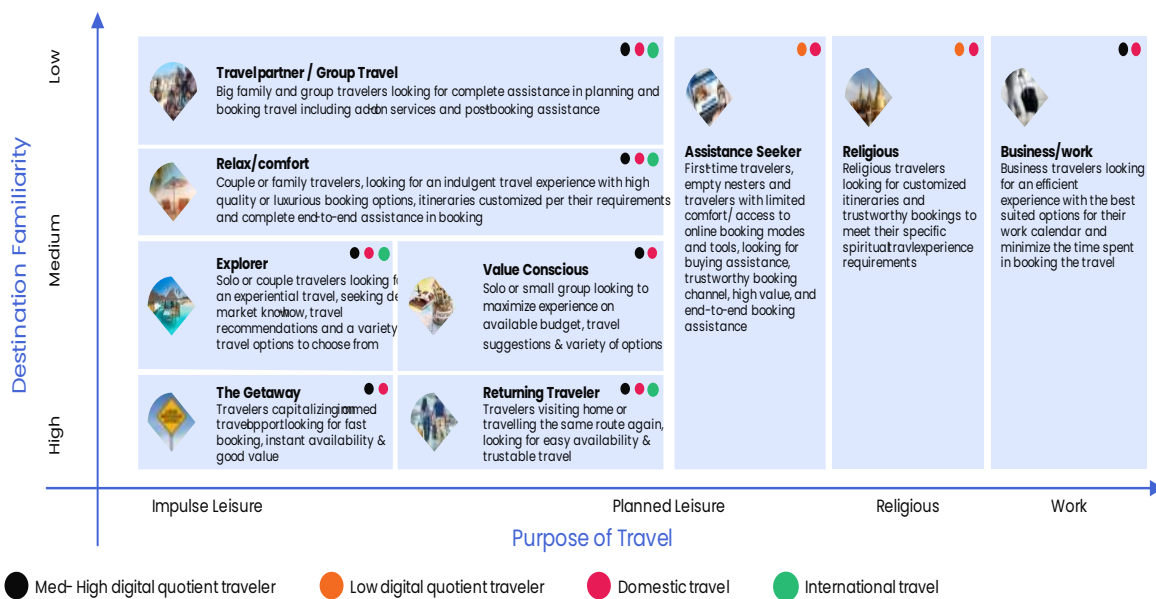


Note(s): 2020-2022 data has COVID-19 impact travel thus for better comparison showcased the pre-pandemic data for outbound tourism  
Source(s): UNWTO, 1Lattice analysis

Emerging economies, led by China and India, are leading this growth. According to World Data Lab, India and China are expected to add over half a billion new consumers by 2030 (representing 55% of the global total). As per Ministry of External Affairs (Govt. of India), over 12.9 million passports were issued during 2022 by the Passport Issuing Authorities (PIA) in India, compared to 8.5 million in 2021. As per UNWTO, ~135 more countries in 2019 have more than 1 million international arrivals in a year, which is ~25 more countries when compared to ~110 countries in 2010. Due to COVID-19 pandemic during 2020-2021 has only few countries with greater than 1 million international arrivals, in 2022 it 82 countries have witnessed greater than 1million international arrivals. Suppliers such as hotels, experience providers and car rental companies, can expect to serve guests from an increasing number of countries. Similarly, travel buyers can expect to serve a growing base of travelers who are willing to spend more on travel and are constantly seeking newer destinations to travel.

Travel and tourism have evolved, with experienced travelers traditionally favoring developed countries like the USA and Europe. However, a growing trend has emerged where first-time travelers are now exploring unique destinations like the Northern Lights and the Seven Wonders. Gen Zers are active on different social media platforms, spend their money differently and have their own viewpoints on how they impact the world through their explorations. The social media has increased influence on Gen Z and young travelers for unique and 'insta-worthy' destinations and experiences.

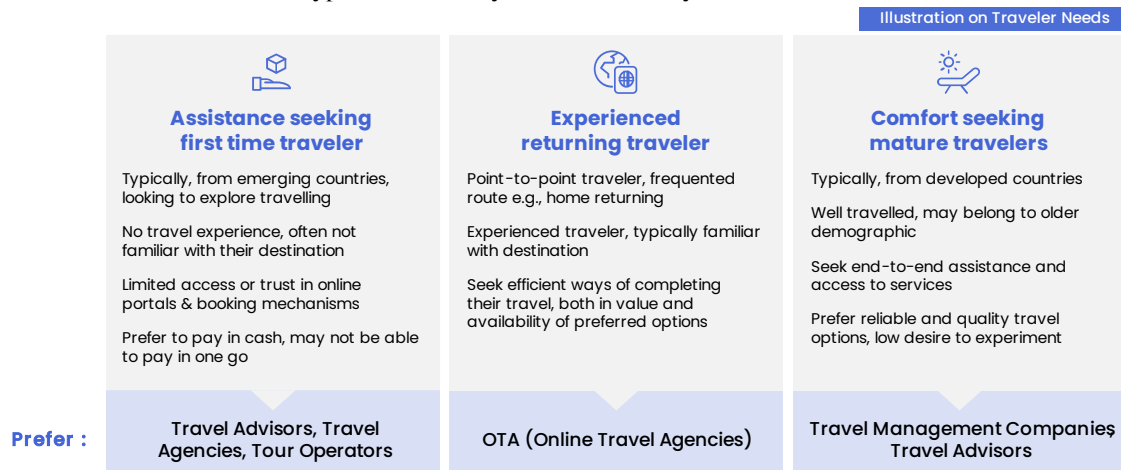
Customers (travelers) could be categorized into nine distinct segments, based on their booking needs which are enumerated below.



Source: Study on Generation Z travellers – Europe Travel commission

Travel experience is clearly important for each customer across the various archetypes. Providing an exceptional experience across the entire customer travel journey is paramount for travel buyers to sustain competitive differentiation and compete in a highly congested industry.

As seen through the nine distinct segments, customer needs and preferences are varied and complex in nature and as a result there is a strong need for travel buyers (Travel agents, online agents, direct booking channels etc.) to address these diverse requirements. Various categories of travel buyers address these varied customer personas. There is a distinct role for diverse types of travel buyers in the industry.



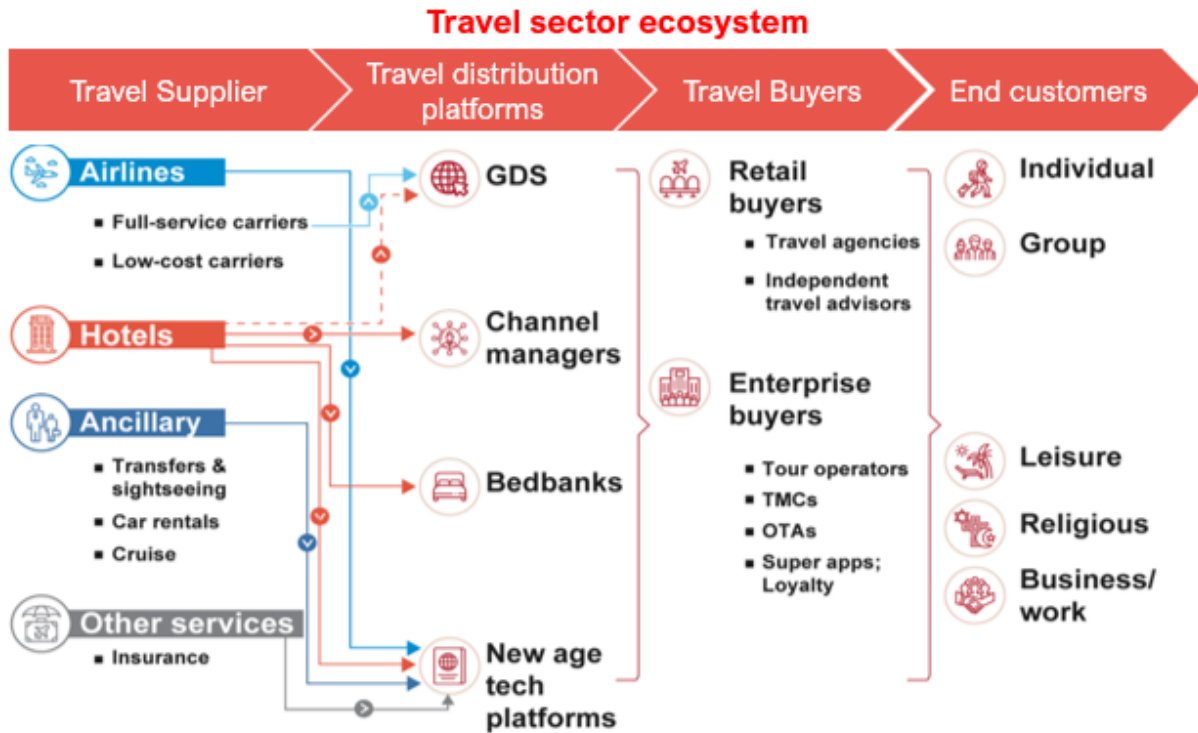
As a result of the nature of travel by diverse types of customers, the travel buyer segments will continue to grow and remain relevant.

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# Travel buyer industry



### 3.1 Map for travel & tourism industry value chain

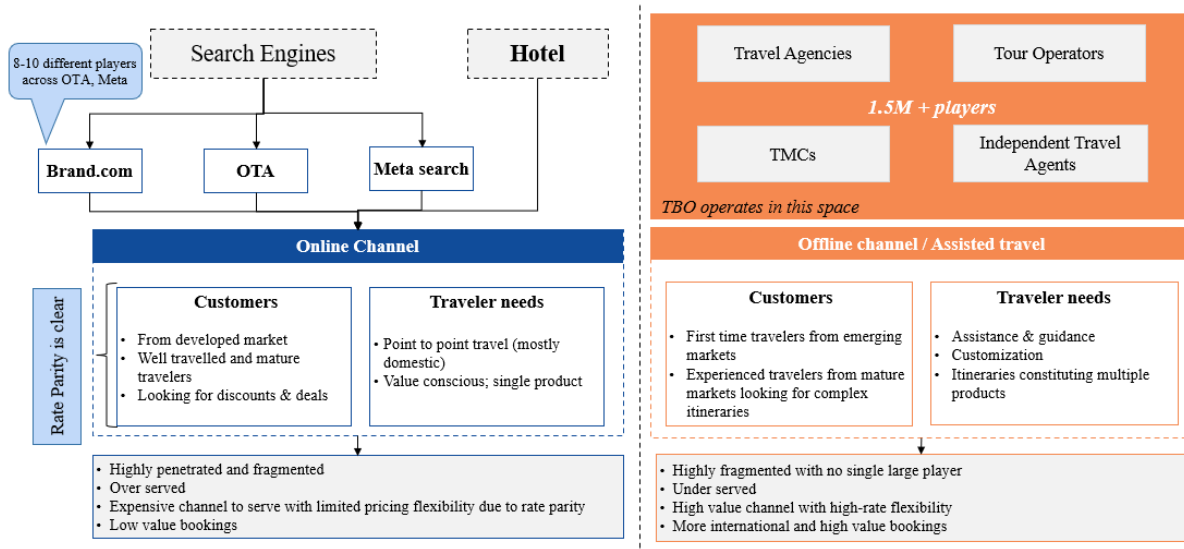


As depicted, there are four stakeholders of the travel and tourism industry value chain:

- **Travel Supplier:** comprise of an ecosystem of airlines, hotels, ancillary (transfers & sightseeing, car rentals and cruise) services who have the supply to satisfy the travelers' requirements.
- **Travel distribution platforms:** provides an ecosystem for travel buyers and travel suppliers to come together and access global travel inventory needed to fulfil the diverse preferences of the travelers which is hard to find by buyers given the suppliers are fragmented globally.
- **Travel Buyer:** consisting of companies such as travel agents (retail and enterprise), online agents and direct booking channels which offers services to the travelers such as airline tickets, train tickets, hotel reservation, holiday package deals etc. They provide the travelers with right pricing and inventory as per their requirements.
- **End customer:** can be an individual or a group traveler who wants specific sightseeing, location experience; or a religious traveler who is looking for religious shrines being covered; or a business traveler who wants travel and stay at a business hotel.



## Online channel is crowded whereas there is whitespace in assisted travel



In the travel industry, a variety of distribution channels add value to the overall industry by catering to different types of customers. Broadly, the distribution channels can be categorized into online and offline channels.

### Online channel

The online channel typically begins with a traveler starting their booking journey with a Google search or by visiting a hotel's official website. The online channel further can be dissected down into 3 key subcategories:

1. Direct online channels (Brand.com)
2. Online travel agencies (OTAs)
3. Meta-search platforms

Online channel customers are typically value-conscious seeking discounts on point-to-point travel. They effortlessly compare prices across different players, like an OTA such as Booking and Expedia and a meta-search platform like SkyScanner, leading to a highly competitive and cost-intensive landscape. Players like Booking and Expedia dominate the industry on OTA side. However, overall industry continues to be fragmented. Players have limited wiggle room on prices offered due to rate parity. This channel is more popular for domestic travel. Usually these are low value bookings usually comprising of single product.

### Offline channel / Assisted travel

Offline channel customers are generally either first-time travelers or experienced travelers from mature markets with complex itineraries. They come from emerging markets and are looking for assistance and / or customization for their travel requirements. This channel plays significant role in International Travel where there is significant friction like Visa, Forex, Travel Insurance etc. Typically these are high value transaction consisting of multi product bookings.

The offline channel / assisted travel consists of 1.5M+ players in the form of travel agencies, tour operators, travel management companies (TMCs) and independent travel agents. This highly fragmented market does not have any dominating player and allows for high-rate flexibility given its an opaque channel - making this channel a high-value whitespace.

## 3.2 Global travel buyer market

Globally, there are 1.5 – 2 million<sup>1</sup> estimated number of travel buyers to whom customers reach out depending upon their needs. Different buyers are best positioned to serve different set of needs and with an aim of providing the customers with the right pricing and inventory. US is estimated to have about 100K<sup>2</sup> travel agent / advisors while China and Europe have around 42.4K<sup>3</sup> and 28.7K<sup>4</sup> travel agents / advisors respectively.

Across retail and enterprise segments, travel buyers are divided into five categories. Different buyers cater to different customer bases and have different capabilities and therefore different needs and pain points when it comes to servicing the needs of their travelers.

### 1. Retail buyers comprise of individuals / small companies with limited tech capability:

- Travel agencies – Travel agencies are local / regional entities with small transaction volumes. They handle the logistics of any trip and leverage their relationships with travel suppliers, such as hotels and tour operators, to get the maximum perks for their customers.
- Independent travel advisors – They are individuals conducting travel advisory and bookings using their resources, connections, and expertise to add great value to the travel plans of a customer. They often work in partnerships with the customers and help them select and plan travel experiences that are tailored to their unique wishes and budgets.

Retail buyers spend a significant amount of time in operational work, limiting their ability to service end-customers. They need to check multiple supply aggregators to supplement their direct contracts to access the breadth of global inventory. Retail Buyers face challenges in training their staff and staying up to date on travel industry trends and destinations. With evolving traveler preferences, which are becoming more diversified as travelers demand more options in terms of destinations to travel and experiences, the challenge is further amplified.

### 2. Enterprise buyers comprise large companies with or without limited tech capability:

- Tour Operators (TO's) – They are companies that build end to end itineraries for travel offerings from a particular source market to a set of destinations. They work by aggregating demand. They provide itineraries which include airfare, local transfers, hotel stays and sightseeing. Tour Operators sell directly to end customers, or they resell via travel agents.
- Travel Management Companies (TMCs) – TMCs are companies that manage travel requirements of corporates / businesses by providing integrated travel services starting from booking and reservations to foreign exchange, corporate travel, MICE, value added services, visa & passport services, and e-business.
- Online Travel Agencies (OTAs) – An Online Travel Agency (OTA) is a website that sells services related to travel. It links customers to hotel, flight, car hire companies and more. OTAs are self-service platform facilitating easy booking process and transparent pricing to their customers. OTAs generally provide bulk of their services to individual customers, positioning them primarily as a B2C platform. They provide easy comparison of prices across accommodation, flights, and other ancillary services.
- Super apps and loyalty – Super apps which have a captive user base are also increasingly looking to monetise their users by offering them simple travel booking services. For loyalty companies as well as businesses which operate their own loyalty programs, travel redemption is a key service they need to offer their customer base and hence they seek compelling travel selling solutions.

Beside the channel diversity in various source market, travel buyer channels face a high degree of fragmentation.

**Fragmentation in Retail buyers:** Retail travel buyer market consists of a large portion of small size players occupying significant share of the global travel market through their ability to provide personal touch, end to end

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<sup>1</sup> Estimated the number of travel buyers globally basis 5 key economies in the world; Inclusive of all small, medium and large travel buyers

<sup>2</sup> Source – Tourism Australia

<sup>3</sup> Source – National Bureau of Statistics of China

<sup>4</sup> Includes # travel buyers in Germany, UK & Spain; Source – German Travel Association, National Statistics Institute

service and strong presence at local level. These travel buyers are typically proprietorship firms with few people running the business within a smaller radius in a city or town. They cater to a select number of customers and have smaller requirements.

**Fragmentation in Online travel agents:** The largest OTA serves <1.5% of the global travel market and the top 10 OTAs put together serve ~4% of the US\$ 1.9T global travel market. Further some of the top players have also been witnessing decline in growth over the last few years, showing that beyond the top 10 OTAs, there is a long tail of OTAs which are present in the market, fighting for market space.

**Fragmentation in Travel Management Companies (TMC):** The top 10 TMCs put together serve only about <15% of the US\$ 374B global business travel market, showing that the long tail of the TMCs caters to the major chunk of demand and depicting the fragmentation present in the travel buyer landscape.

### 3.3 Travel buyer market in India

Similar to global travel market, in India too, the retail & enterprise travel buyers together address the end customer market requirements and provide for a set of distinct travel needs by providing travel services such as airline, train, hotel reservation, holiday packages etc. and a host of other services as per customer requirements. There are about 275,000<sup>5</sup> travel buyers in India which aim at providing their customers with right pricing and global inventory to select from.

The Indian travel buyer market is highly fragmented, unorganized, and dispersed across the country which results in difficulty in finding global inventory at one place to offer a variety of choices to the end customer. Lack of comprehensive choices results in lower stickiness of consumers toward travel buyers. This creates a huge challenge for the buyers as limited options provided result in lower stickiness of customers towards travel buyers.

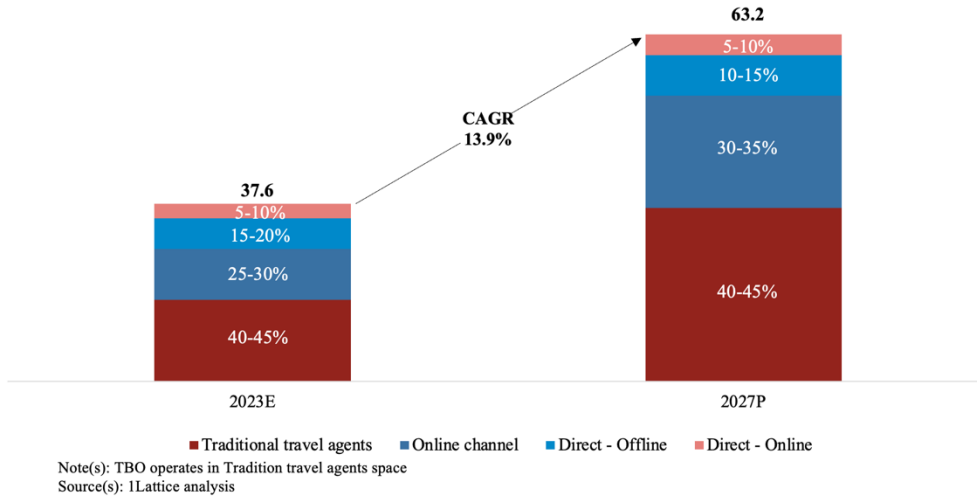
The travel buyer market (specially for airlines & hotels) in India is growing significantly on account of various factors such as increased middle-class population wanting improved travel experience, higher disposable incomes, various regulatory and policy push by the government to enhance travel experience.

The travel buyer market in India is categorized by four major distribution channels such as direct online (supplier websites and apps) estimated to be contributing 5 – 10%, direct offline (central reservations / walk-ins) contributing 15 – 20%, online (OTAs, super apps / loyalty) contributing 25 – 30% and the traditional travel agents (Travel Advisor / TMCs) contributing about 40 – 45% in 2023. The travel buyer market is expected to grow at a CAGR of 13.9% from 2023 to 2027 and reach a market size of US\$ 63.2B by 2027.

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<sup>5</sup> Estimated the numbers of travel buyers in India through market interviews; Inclusive of all small, medium and large travel buyers

**India travel buyer market**  
(US\$ B, 2023E-2027P)



As seen, agent’s share is expected to sustain in the coming years driven by a high number of new first-time travelers, need for customized offerings, rise in experiential travel and travel from tier 2 and 3 cities, growing international travel and traveler’s apprehensions about queries related to safety, quarantine requirements and ever-changing restrictions. Online channel and direct online market size is expected to rise on expense of other offline channels such as walk ins / telephone reservations etc.

### 3.4 Fragmentation of supply creates significant friction and whitespaces in the travel buyer value chain

#### 3.4.1 Currently travel buyer are unable to provide a seamless travel experience to consumers

The travel industry is extremely fragmented with the presence of tens of thousands of small and mid-sized travel providers. Historically, travel distribution (that includes a long tail of independent hotels and lodging providers along with other service providers such as local transfers, tour guides, car rental companies etc.) has also been a large and fragmented industry with limited technology adoption

Building the right approach across channels to create safe, secure, and seamless experiences from booking to arrival and beyond, delivering the experiences that travelers desire has always been a challenging task for travel buyers.

## Buying and selling travel is complex



Inability to adjust to rapidly changing travel needs has led to a decline in business for lot of travel buyers. On account of the evolving and fragmented nature of the travel industry, travel buyers lack efficiency which results in average or below average travel experience to consumers.

- **Access to global travel inventory**

Global travel inventory is the key ingredient in planning great tours and providing variety of choices for customers to choose from and fulfil their requirements. All travel buyers, irrespective of their size and geography, need access to rates and availability of airlines, hotels, and experiences across hundreds of destinations worldwide.

Engaging with all the suppliers to get access to the travel resources is a very challenging task for travel buyers to manage. Travel buyers find it difficult to transact with suppliers in real time as small and mid-size suppliers worldwide are primarily offline, in different time zones and speak different languages. As a result, the travel agents, and advisors (both online and offline) have practically been engaging directly with only some of their top destinations and top airlines, leaving a major chunk of global inventory untouched and unsold.

- **Post booking services**

Travel agents and advisors fulfill customer requirements by providing them with post booking services such as modifications, cancellations, and refunds. For travel buyers, dealing with multiple suppliers in different geographies and time zones becomes challenging. Also given that a travel buyer would have very limited business with a supplier, the relationship is limited and hence service quality often suffers.

Providing ‘on demand’ post booking services with ‘track and trace’ facility to customers has always been a challenge for travel buyers because of the dependence on multiple travel suppliers for fulfilling or approving tasks. Further, ownership is a critical factor, which travel buyers aren’t able to obtain from individual travel suppliers (in case of cancellations, booking issues etc.) and pass on to end customers.

- **Cross-border payments**

Travel involves cross-border currency payments. Managing cross-border payments requires resources and planning, catering to the needs and operational capabilities. In the travel industry, travel buyers usually want to buy in their own local currency while suppliers want to be paid in their local currency.

Further, working directly with hundreds of suppliers across the chain effectively means having to make hundreds of small overseas payments in dozens of currencies. This becomes a costly affair, and the travel buyer must bear the forex risk. Dealing in multiple foreign currencies at times requires extensive paperwork in many countries. Forex payments are highly regulated leading to an extra burden on travel buyers and shifting focus from their core offering.

- **Streamlining the processes from marketing to post sales**

Managing marketing is challenging as it requires to gather all the information to compare the different spends and ROI on spend. For attracting customers and spreading the business, travel buyers often end up taking support of online marketing tools and digital platforms for showcasing their value proposition. This requires them to spend on marketing and then tracking updates and clients. This entire activity requires manpower along with access to non-core resources.

- **Access to Airline inventory**

IATA-accredited travel agencies are required to provide financial security in the form of a bank guarantee to get credit for selling airline tickets and to settle those sales through the Billing and Settlement Plan (BSP). Non-IATA accredited Travel agents do not have access to this inventory. The large set of travel buyers face challenge in providing necessary collaterals for getting bank guarantee limits from banks. Even after bank guarantee, access to inventory is not guaranteed and it is dependent on business potential and sales volumes that they can generate. For low-cost carriers, travel buyers need to put up cash upfront to manage prepaid wallet in order to access their inventory.

- **The Google Factor**

Travel is an infrequent purchase and hence creates limited customer stickiness. Each time, travel buyers have to incur customer acquisition cost as travelers often start their travel inspiration on the internet with

Google being the default gateway to the internet. Further, Google has shown clear intent to go beyond digital marketing revenues to actual booking revenues, posing perhaps the biggest threat to OTAs so far.

Despite the presence of large number of travel buyers for solving the diverse and dynamic needs of the end customer, their remains a gap because of the fragmented nature of the industry. Providing an exceptional experience across the entire customer travel journey is paramount for travel buyers to sustain competitive differentiation and compete in a highly congested industry.

### **3.4.2 B2B platforms provide value in this fragmented industry by acting as a centralized hub**

B2B platforms function as a centralized hub to streamline multiple processes for both, travel buyers and suppliers. For suppliers there are 4 prominent ways these platforms act as value additions:

1. **Supply and demand reach:** B2B platforms aggregate a vast array of travel resources, making them easily accessible to travel buyers. These platforms connect travel agencies with airlines, hotels, and other service providers worldwide, streamlining the process. This centralization simplifies inventory management, ensuring that even small travel providers can offer a broad range of choices to a broad range of customers.
2. **Efficiency:** B2B platforms can help suppliers to streamline their operations and reduce their costs. By using these platforms to manage their bookings and payments, suppliers can reduce the need to maintain multiple distribution channels.
3. **Insights:** B2B platforms can provide suppliers with valuable insights into their customers' needs and preferences. This information can help suppliers to develop new products and services and improve their existing offerings.
4. **Business support:** These platforms offer integrated marketing tools and digital solutions. Travel suppliers can use these resources to effectively showcase their value proposition to attract and retain customers. By centralizing marketing and support functions, B2B platforms empower travel buyers to allocate resources efficiently.

There are multiple examples of B2B platforms such as travel management companies (TMCs), global distribution systems (GDSs), etc. As the travel industry continues to evolve, B2B platforms are likely to play an increasingly important role in connecting travelers with suppliers and helping both parties to succeed.

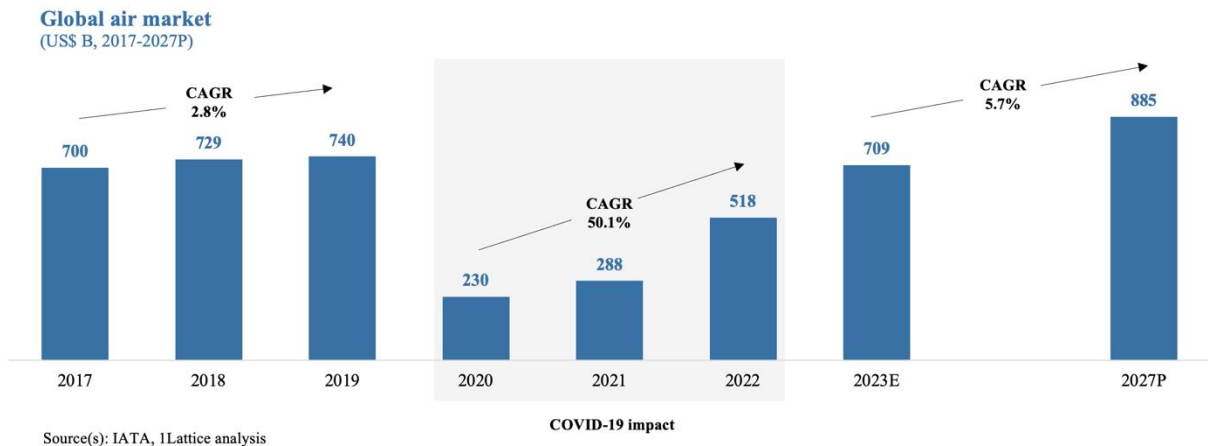
04

# Travel supplier industry



## 4.1 Global air travel market

There are over 5,000<sup>6</sup> airlines across the world, out of which IATA represents about 300 member airlines, which carries 83% of the world's traffic. The global air travel market (passenger market) was US\$ 740B in 2019 and is estimated at US\$ 709B in 2023. The air travel industry is expected to grow at 6% CAGR between 2023 and 2027 to reach US\$ 885B by 2027 at the back of increasing leisure travel and cross border trade and commerce.



### 4.1.1 The global air travel market growth drivers:

- **Increase in desire to explore new places:** Increase in awareness and desire to explore new destinations have significantly contributed to increase in global air travel. Travelers now seek to learn about different cultural diversities and ethnicities. This drives the demand for new places, regions, unexplored destinations along with the usual destinations and travel sites, thus boosting the global air travel market.
- **Cross border trade & business:** World's economies are increasingly dependent on global air travel for international trade & business. Companies having offices globally or setting up offices around the world need individuals / management to travel to set up and organize the offices as well as go for meetings and discussions. Further, having business clients abroad also increases the need to travel to these global places to attend discussions and important meetings.
- **Rising disposable income & living standards:** GDP growth, rising disposable income and improved living standards globally has resulted in increased number of flights per capita globally. Increasing per capita GDP in developing / emerging markets such as India depicts increase in disposable income, leading to increased spending power of the population, thus contributing to the growth of air travel market. This increase in emerging market countries transitioning from developing to developed phase led by considerable economic growth will contribute to significant growth of the air travel industry.

## 4.2 India air travel market

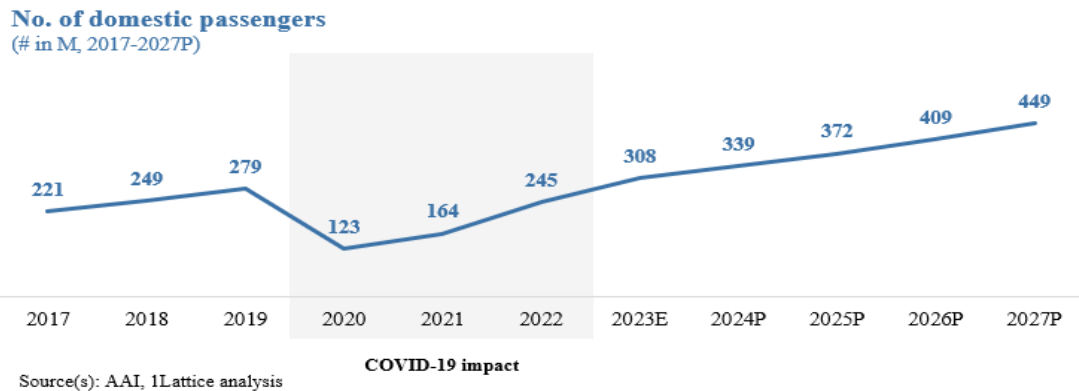
### 4.2.1 India's domestic air market

The Indian civil aviation industry has emerged as one of the fastest growing civil aviation industries in the world over the past five years. The mid-2000s saw the birth of India's three leading low-cost carriers. Within a span of less than two years, SpiceJet, Go Air and Indigo airlines launched operations. This led to an unprecedented aviation boom, which eventually led to India becoming world's third largest domestic aviation market.

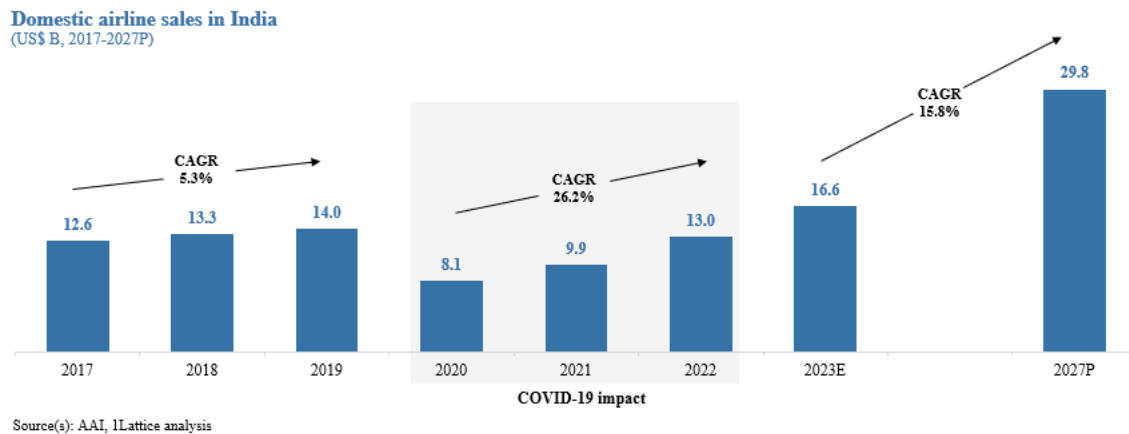
<sup>6</sup> Estimated the global number of airlines after removing the airlines ceased / defunct or merged; Inclusive of all airlines (cargo, passenger, charter, commercial etc.)



The Indian aviation market is on a high growth path with total passenger traffic to, from and within India growing every year. The Indian domestic air market is expected to be US\$ 16.6B in 2023. This growth was being driven by a growing economy, rising incomes, intense competition among airlines and a supportive policy environment.



The domestic air market is expected to significantly drive the recovery of airlines market is expected to grow by CAGR of 15.8% between 2023 and 2027 to reach US\$ 29.8B by 2027.

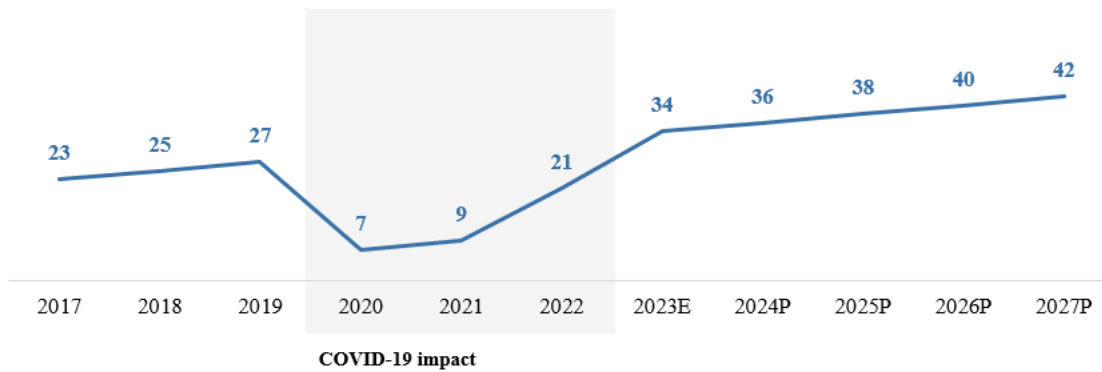


### Growth drivers for domestic air travel market in India

- **Introduction of low-cost carriers:** Airlines are one of the most preferred modes of travel among tourist and travelers owing to their comfort and short duration of travel in India; however, the cost aspects have been a clear deterrent for mass travel on this route. The introduction of low-costs airlines has enabled the travelers to book no-frills flights resulting in lower cost of travel. The low-cost carriers have encouraged companies even from SME businesses to opt for air travel for business trips apart from leisure travel. Thus, leading to a high growth of air travel market in India
- **Increased income level:** India's GDP per capita at constant prices rose to US\$ 2,600 in Mar 2023, from US\$ 2,300 in Mar 2022. Improvement in income level of consumers have made airline booking affordable leading to growth of air travel market of India. The amount of disposable income that the average person has each year has increased which has led to increased leisure spending. People are left with more money to spend and shift between travel modes with higher preference for air travel.
- **Government initiatives to support the air travel movement:** Under the UDAN Scheme, the government plans to develop 100 airports by 2024 and anticipates investing US\$1.83B in the construction of airport infrastructure by 2026. Over 1.1 crore people have used the benefits of UDAN flights, which have operated on more than 2.15 lakh occasions.

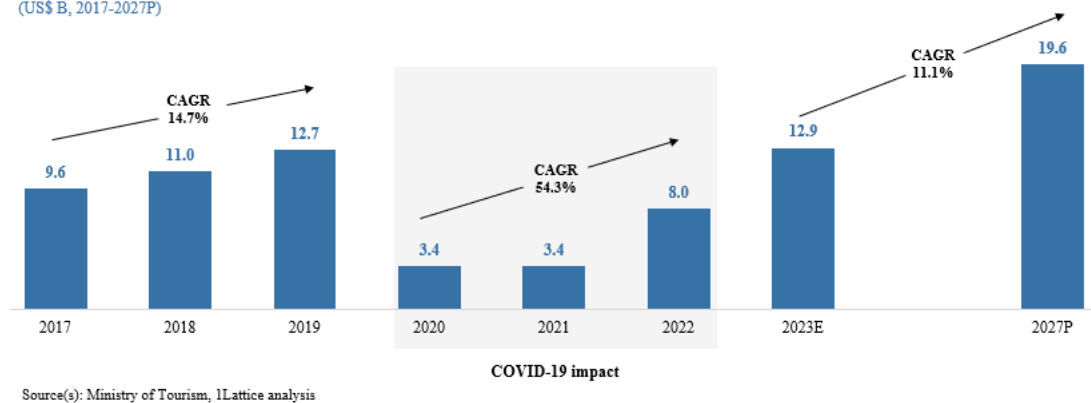
#### 4.2.2 India's outbound air market

**No. of outbound passengers**  
(# in M, 2017-2027P)



Outbound travel consists of travel for both leisure and business purposes. The outbound air passenger traffic is estimated to reach 34 million passengers in 2023 and market size is approximated at US\$ 12.9B in 2023. The outbound air traffic is expected to reach 42 million passengers in 2027 growing at a CAGR of ~6% between 2023 and 2027. The outbound travel market is expected to grow at a CAGR of 11.1% over 2023 to 2027 reaching US\$ 19.6B.

**Outbound airline sales in India**  
(US\$ B, 2017-2027P)



#### **India outbound market growth drivers:**

- **Growing first time travelers looking to create the travel experience:** Travel has a unique way of attracting people for experiences that create a mental shift within them which cannot be found by any other means. This unique offering of travel experience has led to increasing number of first-time travelers and younger demographic with more propensity to spend on travel. In line with the rising demand the supply is also expected to match with increase in aircraft inventory in the coming years. Recently, Indigo placed order for 500 aircrafts, making it the largest ever single aircraft purchase by an airline, followed by a similar size order of 470 aircrafts from Air India. Additionally, government is spending significant amount of money on building airports and infrastructure to facilitate growth in travel and tourism sector.
- **New destinations and unique experiences:** Although business, holiday and visiting friends and family has remained the key areas within outbound tourism, people are increasingly opting for a variety of holidays, such as sports vacations, luxury holidays, adventure trips, honeymoon packages and cruises. Destination weddings are also a hugely growing trend among the more affluent households. The growing trends of visiting new destinations such as Northern lights and Seven wonders are gaining more traction leading to increased overall demand for such travel tours.
- **Religious trips such as Umrah / holy land etc.:** Pilgrim travelers across the globe undertake religious tourism for reasons of spiritual purposes. The religious travel market has always been more resilient to global

challenges such as recessions and has always attracted repeat business than general leisure travel. People of diverse faith travel to their respective holy lands to pay their respects. Jews and Christians travel to Israel and Vatican, Hindus travel to various places of worship within India and Muslims travel to Mecca and Madina for Hajj and Umrah.

### 4.3 Airlines find difficulty in selling on account of limited reach with travel buyers

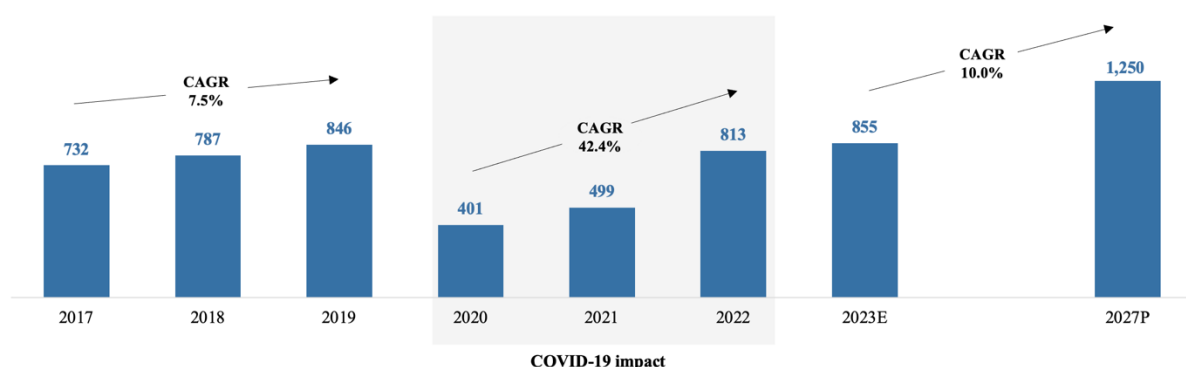
- **Airlines are required to partner with online marketing tools to increase their scale of operations and expand their reach:** The airlines need to strategically plan their sales and must rely on offline and digital platforms for their sales which require them to invest money as well as manpower to track the updates. GDS system has also not been highly effective in driving sales. As a result, airlines end up spending almost 2% of their revenue (US\$ 10.3B in 2022), globally in order to market themselves to the global audience.
- **Managing diverse set of travel buyers:** Airlines, apart from direct sales, sell a huge amount of their inventory via travel agents. As a result, they need to manage various sales channels such as travel agents, OTAs, tour operators, TMCs and super apps etc. Managing these diverse set of buyers is a complex task for the airlines and hence need an intermediary who can be a one-point contact.
- **Cross payment transaction issues:** The travel buyers prefer to pay in their local currency, which becomes difficult to accept for the airlines. Working directly with hundreds of buyers across the chain effectively means having to receive hundreds of small overseas payments in dozens of currencies, in turn becoming expensive and fraught with risk.
- **Cross sell of value-added services:** Airlines are not able to realize their full potential in the sales of value-added services such as extra baggage, seat selection etc. As a result, they are enabled to enhance their revenue through targeted promotion.

### 4.4 Global accommodation market

The accommodation industry is subdivision of the hospitality industry that specializes in providing customers with accommodation services. There are about 3.5 – 4 million<sup>7</sup> hotels estimated globally of which only 1.2% are affiliated to top 10 global / regional hotel chains in the world.

The overall global accommodation market is estimated at US\$ 885B in 2023. The global accommodation market has grown at CAGR of 8% over 2017-19. In 2023, North America is expected to have the largest accommodation market share with 34% share of global accommodation, followed by Europe (32%) and Asia Pacific (26%). The

**Global accommodation market**  
(US\$ B, 2017-2027P)



<sup>7</sup> Estimated the total number of global hotels across regions using information from UNWTO, government websites etc.

market driven by strong economic fundamentals, is expected to growing at a CAGR of 10% rising from US\$ 855B in 2023 to US\$ 1,250B by 2027

#### **4.4.1 Growth drivers of accommodation travel market**

4.4.1.1 **Improved global economic conditions:** Rising GDP and consequently disposable income levels and living standards globally have resulted in increased travel, translating in the rising demand for accommodation and a greater number of premium hotels being booked globally. In line with the Travel & Tourism sector, the global accommodation industry expects growth in the future to be led by demographic shifts such as increasing middle class as well as an ageing population that has the desire and means to travel.

4.4.1.2 **Increasing desire & social importance of travel:** The rising trend of influencer marketing has made travel a highly desired and socially important activity. As social media has become integral to maximum consumers' lives and trust in influencers has grown significantly, the travel related promotions are gaining attraction leading to increased desire for travel.

4.4.1.3 **Increase in experiential travel:** Increasing trends of experiential travel with people focusing more on experiences such as exploring new cities / countries rather than asset ownership. Travelers wish to connect to the history & culture of these cities / countries and hence they choose newer destinations such as Northern lights, seven wonders etc. This growing trend of experiential travel has led to an increase in accommodation demand and requirements.

##### **4.4.1.4 New trends / new focus areas:**

- **Destination weddings:** Increasing trend of overseas destination weddings, as more and more couples seek a unique as well as a personalized experience abroad leading to an uptick in booking of hotels globally. Destination wedding industry is growing rapidly & it is expected to have a higher annual growth in the coming years. Destination weddings are redefining the definition of travel and contributing to the overall growth of hotel industry across the globe.
- **Workcations:** The adoption of remote work had been accelerated by COVID-19 pandemic across companies of all types and industries all over the world. Increasing workcations planned due to work from home policies at private / public workplaces due to the pandemic has boosted the demand of hotels.
- **MICE:** The rising trend of MICE travel has also become a catalyst for the growth of the hotel industry. As businesses and professionals increasingly organize and attend large scale events, hotels are reaping the benefits by accommodating attendees, sparking a surge in demand for event-friendly lodging options, conference facilities and unique venues.
- **Sports tourism:** As sports enthusiasts flock to various destinations for major sports events, hotels are capitalizing on this surge in demand, offering specialized packages and facilities tailored to sports tourists, thereby driving substantial growth within the hospitality sector.

## **4.5 Hotels face significant friction and whitespaces in travel value chain**

### **4.5.1 Points of friction within the hotel value chain:**

- **Managing diverse set of travel buyers:** Hotels, apart from direct sales, sell a huge amount of their inventory via travel agents. As a result, they need to manage various sales channels such as travel agents, OTAs, tour operators and super apps etc. Managing these diverse set of buyers and their preferences along with managing operations is a herculean task for the hotels and hence they need an intermediary which can combine all these together and can be a one-point contact.
- **Pricing and inventory for different channels in one place:** Setting up the pricing and inventory for different travel buyers in one place is very important for efficient management and tracking of inventory sold as well as inventory in transit. They need to manage pricing differently for B2B and B2C channels enabling them to sell their perishable inventory at a lower price on B2B channels. This single destination management requires

digital tools as well as deep visibility across the chain which makes it a complex task for hotels to be done all by itself.

- **Cross payment transaction issues:** The travel buyers prefer to pay in their local currency which becomes difficult for the cross-border travel hotels to accept. Working directly with hundreds of buyers across the chain effectively means having to receive hundreds of small overseas payments in dozens of currencies, in turn becoming expensive and fraught with risk.
- **Working capital management for travel buyers:** The travel buyer needs to work on a credit cycle which the hotel is usually unable to extend. This gap in payment cycle often affects the long-term performance as well as relations with the travel buyers, making it difficult for hotels to retain the travel buyers.
- **Cross sell of value-added services:** Hotels, particularly the ones not situated in the vacation destinations find it difficult to cross-sell value added services such as car rentals, leisure activities etc.

#### **4.5.2 Value addition to combat friction by B2B platforms in the hotel value chain**

The hotel industry is a highly fragmented industry, with a wide range of players, including hotels, travel agents, OTAs, tour operators, and super apps. B2B platforms help hotels to overcome the aforementioned ‘points of friction’ and add value to the industry in a number of ways:

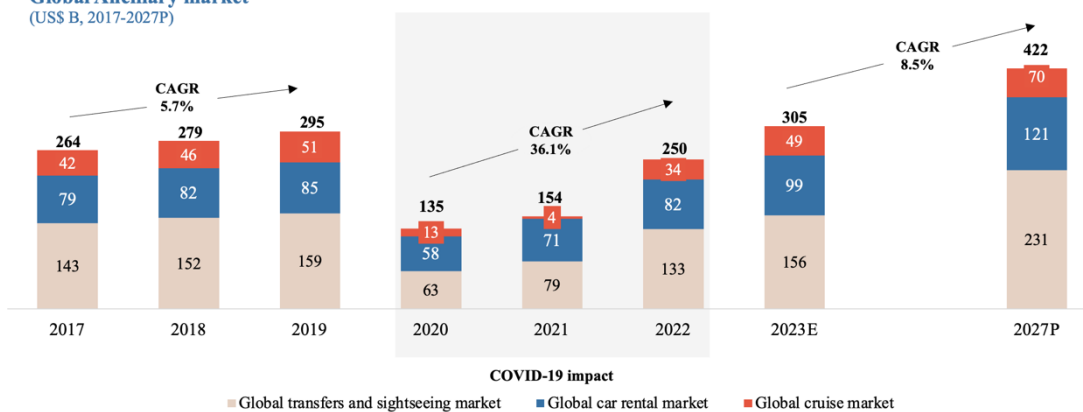
- **Streamlined sales and distribution:** B2B platforms can provide a single platform to manage all of their sales channels, enabling hotels save time and money, and improve their customer service.
- **Centralized inventory management:** B2B platforms can provide with a centralized platform to manage their inventory, helping hotels to avoid overbooking and to ensure that their inventory is visible to all of their travel buyers.
- **Global payment processing:** This can help hotels to accept payments from travel buyers in a variety of currencies without incurring high fees.
- **Flexible financing solutions:** B2B platforms can provide flexible financing solutions to help manage hotels’ working capital, to grow their businesses and to improve their profitability.
- **Cross-selling opportunities:** B2B platforms provide hotels with opportunities to cross-sell value-added services to travel buyers, thus increasing revenue potential and profitability.
- **Improve their data analytics:** B2B platforms can collect and analyze data from a variety of sources, such as hotel booking systems, travel agent systems, and social media. This data can be used to help hotels to better understand their customers, to improve their pricing and marketing strategies, and to identify new opportunities for growth.

By helping hotels to overcome the challenges of fragmentation and to improve their efficiency, profitability, and customer service, B2B platforms are playing an increasingly important role in the industry.

#### **4.6 Global ancillary service market:**

In the modern travel industry, the ancillary services are all the ‘value added services’ that tourists need when going on holiday or business trip to make the entire travel experience comfortable, safe, and secure such as car rentals, transfers, sightseeing, cruises etc. Ancillary products such as airport transfers are also offered as part of the booking flow for hotels, hence increasing the probability of sale.

### Global Ancillary market (US\$ B, 2017-2027P)



Source(s): I.Lattice analysis

The ancillary services (which includes transfers, sightseeing, car rentals, cruises) remain a lucrative opportunity and the market is expected to be US\$ 305B in 2023, and further grow at a CAGR of 6% between 2023 and 2027.

#### 4.6.1 Growth drivers of global ancillary market:

- Cross selling of travel products:** With the increased focus of airlines and hotels on providing cross-selling services for improving the customer relationship and loyalty, the ancillary market is set to benefit as car rentals, transfers and sightseeing are major requirements for all the tourists across various categories. Airlines and hotels often bundle these services and aim to provide an end-to-end travel experience. Travel buyers too combine ancillary services with hotels and air travel as one package. Ancillary services can help increase the GTV per agent by cross selling ancillary product and services. In addition, it also increases user stickiness on the platform. Ancillary services give a travel agent competitive advantage as it increases the travel agent's ability to customize and make an end to end travel plan for their customer.
- Rising car rental service providers and improved value proposition:** The rising urban population with increasing inclination towards adventure and self-travel has provided boost to the car rental industry. With new entrants in the market, the value proposition offered to the customers has seen a significant improvement and the car rental booking journey has simplified, attracting new customers, and contributing to the growth of ancillary service market
- Rising cruise travel among travelers seeking different travel experiences:** Industry reports suggest the increasing use of cruise travel among millennials over the recent past. These travelers are seeking luxury, and sea travel experience all under one roof and hence are booking cruise trips to enjoy the same. People travel as individuals, couples as well as in groups. Travel on cruise, destination weddings, ceremonies etc. has also increased.

#### 4.7 Ancillary service providers face the following challenges while selling their inventory

Apart from similar challenges of travel distribution and payments as hotels and airlines, ancillary service providers also suffer from the challenge of dependencies.

**Dependencies:** Beyond hotels and airlines, the fragmentation is even more prevalent in ancillary segments such as car transfers and sightseeing, with only a few large chains and several individual suppliers. Ancillary service providers such as transfers and sightseeing, car rentals, etc. are usually sold in addition to flights or a hotel booking. Due to such dependencies on sales of airlines / hotels, ancillary services need greater visibility from travel buyers for driving sales. The entire travel supplier ecosystem comprising of airlines, hotels, and ancillary (transfers & sightseeing, car rentals and cruise) service providers work towards satisfying the end customers travel requirement. Despite the availability of the travel inventory, making it available to the end customer at the right time has been the biggest challenge for the travel suppliers due to difficulty in accessing and managing the long tail of fragmented travel buyers.

05

# Travel distribution platforms landscape in travel and tourism industry



## 5.1 Global Distribution System

Global Distribution System such as Amadeus, Travelport (Galileo), Sabre etc. provide an ecosystem to purchase airline tickets. It enables transactions between suppliers, such as, airlines, hotels, car rental and travel buyers. GDS gathers and combines the information from several airlines in a common database. It enables travel agents to access real-time information, such as rates, inventory, availability of various travel products to make bookings. GDS systems have been in presence for over 2 decades now but haven't significantly scaled up beyond airline supply consolidation.

### 5.1.1. Key issues and challenges with GDS system

5.1.1.1 **Lack of pre-post booking support:** GDS does not take responsibility for any discrepancy in booking, lacks ownership in case of cancellation, rescheduling or refunds for any booking made. The travel buyers are held responsible to the end customers but doesn't have the option of resolving these issues through GDS.

5.1.1.2 **Limited access to travel inventory:** GDS systems have been in presence for over 2 decades now but have limited access to non-air inventory. Though it provides an ecosystem to purchase airline tickets but has failed to aggregate all airline supply such as low-cost carriers on its platform.

## 5.2 Bed banks

Bed banks such as HotelBeds, Webbeds, Bonotel etc. have been active players in hotel distribution for over 20 years now. They are not a new business model, but a simple online technology version of the traditional wholesalers of hotels that have existed for decades. Bed banks are specialized B2B platforms that contract supply from hotels and accommodation providers (typically in international vacation destinations) and make it available to travel buyers. Bed banks have a lower focus on retail travel buyer segment compared to others.

## 5.3 Channel managers

A channel manager such as SiteMinder, Beds24, Staah etc. allows the hotels to sell their rooms on all of their connected booking sites at the same time. It automatically updates the availability in real-time on all sites when a booking is made, when a room is closed for sale, or when the hotel desires to make bulk changes to its inventory. Channel managers help hotels to simplify and speed up the way they sell products. Channel management technology enables the hotels to create a network for their property.

Applying manual practices means the hotel can only hope to use a couple of channels and maintain them accurately and in good time. Managing multiple listing channels on their own is difficult to sustain. Manual management leads to foregoing many lucrative booking opportunities. A channel manager allows for as many channel connections as the hotel wants without increasing management workload.

## 5.4 New age travel distribution platforms

New age travel distribution platforms such as TBO allow travel buyers and travel sellers to come on one platform and buy and sell travel to various destinations. Travel distribution platforms provide a large audience of travel buyers to the travel supplier community while providing a global inventory reach to travel buyers. With the rise of travel distribution platforms, the path to serve the end customer has become much smoother (frictionless travel) with a significant rise in visibility across the travel and tourism spectrum and catering to the needs of all the customers with enhanced flexibility for customization and value-added services in terms of cross border payments, post booking assistance etc. Entry of new players with strong financial resources could alter the competitive landscape of the industry in the medium to long term

### 5.4.1 Challenges addressed by the new age travel distribution platforms

- **Access to global travel inventory:** New-age travel distribution platforms provide global inventory access to real time data of prices and inventory for airlines, hotels, and experiences, across hundreds of destinations worldwide, to a universe of travel buyers who connect to their platform and help these travel buyers to scale-up their operations and expand their business by providing variety of options and optimal inventory for the end customer, thus making suppliers receive business from buyers spread across the globe.



- **Post booking services:** The travel distribution platforms ensure buyers to resolve the post booking issues such as modifications, cancellations and refunds with the track and trace facility, thus fulfilling the customers requirement resulting in retention and customer stickiness.
- **Providing tools to streamline the business operations:** The new age travel distribution platforms provide tools to travel buyers which help them in streamlining their business operations by managing their staff, branches, and sub-segments. It also provides facility to build their own customer interfaces which enhances their experiences and gives access to the travel inventory in a much more user-friendly manner.
- **Reaching out to global travel buyer ecosystem:** Hotels and airlines face challenges in reaching out to the global travel buyer ecosystem along with managing various sales channels such as travel agents, tour operators, OTAs and loyalty companies. The new age travel distribution platforms allow them to enhance their reach without any additional cost and manage all the sales channels actively. Suppliers have limited access to easy and cost-effective ways to market or sell their products and services to a globally diverse Buyer base. For example, a hotel in London can expect to see demand for their property across dozens of different origin countries. However, the demand is fragmented and marketing to travelers or Buyers across so many countries is not feasible. Similar to hotels, airlines also face similar challenges even though their demand is more geographically concentrated.
- **Bank guarantee challenge:** IATA-accredited travel agencies are required to provide financial security in the form of a bank guarantee or an insurance guarantee to get credit for selling airline tickets and to settle those sales through the Billing and Settlement Plan (BSP).

In the absence of an insurance guarantee, agents are forced to provide bank guarantees or joint bank guarantees under travel associations and providing a bank guarantee is difficult for travel buyers as they face challenge in providing collaterals for getting bank guarantee limits from banks. The new age travel distribution platforms such as TBO resolve the bank guarantee challenge for travel buyers and provide them with required travel inventory through their platform by directly acting as a guarantor to IATA on behalf of the travel buyer.

- **New Distribution Capability (NDC):** The new age travel distribution platforms implement NDC with their strong technology interface and ability to aggregate demand which enhances the capability of communications between airlines and travel agents.

#### **5.4.2 Synergies brought in by the new age travel distribution platforms**

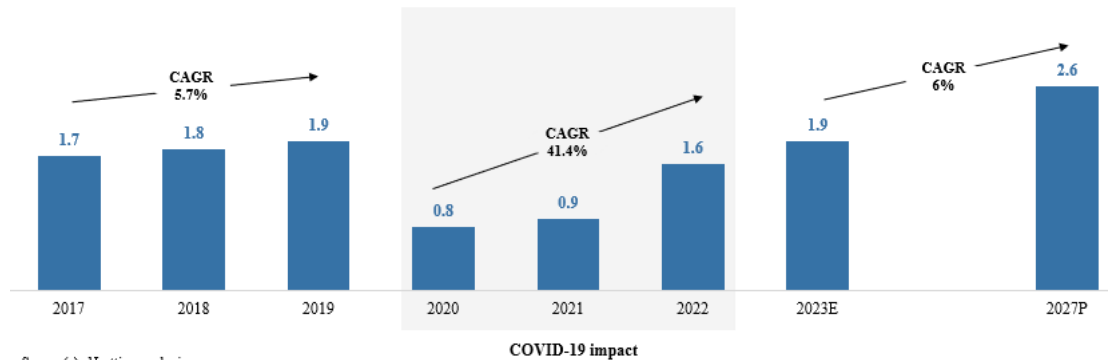
- **Platform interface:** The travel distribution platform enables hundreds of airlines / hotels / ancillary services to be logged into a single system, to which thousands of travel buyers globally have access, creating a win-win situation for the platform. Travel buyers have access to a wide variety of different airline fares, hotel rents and ancillary services etc., while airlines, hotels and ancillary service providers can reach out to a huge set of travel agents who are booking flights, hotels and ancillary services for their customers.
- **Reducing marketing spends for airlines, hotels and ancillary suppliers by providing add on marketing solutions:** The new age travel distribution platforms help airlines and hotels to reduce their marketing spends as it provides it with inhouse marketing and advertising features. This increases the hotel, airlines and ancillary services visibility and bookings, thus replacing / reducing their existing spends on various online / offline marketing medium.
- **Bundling options for various travel needs such as air ticket booking, hotel booking and ancillary services booking etc.:** The new age travel distribution platforms provide the facility of creating dynamic bundles, a package of extra features and add-ons such as visas, insurance etc., thus acting as a holistic one stop travel shop. This bundling option makes the process time saving and more convenient, enabling the travel buyers to boost their customer experience thus promising greater customer retention.
- **Cross border payment solution:** The new age travel distribution platforms provide a comprehensive cross border payment solution. It provides streamlined services which includes ability to pay in the local currency, smoothening the process for travel buyers and suppliers as both want to buy / receive payment in their own local currency, thus removing the forex risk.

### 5.4.3 Total travel spends enabled by travel distribution platforms

Travel distribution platforms have built an ecosystem for addressing the needs and frictions faced by the highly fragmented base of the travel buyers and travel suppliers, thus offering seamless and customized travel experience to the end customers.

The total travel spends for travel distribution platforms would be calculated as a summation of global air, hotel, and ancillary market. As a result, the travel spends enabled by travel distribution platforms in 2023 estimated to be US\$ 1.9T and is expected to grow at a CAGR of 8.1% from 2023 to 2027 to reach US\$ 2.6T driven by the need for an aggregating the fragmented global inventory for hotels and airlines for travel buyers and resolving the travel buyers and suppliers' concerns.

**Global travel spends enabled by travel distribution companies**  
(US\$ T, 2017-2027P)



Source(s): I.Lattice analysis

### Key growth drivers for new age travel distribution platforms

- **Increasing potential of incremental travel agents / travelpreneurs:** Travel agents are evolving to service the needs of the future travelers by building trust and high-quality service at a time when travel regulations are changing frequently. The travel agents who traditionally functioned offline are also now rapidly adopting the new technologies and becoming travel planners. This shift and momentum will contribute to the adoption of travel distribution platforms amongst the travel buyers as such platforms like for example TBO quickly developed offerings to help buyers book packages keeping in mind the quarantine rules of countries.
- **Consolidation of the fragmented travel agent market in turn providing greater market access to the supplier market:** Consolidation of the fragmented travel buyer market brings with it several benefits- better economies of scale, more visibility in a fragmented industry and better leverage for supplier negotiations. The trend of consolidation not only reduces the cost of buyers, it also provides them with maximum support and service leading to profitability and greater market access.
- **Inter-dependency of tourism products:** Tourism is a combination of multiple industries like accommodation industry (hotel, motel), transportation industry (car, bus, train, auto, flight) attraction and activity industry. This inter-dependency of all the stakeholders requires a platform which can integrate and bundle the services for enhancing the customer experience, for example TBO provides these capabilities through its travel agent platform.

## 5.4.5 Leading global travel distribution platforms

Parameters	TBO	GDS			Bed banks		Channel managers		Corporate Travel management
		Amadeus	Sabre	Travelport	Hotelbeds	Webbeds <sup>1</sup>	Siteminder	RateGain	TravelCTM
Merchant of Record	Yes	No	No	No	Yes	Yes	No	No	No
Multi-product (Flights, hotels, rail, ancillaries etc.)	Yes	Yes	Limited	Limited	Limited	Limited	Limited	Yes	Limited
Flights (FSC + LCC in one screen)	Yes	Limited	Limited	Limited	NA	NA	NA	NA	NA
Hotels (Direct Supply + Third Party Supply)	Yes	Direct supply only	Direct supply only	Direct supply only	Yes	Yes	Direct supply only	Direct supply only	Direct supply only
No of Currencies	Buyers can pay in 56+ currencies	Buyers can pay in 43 currencies	Buyers can pay in 50+ currencies	NA (Supplier collects directly)	Limited	Limited	NA (Supplier collects directly)	NA (Supplier collects directly)	NA (Supplier collects directly)
B2B variety of payment options	Credit cards, Debit cards, Net Banking, Wallet balance, Credit limit, Alipay, WeChat Pay, Dragonpay, SEPA, BNPL	Credit cards (VISA / Mastercard), Payout portal, Corporate Wallets, B2B Wallets	Virtual payments	eNett Virtual Account Numbers (VAN), Virtual credit cards through the Conferma Pay Settlement Platform	Credit card (MasterCard, Visa or American Express), Bank transfer	Virtual credit card	Primarily credit cards (Visa, MasterCard, American Express, JCB, Union Pay, Discover, Diners Card), virtual cards, ApplePay and GooglePay	Primarily credit cards	Primarily Credit cards
Business support aids and content*	Yes (TBO Academy)	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited

Note(s): \*Limited as they provide only content limited to training modules of their own platforms or webinars on how to recover after Covid or boost their sales. Whereas TBO empowers the travel buyers enabling them to manage their business efficiently, providing a learning tool to learn about new destinations along with providing training modules or webinar.  
1 indicates Webbeds is travel brand of Webjet limited.

Legend	Yes	Limited	No	NA
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Broadly there are 4 categories of players in travel distribution viz. GDS, Bedbanks, Channel Managers and new age tech platforms. Globally there are three major GDS which are Amadeus, Sabre, Travelport. These platforms primarily act as a distribution channel for full service carriers (flight tickets). Bed banks primarily distribute hotel content, their model primarily relies on wholesale buying and selling of hotel rooms. Two large Bedbanks on global level are Hotelbeds and Webbeds. Channel managers provide dynamic connectivity and multi-channel distribution platform for hotels and accommodation providers. There are channel managers like Siteminder and RateGain, which solves for the specific needs of hotels and accommodation providers. Lastly, there are new age tech platforms like TBO which distribute multiple travel products across their network.

TBO's core business offers wide range of travel products on one single platform. TBO provides multi-currency payment options, and localized platform in several regions. There is a focus on providing localized service catering to a specific market. TBO's business model and product offerings is such that there is hardly another travel distribution platform at global scale offering similar products and services. There is hardly any comparable listed player in India or abroad which is of comparable size, belonging to the same industry or follow a similar business model, however, bedbank business of Webbeds (subsidiary of Webjet) is a comparison which offers one or more notionally or feature-wise similar products and services. Webjet is listed in Australia and also runs an OTA business. Apart from that, TravelCTM is a distant comparable, however their entire focus is on corporate travel.

In comparison to other players, TBO provides comprehensive travel inventory access across flights, hotels and other ancillary products. Additionally, TBO supports with highest number of currencies with forex assistance for buyers when compared to other players and wide variety of payment options thus making TBO emerging out as one of the leading travel distribution platform in the global travel & tourism industry. TBO operates across 120+ countries and thus providing forex assistance enables buyers to pay in their own local currency and the suppliers to be paid in their own currency.

The TBO technology allows for new travel products to be added with very limited or no additional effort. TBO's global distribution network and the growing global payments platform makes TBO the most effective marketing, sales, and distribution channel globally.

#### 5.4.6 Financial analysis

Particulars (FY2022-2023)	TBO	RateGain*	Webjet*	TravelCTM
<b>Monthly Transacting Buyers (number)</b>				
- India	17,897.00	NA	NA	NA
- International	6,633.00	NA	NA	NA
<b>Total</b>	<b>24,530.00</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>GTV (INR million) - Source Market</b>				
- India	134,079.54	NA	NA	NA
- International	89,156.09	NA	NA	NA
<b>Total</b>	<b>223,235.63</b>	<b>NA</b>	<b>237,998.12</b>	<b>490,701.68</b>
<b>GTV Mix (%) - Source Market</b>				
- India	60.06%	NA	NA	NA
- International	39.94%	NA	NA	NA
<b>GTV (INR million) - Product</b>				
- Air	123,604.53	NA	NA	NA
- Hotels and Ancillary	99,631.10	NA	NA	NA
<b>Total</b>	<b>223,235.63</b>	<b>NA</b>	<b>237,998.12</b>	<b>490,701.68</b>
<b>GTV Mix (%) - Product</b>				
- Air	55.37%	NA	NA	NA
- Hotels and Ancillary	44.63%	NA	NA	NA
<b>Revenue from operations (INR million) - Product</b>				
- Air	3,205.03	NA	NA	NA
- Hotels and Ancillary	7,221.56	NA	NA	NA
- Others	219.28	NA	NA	NA
<b>Total</b>	<b>10,645.87</b>	<b>5,651.28</b>	<b>19,957.78</b>	<b>36,152.93</b>
<b>Take Rate (%) - Product</b>				
- Air	2.59%	NA	NA	NA
- Hotels and Ancillary	7.25%	NA	NA	NA
<b>Total</b>	<b>4.77%</b>	<b>NA</b>	<b>8.39%</b>	<b>7.37%</b>
<b>Gross Profit (INR million) - Product</b>				
- Air	1,900.78	NA	NA	NA
- Hotels and Ancillary	5,240.71	NA	NA	NA
- Others	184.89	NA	NA	NA
<b>Total</b>	<b>7,326.38</b>	<b>NA</b>	<b>NA</b>	<b>35,631.31</b>
<b>Revenue from operations (INR million) - Source Market</b>				
- India	3,983.87	NA	NA	NA
- International	6,662.00	NA	NA	NA
<b>Total</b>	<b>10,645.87</b>	<b>5,651.28</b>	<b>19,957.78</b>	<b>36,152.93</b>
<b>Take Rate (%) - Source Market</b>				
- India	2.97%	NA	NA	NA
- International	7.47%	NA	NA	NA
<b>Total</b>	<b>4.77%</b>	<b>NA</b>	<b>8.39%</b>	<b>7.37%</b>
<b>Gross Profit (INR million) - Source Market</b>				
- India	2,352.24	NA	NA	NA
- International	4,974.14	NA	NA	NA
<b>Total</b>	<b>7,326.38</b>	<b>NA</b>	<b>NA</b>	<b>35,631.31</b>
<b>EBITDA (INR million)</b>	<b>1,818.45</b>	<b>846.50</b>	<b>7,382.84</b>	<b>8,886.80</b>
<b>Adjusted EBITDA (INR million)</b>	<b>1,989.61</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>EBITDA Margin (%)</b>	<b>17.08%</b>	<b>14.98%</b>	<b>36.99%</b>	<b>24.58%</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>18.69%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

Notes:

*The financial information of TBO is sourced from the Restated Consolidated Financial Information whereas the information with respect to Rategain, Webjet and TravelCTM has been sourced from publicly available company annual reports. Accordingly, such information may not be entirely comparable.*

\* Indicates COGS was not disclosed by company clearly in their annual report

1. *Monthly Transacting Buyers are the average number of Buyers with net positive sales (which is calculated as fresh bookings minus cancellations) during each month computed for the relevant year / period.*
2. *GTV is computed as total sales net of cancellations during the year / period.*
3. *Take Rate is computed as revenue from operations divided by GTV.*
4. *Gross Profit is computed as revenue from operations less service fees.*
5. *Gross Profit Margin as a percentage is calculated as Gross Profit divided by revenue from operations.*
6. *EBITDA is calculated as restated profit/(loss) before tax plus tax expense plus finance costs plus depreciation and amortisation expenses plus exceptional items minus other income and other gains/(losses) net.*
7. *Adjusted EBITDA is calculated as EBITDA plus share issue expenses plus employee stock option expense plus share of loss of joint ventures.*
8. *EBITDA Margin is calculated as a percentage of EBITDA divided by revenue from operations*
9. *Adjusted EBITDA Margin is calculated as a percentage of Adjusted EBITDA divided by revenue from operations.*

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**We will be happy to share perspectives**

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