

INDIANVOYAGE.COM

THE CASE OF INTERNETRENEURSHIP

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*The case study narrates the experiences of **Indianvoyage.com**, a dotcom venture, started by two management students in an Indian Business School to tap the niche of 'information on tourism in India' during 2001. As various forces in the extraneous environment started influencing the portal's performance, the viability of the duo's business model started getting exposed, and the situation turned grave. The case study has been developed with the prime objective of projecting the importance of designing the business plan to execute the Internet business strategies.*

It was the Christmas Eve of 2002. With jingles all the way, the Business School campus was in an upbeat mood. Amit watched the carols passing by the cafeteria, standing in the first floor balcony of the hostel. He stood there for a while, peeping through the recent best seller 'Selling On The Net' by Uma Nair. On finding the darkness in his best friend Ritesh's room, he walked towards that and pushed open the door.

Switching on the light, Amit found Ritesh sitting in a lousy mood leaning on the table. "Hey come on man! Let's join the Christmas Party going on the roof top garden." said Amit with mock-happiness. Ritesh raised his head and said, "Do you really mean it? Why the hell did we do all this? This has drained me off my peace as well as the little hard earned money I had." Amit patted on Ritesh's back with regained confidence and said "We will tackle the situation. Don't worry my friend ... Anyway we would be meeting Ms. Alka tomorrow evening; and we shall see how things will work out then. Now, let us join the party."

The Duo's Venture

The duo Ritesh and Amit had been close friends since they joined Amrita Institute of Management, Coimbatore, India in June 2001. Ritesh was a Systems guy graduated from REC Trichy with flying colours in Computer Science Engineering, whereas Amit was a Business Administration graduate whose domain of interest was Marketing. As business partners, they thought they were a great fit.

www.indianvoyage.com was an exclusive portal, offering information on Indian tourist spots, was launched by the duo on 3rd April 2002. After gathering adequate information on various portals, the duo identified 'information on tourism' as the niche to tap. The indianvoyage.com had lots to offer. Speak of anything on tourism, the site had it. Right from the distance between the netizen's hometown to the selected tourist spot, to booking facilities in all categories of hotels were even made available through this portal. Their e-business model was basically a Supplier Model. Indianvoyage.com was the brainchild of Ritesh, and it took off with the help of the Marketing wizard Amit's ideas who had a passion for building relationships with the people outside.

The Market Structure

The Internet bubble has only just risen on the Indian horizon by mid 1990's. To keep it afloat, it is important to remember that the net economy is not merely a new age fever that has gripped the country's brave hearts. The steadily growing Internet usage in India is prompting advertisers and marketing professionals to address such questions pertaining to media consumption patterns.

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What makes the travel industry's passage to the Net so interesting is its size (Rs.28,000 crores in India, equivalent to US\$ 6 billion, by March 2001) and its unorganized nature. The travel sector includes every thing from transport and accommodation to catering and entertainment. The typical business model of a travel site is a hybrid of both B2B and B2C models. At the one end, there is the strategic alliances with various partners – travel agents, hotels, and airlines; and at the other end, there's the interface with the consumer. Apart from a few e-commerce enabled exceptions, most of the Indian sites are concentrating on building up information, content, and the infrastructure backbone.

Information is particularly a nebulous factor for international travel site, as unlike the previous year, they not only compete with international majors, but also with the travel sections of large horizontal portals. Aggregation of content across the value chain -airlines, hotels, and travel agents -will be the key for domestic travel sites. In order to survive, travel portals had to maintain some form of value-added intermediation. There has been a shift in the way people are looking at the web business. Initially, it was the number of hits on a web that mattered, while at a later stage the page became important. What matters today is whether a Web business has a relevant revenue model. Revenue from advertising had been identified as a basic revenue model. Unlike in the beginning of the year 2000, the Internet Venture Capitalists (VCs) have changed their voice. VCs are found to be discouraging the Netpreneurs (Internet entrepreneurs) from getting into the niches populated by other players. With the Internet subscriber-base in India expected to cross 16 million by 2003-2004, the need to tap the medium effectively is now coming under focus. Given the dynamics of Internet economy, profits are really a long way off. India most familiar portal *rediff.com*, which has filed its draft prospectus with the US securities and Exchange Commission for a proposed NASDAQ listing, admits that profits are still years away.

Indianvoyage.com Packages

The *four* packages planned by the duo were Economy package, Premium package, Super premium package, and Royal package. All these packages included the common services like tour arrangement, tour operation, hotel booking, and guide services. They had tie-ups with around 32 hotels all around India, and a few tourism services in select Indian tourist locations, viz. Kerala, Ooty, Kodikanal, Shimla, Agra, and Jaipur.

Competition

The entry of mega portals on tourism such as www.travel-india.com offered more exclusive and elaborate information on various features of the tourist locations. Travel-india.com's strategic acquisition of two start-ups did click as it was not only a matter of order fulfillment, but it also helped to build brand-equity. At travel-india.com, one could book flights online and get instant status information on all international and domestic flights at special fares. To find or to book a flight, to reserve a room, to rent a car, to book a cruise, travel-india.com would do it for its customers. During festive- seasons as well as for the wedding seasons, they offered exclusive packages such as holiday packages for the newly weds and honeymooners. Information on domestic and international airfares, exclusive features on major tourist attractions of the world, and even expert commentaries on travel and tourism were available through this site. In line with this, Indianvoyage.com did not provide any consultancy service.

There are various other tourism portals also, offering information on tourist spots in India as well as abroad. The exclusive promotion tools such as free gift to the first hundred visitors to the famous Ajantha and Ellora caves of India, free guide services to the remotest places, and the like were the unique features of the competitive packages. The links between the respective tourism boards of the state and the tourist portals had indeed helped in the smooth transaction of their business. The major portal of India indiainfo.com had links with Videsh Sanchar Nigam Ltd. of India, which attracted many customers. Travelmartindia.com has received Venture Capital funding from Citibank Private Equity. The idea which attracted Citibank to this project was that, it tried to change the existing travel industry norms - travelmartindia.com allows one to buy discounted air tickets on its site, and has also introduced a reverse auction: the idea to entice an average Indian to travel, and that too within his budget. They give the privilege to travel at one's own quoted price. For this, all one has to do is to visit the travelmartindia.com site and bid a price he/she is comfortable with for airline tickets or hotel accommodation. Then travelmartindia.com matches the bid with any existing hotel stay available within the range. The same goes for the airline tickets also, which is applicable for both domestic and international flights. The travelmartindia.com has tied up with over 30,000 hotels and 550 airlines around the world.

A giant in travel and tourism industry, Thomascook.com, is investing Rs.26 crores in technology over the next two years that will result in other distribution channels opening up. They have implemented the SAP, becoming the first travel services company in the world with that high-end ERP system. Now customers will be able to log on in at www.thomascookindia.com, make the bookings online and get tickets home delivered. E-commerce, DTH, teledirect, Thomas Cook is prepared for all. Thomas Cook has climbed down from its premium perch to offer 'value for money' deals that made the competitors run for their investment.

The biggest strength of the competitors was their efficient logistics and supply chain that was a pitfall for indianvoyage.com. The former had tie-ups with giant tourist services like Thomas Cook, and Cox and Kings. In the midst of these situations (the total number of portals proliferating 60,000 domain names registered out of India!), it is natural that many of the players faced with the unassuming competition, leading to either one of the outcomes - merge or perish.

Promotion

With the savings of work experience as a computer programmer with Tata Consultancy Services, Bombay office, before joining the management programme, Ritesh gave the final shape to his long cherished dream. The duo identified newspaper display ads in the classified-column as well as the newspaper-inserts as the promotion tools to let the public know about their advent. With all these little but effective advertising with the limited amount of Rs.50,000/-, the indianvoyage.com was an initial success. The right time of launching also added to its initial success. Growing requirements of information from various corners and the complexity of the operation prompted the founders to bring in a Chief Operating Officer from outside, which paved way for the entry of Miss Alka Tushar, who was a dotcom-experienced young energetic lady with an MBA in Marketing from the Southern Indian University of Kerala. Ms.Alka was earlier working as Vice President (Business Development) with a dotcom start-up at Bangalore, operating in the agricultural sector.

The Performance

The portal was launched on April 3rd, 2002 with the aid received from the Incubator VC, IndOcean; and was the right time to launch a tourist portal since it was the summer vacation period at Amrita Institute of Management. The indianvoyage.com had opened regional offices at 5 different locations in India: at Cochin, Bombay, Shimla, Chennai, and Bhubaneswar with 2 tour operators assigned to each office. The respective tour operators would take care of the operations in their region. Government of India has announced year-2001 as the Visit India Year. Travel industry and the Government of India were making concerted efforts to promote tourism and increase tourist inflow into the country; and the efforts have got activated further after the September 11 incident of the USA. Government had set a target to attract 5 million tourists to India for the year-2003. This is about 47 per cent more compared to year-1997. (Statistics say, 2.37 million tourists visited India during 1997, which includes 0.4 million from Pakistan and Bangladesh). India had missed promoting tourism in the year of its golden jubilee celebrations of Independence and the Kala Chakra by the Dalai Lama in Himachal Pradesh. The Government was planning to set up interactive Websites too for promoting tourism. The Government was also planning to issue visas after the tourists and business travelers arrive India.

But soon the situation turned grave. indianvoyage.com could not establish relationship with the domestic airlines and therefore online ticket booking didn't take off. As the domestic airlines did not offer discounts, the company had ruled out the customer friendly reverse auction option. Globally, maximum revenue comes from the online ticketing segment. Hotel bookings offered a good source of commission; but for the hotels registered initially, most of the hotels were not online. The efficiency of the tour operators added on to the pitfall of the business-system.

Their revenue model was not properly defined even though the lion share of their income came from commissions from hotels. As months passed by, it also became increasingly clear that there were not enough advertising revenues to go around. While revenue dreams were patchy, expenses had mounted. As sites proliferate, getting attention – and pulling people to the site – started becoming more costlier day by day. To make the conditions worse, the restrictions put in by the Government of India on tourism in the northern state of Kashmir and some other eastern states (due to the internal troubles) was a serious blow to the Indian tourism industry. The company's failure to provide the updated information about the newly arising tourist spots that were not

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previously visited by the people, turned out to be a major drawback. There was an increasing trend among the tourists to go for such places rather than the popular tourist spots. It reflected in the traffic to the site and revenue showed a drastic decline. The sales curve plummeted from an average of 1000 users per month in the initial 3-months to an average of 300 users per month during November 2002. The VCs are also found to be taking a short-term break. They have decided that, there would be no more subsequent round funding for most of the beneficiaries, as they were expecting a small bubble burst in the dotcom scenario.

The Future

Beneath the foot-hills in the small campus-office of the company, the three key persons behind Indianvoyage.com rehashed the events of the past nine months. The *coke* is hot, and the few remaining *pizzas* were cold!

“Bring in some ideas, or get ready to perish... I know I’ve digged my own graveyard”, mumbled Ritesh in his most frustrating mood. Amit and Alka looked at each other’s face. There was a long silence.

“It is high time that we should think about attracting business tourists?Yeah! that ‘s right !!! I just thought of it. A hybrid model is essential for us to survive, said Amit, the co-founder of Indianvoyage.com.

Ms. Alka continued, “Yes, business travelers typically have some free time when they are away from home. They are most likely to participate in our business, and you see the effort required is minimal and the risks is also low”.

“Yeah, but what can we expect from them?”, quipped Mr. Ritesh shaking his head.

“Please Ritesh, let me complete...”, pleaded Alka, and continued...

“Hotels typically serve as the starting point in terms of providing information and tourist options. Longer-staying guests at the new extended hotel properties must also be looking for some evening and weekend tourism options. Often overlooked is the tourism potential for business travelers in transit at airports for more than three hours, apart from duty-free shopping.

By offering travelers an opportunity to see a bit of the country around the airport, they may be encouraged to return for a planned stay. A growing number of business travelers bring families on business trips. This creates an opportunity to work with hotels and convention centers to develop new offerings for children and spouses during business meetings.”, said Ms. Alka Tushar. Then she added, “we can even think of ‘child-friendly package’ for business executives travelling with children. We should also put in efforts to attract and divert the Non-Resident Indian traffic.

“I hope, you are all aware of the state of our bank balance. The pruning by our VC is another head-ache”, grumbled Mr. Ritesh with a sarcastic smile.

“Ritesh, come on man! It’s not the time to crib. Now let us raken our brains to get the ideas proper to rejuvenate ourselves.” exclaimed Alka.

“We have to admit the fact that, we didn’t really succeed in attracting enterprises for using banner ads facility provided in our portal. Moreover, the sheer appearance of our portal also needs to be made more attractive”, opined Amit.

“Do you really think, it’s that much of a problem?” exclaimed Ritesh.

“One more idea which came to my mind is the ‘cultural tourism’, said Amit.

“Out of all things on earth, what’s that?” Ritesh grumbled again.

“You know ‘travel’ that is directed toward experiencing arts, heritage, and the special character of a place. The idea of incorporating culture into the travel itinerary is nothing new. But exploiting and using the same for our kind of business is really new”, exclaimed Amit philosophically.

“That’s indeed a great idea...”, supported Ms. Alka. and added “ It is high time that we need to think about international packages. I shall read out an excerpt from a recent best-seller.”, and continued:

“...with Indians getting more adventurous and the Reserve Bank increasing the foreign exchange allowance for the overseas travelers to \$3000 annually, outbound leisure traffic is on the rise, increasing 30 percent a year. Domestic leisure travel has been stagnant, in comparison”.

“Should we burn our fingers again?” asked Ritesh pessimistically. He continued, “I am running out of veins... But we have to devise some unique strategies to save ourselves. I have started thinking of M&A, as you know the situation here is ‘do or die’.”

Questions for Discussion

1. What segmentation, targeting, differentiation, and positioning problems do you see in the case of Indianvoyage.com?
2. What went wrong with the business plan followed by Ritesh and Amit during the first nine months of their dotcom venture?
3. Analyse the marketing mix (Product, Price, Promotion, and Place) strategies used by the duo in their venture.
4. Comment on the e-business model used by the duo for their venture.
5. Analyse the ideas put forth by the three-member team (which is narrated towards the end of the case), and propose a concrete business plan for the forthcoming year, and a new business model (if you think so) for the duo’s venture.

Exhibit-1: Pricing at Indianvoyage.com

Service	Particulars	*Price
Business package	Arranges travel facility, hotel and conference room booking facility according to the need of the customer.	6,975
Leisure tours	Inbound product brands include Andaman & Nicobar islands.	9,000
Holiday tours	Summer tours to all the major hill stations in India. Shimla, Darjeeling, Coorg, and Ooty .	13,500
Honeymoon - Packages	Special packages to Nepal and Mauritius	45,000
Pilgrimage -package	Tours to Rishikesh, Amarnath, Badrinath, Mathura, Varanasi, Vaishnodevi temple	9,000

**Prices in Rupees (US\$ 1 = Rs.48/- approximately)*

Exhibit-2: Packages offered by the Three Major Competitors

Location	Package	*Price of package
1. Net2travel.com		
Islands	Maldives	30,735
Islands	Mauritius	33,950
Islands	Seychelles	42,355
Africa	Cape Town	47,515
	Egypt	28,350
Nepal	Kathmandu	17,950
India	Lakshwadeep	10,290
India	Goa	7,125
2. IndianPanorama.com		
India	Goa	9,050
USA	San Fransisco	67,350
USA	Los Angles	67,485
3. Steal-a-deal.com		
Island	Mauritius	33,275
Island	Seychelles	42,175

**Rates in Rupees (US\$ 1 = Rs.48/- approximately)*