



# MARKET INSIGHTS

## EUROPEAN TRAVEL COMMISSION

MARKET INTELLIGENCE GROUP

## INDIA

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This Market Insight is one of an ongoing series of market profiles produced by the Market Intelligence Group [MIG] of the European Travel Commission [ETC]. New market profiles will be added to the series and updated at regular intervals.

The members of the MIG comprise the Research Directors of the 37 National Tourist Offices (NTOs) that are members of ETC. The group regularly commissions and publishes market intelligence studies, handbooks on methodologies and best practice, and facilitates the exchange of European tourism statistics on the 'TourMIS' web platform.

More information on ETC's programme of market intelligence activities - including links to studies and sources of European tourism statistics - can be found on the organisation's corporate website: <http://www.etc-corporate.org>.

## OVERVIEW

- India is climbing rapidly up the world rankings for outbound tourism. UNWTO figures for 2005 suggest that India ranked 24th that year, in terms of international travel expenditure, with a total spend, excluding transport, of US\$5.9 bn. Preliminary results for 2006, based on trends for the first nine months, point to a growth of 28% - higher than for any other market in the world except Poland.
- Outbound trip volume in 2006 is estimated at 8.3 mn, up 16% over 2005. 2006 was the third consecutive year of double-digit growth. The average annual growth was 11% in 2000-06 and 9.5% in 1995-2006 - needless to say well above the world, or even regional, average.
- There are many positive factors influencing Indian demand for outbound travel. The national economy is strong, with GDP growing by around 8.5% per annum. Middle-class disposable incomes are rising extremely fast. Airline capacity has risen sharply. And, thanks to the liberalisation of exchange controls, Indians are now allowed to take up to US\$10,000 per annum abroad for leisure trips.
- India's growing openness to the outside world has also stimulated foreign travel, especially among the younger generations. More Indian students are studying in other countries than those of any other nationality, except perhaps China. And the number of US visas issued in India reportedly doubled in 2006, to over 800,000 - more than in any other country, barring Mexico.
- Most importantly perhaps, the size of the Indian middle class socio-economic group, dubbed by McKinsey as 'aspiring India', is currently somewhere over 350 million - the size of the entire US population! - and is growing at an estimated 40-50 million a year.
- 180 mn Indians are English-speaking (three times the population of the UK). 43 mn have credit cards and 60 mn have cellphones (and the number of cellphone subscribers is growing by more than 5 mn a month).

- Although demographics is the key driver of outbound travel demand, this has also been boosted by the large numbers of foreign national tourism organisations (NTOs) establishing a presence in India, by the NTOs' aggressive promotions, and by the introduction and growth of low-fare airline services.
- Several European countries rank among Indians' ideal destinations but, in practice, most Indians travel to Middle East and Asian destinations (with the Middle East primarily attracting business travellers and worker traffic). Only the UK ranks among the top ten destinations.

## COUNTRY PROFILE

### Currency

- Rupee (Rs)                      €1 = Rs57.05 (2006)
- The rupee remained roughly stable in trade-weighted terms in 2002-06, generally rising against the (weakening) US dollar and falling against the (strengthening) euro and yen.

### Population

- The total population in 2005 is estimated at 1,120 mn – 341 per km<sup>2</sup>.
- The Indian population is still growing moderately rapidly, by 1.4% a year. It is expected to overtake China's within the next 50 years.
- It is also relatively youthful, and is ageing fairly slowly. Those aged 0-24 account for 51% of the total, 25-54 for 38% and those over 55 for 11% (see following table).
- As already indicated, there is a growing affluent middle class – and some 70,000 have a net worth excluding their primary residence of more than US\$1 mn, according to Merrill Lynch's *The World Wealth Report*.
- This number is growing by an estimated 15% a year. But it is important to remember that the overwhelming majority of the population still live in poverty and cannot think of travelling abroad.

### Age

Breakdown (%)	2005	2020 <sup>f</sup>
0-4 years	10.9	8.7
5-14	21.2	17.6
15-24	19.1	17.4
25-34	15.5	16.6
35-44	12.7	13.6
45-54	9.3	11.1
55-64	6.0	8.1
65-74	3.6	4.6
75-84	1.4	1.9
85+	0.3	0.5

### Ancestry & Migration

- There are large communities of Indian descent in different countries around the world – totalling an estimated 20 mn – including both non-resident Indians (NRIs) and those of Indian origin who have acquired citizenship of other countries (termed PIOs). The countries with the largest numbers of both combined are (2002 estimates):

Myanmar	2.9 mn	USA	1.7 mn
Malaysia	1.7 mn	Saudi Arabia	1.5 mn
UK	1.2 mn	South Africa	1.2 mn
UAE	1.0 mn	Canada	0.9 mn

## Language & Religion

- The national language is Hindi, but many people speak another language as their mother tongue, including Bengali, Telugu, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Onya, Punjabi, Assamese, Kashmiri, Konkani, Sindhi & Sanskrit. The country has a total of nearly 20 mother tongues. But an estimated 180 mn, including most of the Indians affluent enough to travel, speak English well.
- The majority (83%) of the population is Hindu, 11% Moslem and 2% Christian. Others include Buddhists and Jains.
- Indians are also divided into countless castes, which are still relevant in social relationships.

## Economic Data

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07 <sup>f</sup>
GDP (Rs bn)	22,813	24,497	27,602	31,214	35,315	39,772
Real GDP growth (%)	5.2	4.6	8.3	8.5 <sup>e</sup>	8.5 <sup>e</sup>	8.5
GDP per capita (US\$)	460	480	550	630	720	780
Inflation (%)	4.3	4.0	3.9	3.8	4.4	6.0

Note: Fiscal years ending 31 March

## India's Economy 2004-05

- India's economic growth seems to have stepped up a gear, and the country's prospects are now frequently ranked alongside China's. This success is a relatively recent development and whether it can be sustained remains an open question – although most analysts are bullish.
- GDP is estimated to have increased in real terms by about 8.5% in both 2004/05 and 2005/06. It was forecast to increase by about 7.5% in 2006/07, but it seems that this may well be exceeded.
- Some regions of India (mostly in the south) are becoming more affluent, but others (notably the densely populated states of central and northeastern India) remain among the poorest communities in the world. About 400 mn people still live on less than US\$1 per day. But there is also a large and fast-growing middle class, a small proportion of whom are growing very affluent. Estimates suggest that 300-350 mn people live in households with incomes above US\$2,000/year and 58 mn in households with incomes above US\$4,400/year, and that the former's numbers are growing by 40-50 mn a year.
- Inflation in recent years has averaged about 4% a year, but it is forecast to rise to about 6% in 2007.
- Consumer goods tend to be expensive in India, but staple foods and services (including good-quality tourism services) cheap. Overseas travel is therefore a relatively expensive, but highly aspirational, option for affluent Indians.

## TRAVEL PROFILE

### Indian Outbound Trips

	2000	2001	2002	2003	2004	2005
Total (mn)	4.42	4.56	4.94	5.35	6.21	7.18
% annual change	7.5	3.2	8.3	8.3	16.1	15.6

- Preliminary estimates point to a further 16% growth in outbound trip volume in 2006 to 8.3 mn.
- IPK International's *Indian Outbound Travel Monitor* – part of the group's *World Travel Monitor* – indicates that 67% of Indian outbound travellers go to Asian and Middle East destinations, 19% head for Europe, 9% to the Americas, 3% go to Africa and 2% to Australasia. But these estimates should be treated with caution as figures from other sources vary considerably.
- Approximately one-third of all Indian outbound travellers come from Mumbai, 26% from Delhi, 17% from Bangalore, 15% from Kolkata and 9% from Chennai.

## International Travel Expenditure (excl transport)

	2000	2001	2002	2003	2004	2005 <sup>e</sup>
Total (US\$ mn)	2.70	2.90	2.99	3.59	4.80	5.90
% annual change	na	2.4	3.1	20.1	33.7	22.9
Spend per trip (US\$)	611	636	605	671	773	822

- Preliminary figures for 2006, based on the first nine months, suggest an increase of 28% in outbound expenditure in local currency terms (and therefore a little less in US dollar terms).
- Indians are a particularly attractive market for retailers as they love shopping (50% say that shopping is one of their main reasons for travelling abroad). According to ACNielsen, 73% buy duty-free goods.
- The average spend per trip abroad was only US\$822 in 2006. However, this figure was depressed by the high proportions of VFR and business travellers. Business travellers stay a shorter time at their destinations and VFR travellers spend much less per day. Holiday travellers tend to spend more (those to Singapore, for instance, are reported to spend an average of spend US\$1,500 over a 5-7 day trip). There are clearly exceptions – the UK, for example, finds that business visitors spend more than leisure and VFR visitors.

## Leading Destinations

### Arrivals from India in selected destinations ('000)

		2001	2002	2003	2004	2005
UAE	THS	246	336	358	475	na
Saudi Arabia	TF	313	374	363	474	na
Singapore	VF	340	376	309	471	584
Bahrain	TF	247	313	351	419	na
Kuwait	VF	271	314	364	413	na
Thailand	TF	230	281	254	332	381
China	VF	159	214	219	309	356
USA	TF	270	257	271	309	345
Hong Kong	TF	162	194	178	244	273
UK	TF	189	205	199	255	269
Malaysia	TF	144	183	145	173	226
Sri Lanka	TF	34	70	91	105	113
Oman	THS	62	57	83	110	na
Nepal	TF	64	67	86	90	96
Switzerland	TCE	72	80	85	na	96
Bangladesh	TF	78	80	85	80	86
Canada	TF	55	55	57	68	78
Australia	VF	48	45	46	56	68
Italy	TF	49	66	49	77	59
South Korea	VF	48	53	50	57	59
Japan	TF	40	45	48	53	59
Russia	VF	28	34	33	37	42
South Africa	TF	28	34	41	36	36
Indonesia	TF	35	35	30	36	37
Mauritius	TF	19	21	25	24	30

Note: These figures represent arrivals as reported by the destinations (TF = tourists at frontiers; VF = visitors at frontiers; TCE = tourists at all accommodation establishments; THS = tourists at hotels and similar establishments). Some destinations count arrivals by nationality rather than by country of residence.

- Although European countries rank quite highly among Indians' aspirational destinations (see below, under 'Leisure/ Recreational Activities'), not many measure arrivals from India and, of those that do, few rank among the leading destinations. Very roughly, annual arrivals in European countries may be on the following scale in 2006:

200,000-300,000	UK
50,000-100,000	France, Germany, Italy, Switzerland
25,000-50,000	Austria, Belgium, Netherlands, Russia, Spain
10,000-25,000	Greece, Portugal, Turkey
5,000-10,000	Ireland, Poland, Ukraine
Below 5,000	Bulgaria, Croatia, Cyprus, Denmark, Finland, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Latvia, Lithuania, Luxembourg, Malta, Monaco, Norway, Slovakia, Slovenia, Sweden

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## Purpose of Trip

- IPK International's *Indian Outbound Travel Monitor* suggests that business travel accounts for 55% of trips, with the balance evenly split between holidays and VFR. Mercury Travels India, whose CEO is one of the country's most experienced travel agents/tour operators, puts the business share at 40%, leisure and VFR each at 20% and other 20%.
- However, the proportions vary enormously from one destination to another. VFR can be very important in countries such as the UK, where large numbers of Indians have settled or are working as expatriates, and Australia, where large numbers of young Indians are studying. But other countries, including for instance Thailand and Switzerland, are primarily leisure destinations. The following figures come from a survey of Indian outbound travellers undertaken by ACNielsen in 2006. They show that most business and VFR trips must have leisure and shopping components.

<b>Purpose of trips (%)</b>	<b>Primary</b>	<b>Secondary</b>
Business	57	3
Travel & sightseeing	22	52
Visits to relatives	9	10
Entertainment	6	36
Study & training	3	2
Shopping	2	71
Honeymoon	1	1
None	0	8

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## Nature of Trip

- Length of trips by Indians tends to be substantial (except to destinations in Southeast Asia, which are often of a maximum five days). Australia finds that in most years the average for VFR visits is 5-6 weeks, for business trips three weeks and for holidays two weeks. The averages for trips to the UK are not dissimilar: 39 days for VFR, 20 days for business and 10 days for holidays. The overall average length of stay for the UK rose from 20 days in 2000 to 27 days in 2004.
- First-time Indian outbound travellers are likely to take package tours but, in the main, Indians prefer independently organised trips (FIT), except to destinations with which they are not familiar. ACNielsen shows that leisure trips to Australia and Africa are predominantly package tours (with a 58% and 57% share respectively), while the share of package tours is much lower to Asia (41%), Europe (33%) and the Americas (32%).

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## Seasonality

- There are no statutory holiday entitlements in India, but 30 days holiday is usual for those working in offices.
- The peak months for travel to Europe are reportedly May-July and October-December. However, there is no sign of the fourth-quarter peaks in data for the UK (which shows quite erratic patterns in recent years, with a peak in April-June coinciding with the long summer holidays) or Switzerland (which shows a strong peak in May-June, declining steadily through the rest of the year to very low levels in December through February).

- National public holidays include Republic Day (26 Jan), Labour Day (1 May), Independence Day (15 Aug) and Mahatma Gandhi's birthday (2 Oct). Hindus, Sikhs and Jains celebrate many festivals, which vary by region. Muslims, Christians and other religions celebrate their own festivals.

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## Accommodation

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- Indians on package tours tend to opt for 3- or 4-star hotels, while independent travellers often choose more upmarket accommodation. However, the majority of VFR travellers stay with family and friends.

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## Leisure / Recreational Activities

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- Indians enjoy a wide range of activities, but social and cultural factors may limit these in individual markets. In Europe, they are reported to place a strong emphasis on enjoying the landscape and the weather, and on historical and cultural sightseeing. Shopping is an important component in all destinations. In Europe, it seems to be concentrated on souvenirs and presents for family and friends back home.
- Branded goods are becoming increasingly important for Indians, especially the younger generations.
- European countries rank very high among Indians' aspirational destinations. The following comes from *The Thomas Cook Travel Survey 2006*.

### Indians' top 20 aspirational destinations

Rank	Destinations	Weighted scores
1	USA/New York/other US destinations	2,044
2	Singapore	1,946
3	UK/London/Scotland	1,801
4	Switzerland	1,278
5	Australia	1,242
6	Malaysia	1,128
7	Europe	957
8	Mauritius/Seychelles	807
9	Dubai	639
10	Thailand	619
11	Hong Kong	479
12	France/Paris	447
13	New Zealand	276
14	South Africa	269
15	Canada	204
16	Italy/Greece	202
17	Egypt/Cairo	164
18	Sri Lanka	143
19	Nepal	114
20	Germany	107

Note: Respondents were asked to rank top five destinations of their choice for a holiday – whether or not they had already been there

- Indians seem to be attracted to Switzerland by its mountain scenery, reminiscent of the Himalayas, and increasingly familiar thanks to the growing number of Bollywood films shot in the country (35 in 2005). They may be attracted to the UK for historical and cultural reasons and by their passion for cricket – and the UK becomes more affordable for visitors with friends or relatives living there.

## PROFILE OF TRAVELLERS

### Nature of Overseas Travellers

- Nearly two-thirds of Indian visitors to Europe are male.
- Indian outbound travellers are predominantly aged 25 to 54. The numbers of children (under 16) visiting Europe have declined, but those over 55 have increased.
- The numbers of repeat visitors are rising. The UK finds that 60% of Indian arrivals have visited the UK within the last ten years. ACNielsen's 2006 survey of outbound travellers found that 28% of business travellers and 31% of leisure travellers travel once a year; 14% of business travellers and 4% of leisure travellers go abroad two or more times a year.

### Education

- The latest ACNielsen survey of Indian outbound travellers found that 32% were professional graduates, 53% general graduates, that 9% had some college education, and only 6% simply school education. These figures illustrate the privileged social status of Indian international travellers.

### Occupations

- The following breakdown (%) also comes from ACNielsen's survey of outbound travellers:

Businessmen & industrialists	41
Senior/middle officers & executives	30
Self employed professionals	10
Junior officers & executives	6
Shop owners	3
Supervisory level employees	3
Manual labourers	3
Clerical employees & salesmen	2
Students	2

### Travel Companions

- A significant share of trips to Europe are taken by families with children, but exact breakdowns are not available.

## AIR TRANSPORT

### Airports

- Until recently, only five airports – Mumbai, Delhi, Chennai, Kolkata and Trivandrum – were considered as international gateways. However, the rapid development of direct flights from other airports to foreign destinations forced the government to confer international status on Ahmedabad, Amritsar, Bangalore, Goa, Guwahati, Hyderabad, Nagpur and Srinagar. Kochi is also considered an international gateway, albeit with a private status.
- The Indian Government plans to invest around US\$10 billion over the next decade to upgrade infrastructure at India's main airports and to modernise air traffic services. Among the priority tasks are: the restructuring of operations and modernisation of facilities at Mumbai and Delhi, India's two major airports, which have now been partially privatised (investments of up to US\$3.5 billion will be required over the next two decades); and the creation of seven new Greenfield airports. The first two are currently being built in Bangalore and Hyderabad (leading centres of India's IT industry), and are due to open in 2008.
- A recent phenomenon has been the development of point-to-point international services to cities outside India's traditional gateways. In fiscal 2000/01, Mumbai, Delhi and Chennai had a combined market share of international passenger traffic of 78.8%; in fiscal 2004/05, this had fallen to 68.9%. Airports which showed the biggest gains over the four years were Bangalore and Hyderabad.
- Kolkata is also likely to increase its market share as the airport can expect big growth from low-cost airlines (LCCs) operating to/from Southeast Asia. It was also recently granted new non-stop flights to/from Germany and the UK.

- In August 2006 13 airports in Europe were served by direct scheduled flights from India: London (LHR), Amsterdam, Birmingham, Bratislava, Frankfurt, Istanbul, Kiev, Milan (Malpensa), Moscow, Munich, Paris (CDG), Vienna and Zurich.

## Airline Traffic / Capacity

- Since 2003 India has accelerated the number and scope of its (long-overdue) aviation reforms. Open-skies agreements have been signed with Australia, China, France, Germany, Hong Kong, Singapore, Thailand, the UAE, the UK and the USA. In 2005, bilateral negotiations were conducted with Belgium, Bhutan, Canada, South Korea, the Netherlands, New Zealand, Oman, the Philippines and Qatar, resulting in the granting of additional traffic rights for foreign carriers from those countries, as well as for Indian airlines. There is also a partial open-skies agreement between India and ASEAN member countries, allowing airlines from both to operate to secondary destinations in each other's countries.
- The emergence of Air Deccan as India's first low-cost carrier (LCC) and the complete lifting of restrictions on domestic aviation activities have stimulated the entry of many new players. As in many other countries around the world, the arrival of LCCs in India has had a massive impact on the market.
- On 1 March 2007, the government approved the merger of the four state-owned carriers: Air India, Indian, Air India Express and Alliance Air.
- Seat capacity between India and Europe has been increasing rapidly. By August 2006 there were 18 airlines serving Europe from India, with 276 weekly scheduled flights and 77,200 seats per week (one way). This had increased to 20 airlines offering more than 85,000 seats weekly on 287 flights by February 2007.

### Airlines operating non-stop services from India to Europe, February 2006-07

Airline	February 2007		February 2006	
	Flights	Seats	Flights	Seats
Lufthansa	44	14,690	38	12,389
British Airways	43	14,746	35	10,650
Air India	40	14,142	39	15,508
Jet Airways	27	7,209	14	3,808
Air France	24	7,227	19	5,729
Alitalia	14	2,940	13	3,076
Virgin	14	3,962	14	3,570
Austrian	13	3,280	12	2,760
KLM	11	3,417	10	3,135
Aeroflot	11	2,565	10	2,335
Northwest	7	1,701	7	1,775
Swiss	7	1,869	7	1,869
Air Canada	7	1,484	7	1,378
Turkish Airlines	7	1,470	3	630
Air Slovakia	4	927	4	824
Transaero (Russia)	4	1,057	0	0
Finnair	3	861	0	0
Eurofly (Italy)	3	723	0	0
Condor	2	440	1	220
Aerosvit (Ukraine)	2	460	2	460
<b>Total</b>	<b>287</b>	<b>85,170</b>	<b>252</b>	<b>74,024</b>

- In 2003, only three airlines served the UK market, offering a weekly seat capacity of 31,000. The number of seats virtually doubled by summer 2006 with five airlines offering 58,000 seats per week. The newcomers were Air Sahara and Jet Airways from India and bmi from the UK, but bmi was forced to suspend its Mumbai operations at the start of its winter 2006/07 schedule.
- Following the signing of the India-Germany open-skies agreement, Lufthansa became Europe's largest airline to India. By summer 2006, the German national carrier offered more than 13,000 seats weekly to five cities in India from Frankfurt and Munich. For its winter timetable 2006/07, Lufthansa has launched three weekly non-stop flights from Frankfurt to Kolkata. Its leisure airline subsidiary, Condor, also operates weekly frequencies from both Frankfurt and Munich to Goa.



- Air France and its partner Delta Airlines between them offered a total of over 7,000 seats weekly from France to India. During winter 2006/07, Air France is operating the Paris-Chennai route (three weekly frequencies) with its own aircraft, and has increased frequencies to Bangalore to a daily service. Air India has a daily flight on the Paris-Mumbai-Ahmedabad route.
- Over the last three years, many other European airlines have increased their presence in India or started operating to the sub-continent. Finnair launched three weekly flights from Helsinki to Delhi this winter and plans to up frequencies from April – taking over the route recently abandoned by SAS Scandinavian Airlines. Austrian Airlines and Swiss fly to Delhi and Mumbai from Vienna and Zurich respectively. Amsterdam-based KLM launched four weekly frequencies to Hyderabad during spring 2006.

## TRAVEL PLANNING & BOOKING

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### Travel Formalities

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- Separate visas are required for Indians travelling as tourists to the Schengen countries and all other European countries. In some cases (eg the UK) visas are also required of transit passengers. Visas are a bone of contention for travellers and tour operators as they can take so long to be granted and are generally expensive.
- The basic travel quota – the amount of foreign currency Indians can take abroad per year on leisure trips – has been increased to US\$10,000 per person.

### Travel Decisions

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- Outbound trips are typically booked three to six weeks in advance. Tourism Australia reports that 69% of holiday travellers and 56% of VFR travellers to Australia book their flights within one month of arrival. A third of travellers book 3-4 weeks in advance.
- Generally, even seasoned travellers prefer to pre-plan their itineraries. VisitBritain reports that travellers "tend not to book in haste, but prefer to compare prices to save money and negotiate with travel agents."
- As already indicated, with the exception of first-time travellers, Indians prefer to take independently organised trips abroad.

### Booking Methods

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- Bookings are still predominantly made through traditional travel agents, but the growth of low-cost carriers (LCCs) and familiarity with the internet is encouraging people to consider direct bookings more often. Of course, LCCs are more or less confined to domestic travel for the time being.
- VisitBritain reports that "customers rely on agents for an extremely high level of servicing and often make multiple changes to travel plans."
- Online travel's share of total travel bookings (in terms of value) was only 2.2% in 2005, according to PhoCusWright, but this increased to an estimated 5.1% in 2006 and is expected to exceed 10% by 2008.

### Information Sources

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- Indians in general prefer word of mouth and personal recommendations (including those of travel agents) rather than detailed reading for making their travel decisions. Although they may value literature for browsing through at their leisure, this reading may not be relevant to immediate travel decisions. Research for Tourism Australia confirms a heavy reliance on the recommendations of friends and relatives who have visited Australia or who are living there, followed by the internet and travel agents, with little influence from publications, the radio or television.
- However, this conflicts with other sources that suggest TV is extremely important in terms of reach. There are 295 TV channels in India and 305 radio stations, as well as 60,413 registered newspapers with a total circulation of some 156 mn.

### Internet & Media

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- The Internet and Mobile Association of India (IAMAI) puts the number of internet users in India in 2005 at 50 mn. However, only 1 mn households have broadband; online access is primarily through the dial up method, which cannot readily handle heavy, complex files.

- PhoCusWright estimates that the online travel market (for both leisure and unmanaged business travel) was worth US\$295 mn in gross bookings in 2005, increasing by 170% to US\$796 mn in 2006. Supplier websites generate 61% of the bookings, with traditional travel agencies accounting for 32% and online travel agencies 7%. PhoCusWright maintains that online agencies will increase share to 25% by 2008, mainly at the expense of traditional travel agencies.
- In contrast to many other markets, domestic online travel is being led by direct sales, not by sales through travel agents, and by full booking and transactions, not simply information and preliminary reservations. This is, according to PhoCusWright, due to the success of the LCCs and Indian Railways in establishing full-transaction websites (the airlines and railways accounted for 78% and 17% respectively of online travel revenues in 2005).
- One factor which favours the rapid growth of internet travel in India is the success of the offshore IT industry, which will provide a ready source of expert site developers and of internet-savvy customers. IT companies such as Infosys and Wipro have travel budgets in excess of US\$70 million. The IT industry employs 1.3 million professionals and is growing by 35% a year.

## TRAVEL TRADE PROFILE

### Tour Operators / Retail Travel Agencies

- As with inbound and domestic travel, outbound travel in India is a highly fragmented market, with over 20,000 agents spread across the country. But most are simply ticketing agents focusing largely on the domestic travel market and on selling pre-packaged tours. Few are able to cater to the demands of independent travellers going overseas. Australia, for example, has identified just 15 key agents in the cities of Delhi, Mumbai, Chennai, Bangalore and Kolkata.
- The top agents of most airlines are consolidators, operating on high volumes and low – and declining – margins through their networks of sub-agents. Competition between the larger travel agencies is fierce, with aggressive marketing and extensive use of tactical promotions. They create their own brochures and market their own programmes, and some have developed (or are developing) their own distribution networks of smaller independent agents.
- The main tour operators for outbound travel are, in alphabetical order: Cox & Kings, Dewan Holidays, International Travel House, JTB Travels, Le Passage to India/TUI, Mercury Travels, Orbit, Sahara/Global, SOTC/Kuoni and Raj Travels. All operate and retail their own tour packages.
- In the MICE sector the main specialists are: Abercrombie & Kent, Alpcord Network, Creative Travels and Thomas Cook/TCI. The leading travel management companies (TMCs) looking after corporate and leisure travel business for large corporate clients are BTI, Amex, FCM and Carlson Wagonlit.
- Star Cruises is the main cruise operator in India (it has a ship based in the country for the domestic market). It had 10,800 customers for cruises outside India in its first full year of operations. Estimates currently suggest that, in 2006, cruising attracted 50,000 Indians – up from 30,000 the previous year – and some operators believe that India could become the second largest market in Asia Pacific for cruises after Australia. Demand for European/Mediterranean cruises is still minimal.
- India has long been eyed by the leading international tour operating groups as a potentially lucrative market in which to operate, and the rapid growth of both domestic and outbound travel demand over the past decade has encouraged a number of these to enter the market, usually in partnership with local companies. Others, like Travelport, continue to look for opportunities. It is easy to set up a travel agency or tour operator in India – there is no licensing, for example – and there are some 700-1,000 start-ups every year. But, in a business with such low entry barriers, the top travel firms find it easier to acquire rivals for expansion than to grow by building up outlets in different cities.
- Consolidation is inevitable, anyway, in a maturing market, especially since the leaders between them account for a relatively small share of total business. And the traditional tour operators and travel groups will have to contend with more and more new entrants offering different forms of distribution to an increasingly captive market.

### E-travel

- Top travel portals/online travel agencies include MakeMyTrip, IndiatimesTravel, Travelguru, Yatra, Cleartrip, (Cox & King's) Ezeego1 and (Tulip Travel's) Xplorz. All were established in 2005-06. Travelocity was expected to set up in India by the end of 2006.

## KEY TRENDS AND FORECASTS

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### Key Characteristics of Indian Outbound Travellers

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- While China is a heavily controlled market which is being gradually liberalised, Indians are free to travel wherever, whenever and however they wish. Compared with many Chinese, Indians have a more relaxed attitude to travel abroad and speak much better English. The Indian travel market is already showing signs of 'maturing', with higher levels of repeat travel and an interest in high-quality and niche destinations.
  - International travel used to be an important status symbol for affluent Indians. As travel becomes more accessible and commonplace, this factor is fading, but travel experiences still have 'talk value' and are important to personal senses of identity and achievement.
  - Business and VFR trips predominate, but often include important leisure and shopping components.
  - Indian travellers to Europe are predominantly male and aged 25 to 54.
  - Length of trips by Indians to Europe tends to be substantial (perhaps 5-6 weeks for VFR, three weeks for business trips and two weeks for holidays).
  - Independent travel is more important than group and package travel for travel to Europe.
  - The great majority of overseas trips continue to be booked through traditional independent travel agents, but use of direct bookings and the internet is growing.
  - Indians enjoy a wide range of activities, but social and cultural factors may limit these in individual markets. In Europe, they are reported to place a strong emphasis on enjoying the landscape and the weather, and on historical and cultural sightseeing. Shopping is an important component in all destinations.
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### Short-term Prospects

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- The potential of India as a tourism source market is often compared with that of China. But while China has been the market to attract most attention in recent years – stimulated by widespread media hype – a number of destinations, and particularly long-haul destinations, are starting to realise that India probably offers greater potential for growth in the short to medium term and is, anyway, a much easier market with which to deal.
- The Indian economy is booming, growing by about 8.5% a year.
- The numbers of people able to contemplate travel abroad is rising rapidly. They include a small proportion with real affluence, and larger numbers on incomes which (by OECD standards) are modest but sufficient to allow them to visit friends and relatives living abroad, or to travel on a strict budget.
- Flight capacity between India and Europe is being increased very rapidly.
- For the travel trade in India, although business is growing rapidly, margins are dropping as a result of the increased competition and aggressive price-cutting. The entry of new players such as Reliance Travel, as well as online ticket sellers like TravelGuru.com, Yatra.com and MakeMyTrip.com, will further squeeze margins. However, the industry overall, estimated at US\$13.5 billion by PhoCusWright, is forecast to grow more than six-fold by 2014, and the mergers and acquisitions wave in the Indian travel industry could just be beginning.

## NOTES

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- a Multiple responses possible/percentages add up to more than 100%
- e Estimates
- f Forecasts

## SOURCES OF INFORMATION

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### Principal statistical sources (by section):

- **Country Profile:** International Monetary Fund; United Nations Department of Economic & Social Affairs Population Division; The Economist Intelligence Unit
- **Travel Profile:** Government of India Ministry of Tourism; Reserve Bank of India; World Tourism Organization (UNWTO); IPK International; Pacific Asia Travel Association (PATA); various national tourism organisations (NTOs), especially VisitBritain, Tourism Ireland, the Finnish Tourist Board, the German National Tourist Board (DZT) and Tourism Australia
- **Profile of Travellers:** IPK International; ACNielsen; Synovate; various NTOs; *The Thomas Cook Travel Survey 2006*; PATA; The Travel Business Partnership (TBP) from various industry sources
- **Air transport/Airlines:** SRS Analyser; Centre for Asia Pacific Aviation (CAPA); Government of India Ministry of Civil Aviation
- **Travel Planning and Booking:** Travel Agents Association of India (TAAI); *The Thomas Cook Travel Survey 2006*; ACNielsen; PATA; various NTOs; *The Emerging Online Marketplace in India*, PhoCusWright Inc
- **Travel Trade Profile:** TAAI and various Indian travel agents and tour operators; PhoCusWright Inc; PATA; TBP from various industry sources

## FURTHER INFORMATION

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Government of India Ministry of Tourism	<a href="http://www.tourisminindia.com">www.tourisminindia.com</a>
	<a href="http://www.incredibleindia.org">www.incredibleindia.org</a>
Government of India Ministry of Civil Aviation	<a href="http://civilaviation.nic.in">http://civilaviation.nic.in</a>
Indian Travel Agents Association (TAAI)	<a href="http://www.travelagentsofindia.com">www.travelagentsofindia.com</a>
Pacific Asia Travel Association (PATA)	<a href="http://www.pata.org">www.pata.org</a>
World Tourism Organization (UNWTO)	<a href="http://www.unwto.org">www.unwto.org</a>
IPK International (World Travel Monitor Company)	<a href="http://www.ipkinternational.com">www.ipkinternational.com</a>

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